

Technical Advisory Group

Issue Paper

AGENDA ITEM: TAGFG08-01

3 June 2025 – Virtual

Drafting changes for the ballot draft – key points

Summary	This paper summarises the key point identified in the feedback on the final draft of INPAS, the Implementation Guidance, the Basis for Conclusions and the Illustrative Financial Statements.
Purpose/Objective of the paper	The purpose of this paper is to identify the most significant issues from the final draft and to describe the action taken by the Secretariat to respond to these points. TAG members will be able to comment on the responses made in the ballot draft in order to finalise the documents for publication.
Other supporting items	n/a
Prepared by	Karen Sanderson
Actions for this meeting	Comment on the ballot draft, noting <ul style="list-style-type: none"> a) the proposed response to points raised by TAG members in their review of the final draft; and b) the paragraphs with most significant drafting changes.

Technical Advisory Group

Drafting changes for the ballot draft - key points

1. Introduction

- 1.1 TAG members were provided with a final draft of INPAS, the INPAS Implementation Guidance, Basis for Conclusion and Illustrative Financial Statements on 18 April 2025 for final review. TAG members were asked to focus on specific sections to ensure full coverage of all of the documents.
- 1.2 We received a significant amount of feedback from TAG members. This included editorial changes, suggestions for drafting improvements to improve clarity and a few issues where TAG members had more substantive comments.
- 1.3 TAG members have been provided with a spreadsheet that contains the feedback provided by members and the response made to this. TAG members were invited to share any 'fatal flaw' feedback on the response made to feedback ahead of the TAG meeting on 3 June.
- 1.4 This paper discusses the more substantive issues raised by TAG members. Annex A includes other major points raised and those paragraphs that have been subject to the most significant drafting changes. These have been identified to allow TAG members to provide scrutiny over the drafting amendments and ensure that the updated drafting does not have unintended consequences.
- 1.5 The ballot drafts contain all the amendments made as a consequence of feedback from TAG members on the Final Draft. The ballot draft was shared with TAG members on 22 May 2025.
- 1.6 This paper does not address amendments made:
 - as a result of the reordering of paragraphs or content within paragraphs;
 - to change from passive voice to active voice;
 - to correct to the final version of the *IFRS for SMEs* Accounting Standard;
 - to correct the tense of a paragraph (particularly in the BC where there are a number of amendments to move from present to the past tense); or
 - to correct typos, punctuation, grammar, capitalisation and formatting.

2. General points raised in relation to INPAS

- 2.1 TAG members raised a number of points that were either pervasive across INPAS or were of a more generic nature about the presentation of INPAS and its accompanying documents. This part of the paper covers these points.

- 2.2 One TAG member questioned consistency over the use of 'INPAS' or 'Standard' in the authoritative text when referring to INPAS. They noted that this use was inconsistent across the document. The approach adopted has been to use 'INPAS' in sections that are newly developed for INPAS but to use 'Standard' where this has come from the *IFRS for SMEs* Accounting Standard as this is the text used in that Standard. This approach has been used consistently. The Secretariat prefers to use INPAS, but does not wish to amend the term used in unreviewed sections. Given this preference and this would not create a fatal flaw no amendments have been included.
- 2.3 A few TAG members commented on the approach to references to other INPAS sections within the documents. These TAG members expressed a preference that the word 'Section' be inserted in front of the Section reference. In other words, they preferred to see, for example, Section A2 rather than A2. These TAG members noted that it was their preference rather than a fatal flaw. This is pervasive across the document and given the risk of error, the Secretariat proposes to keep the convention used in the final draft.
- 2.4 There were two responses that related to the structure of INPAS. One of these responses suggested an alternate grouping of the sections and the other a question about whether we would be returning to the structure in the *IFRS for SMEs* Accounting Standard. The structure of INPAS was locked in following discussions with TAG members in 2024. Consequently, with no fatal flaws identified, the Secretariat proposes to retain the structure used in the final draft.
- 2.5 In referring to the *IFRS for SMEs* Accounting Standard it was noted that sometimes it was prefixed with 'the third edition' and sometimes not. It was suggested that such references should be consistent and that there was no need to repeat 'the third edition' at each time the *IFRS for SMEs* Accounting Standard is referenced. The Secretariat agreed. Reference to the third edition of the *IFRS for SMEs* Accounting Standard is made on its first use in Annex A to INPAS. Thereafter it is only referred to at the *IFRS for SMEs* Accounting Standard unless there is a need to refer to a specific edition for clarity.
- 2.6 One TAG member raised a question about the extensive use of passive voice in the Basis for Conclusions and proposed that the Secretariat be referenced when explaining the rationale for the proposals. The Secretariat acknowledges that using an active rather than passive voice can improve understandability and agreed that in some places the passive voice can be used. There are no proposals to refer to the Secretariat other than if it was an action involving the Secretariat. In relation to the Basis for Conclusion, a point was also raised about the consistent use of the past tense. The Basis for Conclusions is intended to be written in the past tense, and consequential amendments have therefore been made.
- 2.7 One TAG member suggested that an explanation of the bold text (which provides a cross reference to terms in the glossary) be provided. The Secretariat agreed and has included an explanation at the beginning of the glossary.

3. INPAS Substantive issues

A3 – Narrative reporting

- 3.1 Feedback was received in relation to the drafting in relation to sensitive information. The Comment related to the removal of the description of sensitive information (with reference to causing harm to staff, volunteers or service users, or an NPO's overall mission). They noted in moving to 'confidential' this could be very broad and might be used when the information is unflattering, inconvenient, or illegal (eg bribery). This drafting was made in response to the decision to include the description of sensitive information in the Implementation Guidance and to recognise that there may be other reasons that information is confidential. Confidential information more broadly is not unique to NPOs, and the Secretariat does not consider there are NPO-specific issues arising from this drafting, which adopts an approach consistent with that considered by the IASB. Consequently, no changes are proposed.

A4 – Fair value measurement

- 3.2 One TAG member questioned the inclusion of the carrying amount to the donor as a legitimate proxy for the fair value of donated items in A4 (paragraph AA4.10 (formerly AA4.9)) and proposed that it was removed. This pragmatic approach had been added following feedback from ED3. When discussed with TAG members, views were balanced and as a consequence, there was a commitment to review this clause subsequently. The Secretariat has considered this point further and believes that it is not necessary. This is on the basis that if an NPO uses the cost to the donor, they would consider it for impairment before initial recognition and therefore practically an NPO may get to the same point. The Secretariat therefore proposes to remove this clause. The Basis for Conclusions (BA4.11) has been updated to reflect this change.

B2 – Statement of Financial Position

- 3.3 A concern was raised about the requirement of disclose restricted cash in B2.12 (b) and whether it implies that cash within restricted funds must be separately disclosed on the balance sheet (or notes). The Implementation Guidance (paragraph IB2.4) makes clear that the disclosure of restricted cash is not intended to cover donor restrictions. INPAS has been amended to clarify this point.

B5 – Statement of Cash Flows

- 3.4 A question was raised on the drafting of B5.4 in relation to grants received for capital purposes. The concern was whether this related to the cash flow or was more relevant to guidance on restricted funds and if relevant to cashflow should guidance be provided on its location. The receipts of grants for capital purposes was proposed in Exposure Draft 1 to be part of investing activities. In response to this ED, TAG

members discussed whether these grant receipts should be part of investing activities or not. The consensus view was that it should be removed from investing activities, with INPAS silent on its location. As the grant receipt relates to a source of funding, the Secretariat is of the view that it should be included in the paragraph and some drafting amendments have been made.

B8 – Fund accounting

- 3.5 A point was raised about whether it was appropriate to require separate accounting records to be kept as part of INPAS (paragraph B8.5) as this is not usual in accounting standards. The Secretariat agreed with this point and amended the drafting accordingly.
- 3.6 TAG members that reviewed B8 all raised concerns about the costs that can be charged to a fund. This included the drafting of B8.7 (which categories of cost can be charged to a fund) and the drafting B8.12 (whether support costs can be charged to a fund if not permitted by a grantor).
- 3.7 In addressing these concerns paragraph B8.7 has been updated to clarify that expenses can be charged to a fund unless this is not permitted for legal, regulatory or other reasons. This update addresses the concern about the permissibility of any expense being included in a fund, not just support costs (which is addressed in B8.12).
- 3.8 The drafting of B8.12 attracted the most concern. One TAG member did not agree that support costs should be charged to a fund if this is not permitted under the terms of any arrangement. They were of the view that this approach would be contrary to the definition of a fund with restrictions because it would imply that the funds are being depleted by support costs for which those funds are not allowed to be used. Another TAG member agreed that support costs can only be part of restricted funds if legally allowed, but was not viewed as clear enough in INPAS. Points were also raised about the location of support costs and the need to transfer a shortfall where the funding is insufficient to meet the expenses on a fund.
- 3.9 As a result, drafting amendments were made to B8.12 to remove the reference to costs being charged to a fund if they are ineligible. B8.12 continues to require that a reasonable allocation of support costs is presented as part of a fund, but cross references to the redrafted B8.7 have been added. This means that support costs are not charged to a fund if this is not permitted for legal, regulatory or other reasons.

C1 - Revenue

- 3.10 Several TAG members commented on different aspects of Figure C1.1, which is the decision tree to illustrate how to apply Part I. Some of this feedback is described in Annex A to this paper. Other comment included the description of the diagram. It was suggested that the heading be amended as the diagram only includes step 1, 2

and 5 of the 5-step model, and does not include measurement. The Secretariat agreed and this has been added to the heading.

- 3.11 A concern was raised about the default that revenue where there is a delivery obligation would always be presented as part of a restricted fund or whether an assessment should be required. The Secretariat noted this feedback, but as B8 sets the expectation that delivery obligations are always presented as revenue with restrictions, proposed no change.
- 3.12 One TAG member raised a number of points about the revenue disclosure requirements. A suggestion was also made to separate out the disclosure of donations in-kind not recognised (C1.107 (c)). The Secretariat is of the view that keeping all the disclosures on donations in-kind together is likely to be helpful to users and therefore propose to make no change.
- 3.13 A comment was also made the disclosure requirements in C111(a) and whether the information was too general or would likely be captured to some extent in the accounting policy disclosures for revenue. The Secretariat is of the view that the disclosure approach is likely to depend on volume of grants an NPO has and notes that similar requirements in Part II / arising from the *IFRS for SMEs* Accounting Standard argue for retaining the wording.

D1 – Classification of expenses

- 3.14 A TAG member raised a concern that the drafting of the disclosure requirement for volunteer benefits could be confusing (D1.17). The definition of a volunteer means that, in some sense, anything they receive is 'instead of remuneration', noting the intention is to capture amounts that are effectively a substitute for remuneration. The Secretariat agreed that is the intention and amended the drafting accordingly.

D2 – Expenses on grants and donations

- 3.15 One TAG member questioned the title of this Section. They were of the view that it seems counterintuitive to refer to outgoing grants as 'expenses on grants' as it could have a natural meaning of 'the expenses involved in making the grant' rather than the actual grant expenditure. The Secretariat note that grant expenses was the original title, but it was rejected for the same reason cited here. The Illustrative Financial Statements uses the expense line 'grants and donations given'.
- 3.16 Two TAG members commented on Figure D2.1, the decision tree for grant expenses. One TAG member noted that the title included 'measurement' but there were no aspects of measurement in the decision tree. The Secretariat has removed 'measurement' from the title. They also commented that the 'presentation box' does not have an alternative to "expense without restrictions". Most grants are expected to belong to an unrestricted fund, but it is possible that an NPO making a grant is making a grant from a restricted fund. The drafting in the presentation box has been revised to reflect this expectation.

E1 – Inventories

- 3.17 A TAG member raised a question about whether work in progress for services for no or nominal consideration is it relevant for inventory section (E1.5 (d)). This was deliberately added to this section and the Secretariat remains of the view that this should be included.

F1 – Financial instruments

- 3.18 Feedback was received on the inclusion of a reference to concessionary loans in F1.4(d), with concern about whether it was always only a basic financial instrument and whether its inclusion might set expectations of further guidance. This was added in response to feedback to Exposure Draft 2 and has been previously considered by the TAG. On reflection, the Secretariat is of the view that this should be removed until concessionary loans are considered in detail. This has therefore been removed.

H4 – Supplementary information

- 3.19 There were a number of comments from TAG members on H4. Generally, there was confusion about the relationship between H4 and Practice Guide 1 and whether a whole-of-NPO Supplementary statement was needed. As a consequence, a number of drafting amendments have been made to this Section.
- 3.20 Clarifications have been made to H4.6 and H4.7 to confirm that NPOs only need to follow the requirements in H4 if they have produced a Supplementary statement using INPAS Practice Guide 1, which means they would be familiar with the format. It also clarifies that the information can be provided individually or together (following the format in Practice Guide 1). H4.9 has also been amended to confirm the preference for all of the information to be presented together, consistent with H4.7.
- 3.21 A number of editorial comments were proposed for H4.2 to provide improve the understandability of this paragraph. TAG members identified some missing words from H4.8. Drafting amendments have been made to address these points.
- 3.22 A TAG member queried how the disclosures about differences in reporting boundary corresponds with H4.4 (which says that the boundary must be as set out in A1.70-75). The Secretariat notes that INPAS Practice Guide 1 does allow, exceptionally, a different boundary. The drafting has been amended to clarify that it is Practice Guide that allows a different reporting boundary and not INPAS.

Z Section

- 3.23 A TAG member commented that Z1.1 did not refer to the cash basis as an alternative framework being used by an adopted. The Secretariat agreed that it is useful to include this framework and included this amendment. Similarly, another TAG

member suggested that the *IFRS for SMEs* Accounting Standard should be specifically mentioned in Z1.4(c). This has been amended.

Question 1: Taking account of the material above, Section 7 of this paper and in Annex A do TAG members agree with the proposed amendments to the Preface and each of the Sections in:

Group A – Principles

Group B – Financial statements

Group C – Revenue

Group D – Expenses and liabilities

Group E – Non-financial assets

Group F – Financial assets and liabilities

Group G – Consolidation and reporting boundaries

Group H – Restatements and additional information

as well as Z – Transition to INPAS?

4. Glossary

4.1 Following the review of INPAS it was proposed that some glossary terms be removed, new terms added, and others amended. The terms being removed are because they do not appear in INPAS. These are:

- accounting profit
- close members of the family of a person
- concessionary loans
- economic phenomena
- eligible cost
- imputed rate of interest
- intrinsic value
- performance condition
- project
- service condition

4.2 A number of new terms were suggested. It was suggested that 'reserve' be added to the glossary. It is not proposed to include that as it may be challenging to find a definition that would work for all INPAS Sections (noting that it is not in the *IFRS for SMEs* Accounting Standard. The terms added are as follows and are described in Annex B.

- capital distributions
- equity instruments
- highest and best use
- owners

4.3 The amended terms are also included in Annex B. They relate to the definitions of full IFRS Accounting Standards, fund, IPSAS and support costs.

Question 2: Are TAG members content with the amendments to the glossary including the new definitions set out in Annex B?

5. Implementation Guidance

- 5.1 TAG members proposed an extensive set of detailed drafting changes for the Implementation Guidance. These were mostly to improve the clarity of the drafting rather than representing substantive changes. The majority of the proposed changes were adopted into the Implementation Guidance. The following paragraphs identify by exception the paragraphs where there was a more substantive issue.
- 5.2 A comment was received about the clarity of drafting in the Implementation Guidance about the interplay between materiality and donor agreements. It was suggested that it could be made more explicit in IA2.26 that legal requirements like donor agreements could override materiality. An amendment has been made to this paragraph to clarify this point.
- 5.3 Drafting changes were suggested to IA3.1 regarding sensitive information, which has taken on the majority of the feedback. Similar amendments have been made to ID2.59 for grant expenses. This is included for TAG consideration given the extensive discussion on the drafting of both INPAS and the Implementation Guidance.
- 5.4 A new paragraph (IA3.29) has been added regarding unrestricted funds. It suggests that an NPO may provide information about target levels of unrestricted funds or unrestricted net current assets as a measure of financial health.
- 5.5 Following TAG member feedback, drafting has been added to IB8.31 to confirm that a restriction can be temporary or permanent.
- 5.6 There have also been drafting amendments to IB8.40 -IB8.42 on which costs can be charged to a fund as a consequence to the amendments made in INPAS. A cross reference has also been included to Practice Guide 1 so that NPOs can consider all aspects of the presentation of their information.
- 5.7 Amendments have been made to ID1.14 with respect to the disclosure of volunteer benefits. These amendments have been made to further clarify which items are

expected to be closed, including a reference to what might be considered a taxable benefit in a jurisdiction.

- 5.8 A note has been added to Figure ID2.34 that provides a flow charge for the recognition and measurement of grant expenses from grant agreements with fulfilment rights. This note is for the situation where a grantor cannot realistically a grant expense and notes that the ability to avoid a liability and grant expense is rare until the grant recipient has met its delivery obligations.

Question 3: Taking account of the material above, in Annex A and in section 7 of this paper, do TAG members agree with the proposed amendments to Implementation Guidance for each of the Sections in:

Group A – Principles

Group B – Financial statements

Group C – Revenue

Group D – Expenses and liabilities

Group E – Non-financial assets

Group F – Financial assets and liabilities

Group G – Consolidation and reporting boundaries

Group H – Restatements and additional information?

6. Basis for Conclusions

- 6.1 As with the Implementation Guidance, TAG members proposed an extensive set of detailed drafting changes for the Basis for Conclusions. These were mostly to improve the clarity of the drafting rather than representing substantive changes. The majority of the proposed changes were adopted into the Basis for Conclusions. The following paragraphs identify by exception the paragraphs where there was a more substantive issue.
- 6.2 One TAG member noted that parts of the Basis for Conclusion were written in the passive voice. They proposed to move to an active voice and to introduce 'the Secretariat' for decisions that were made in the development process. As noted in Section 2 of this paper action has been taken to introduce an active voice where possible. However, in final drafting the intent was to remove references to 'the Secretariat' throughout. This is still the preferred approach and therefore references to 'the Secretariat' have not been reintroduced and they have been removed where they had not been picked up in a previous review of the Basis for Conclusions.

- 6.3 A comment was received about the lack of reference to donors in the Basis for Conclusions for Conclusions in relation to the Preface. The concern was that there may be an opportunity lost in not setting out the value to donors. Consequently, a new paragraph has been added at BP31.
- 6.4 A question was raised about the clarity of the conclusion reached (in BA1.5) on the removal of the third characteristic of an NPO included in Exposure Draft 1. The Secretariat agreed that an explanation for its removal was missing, and this has been added into BA1.5. Also, in relation to the characteristics, another TAG member suggested a clarification that a key factor was that the 'public' who were beneficiaries and benefit from the reinvestment of surplus (into new activities) were not the same as holders of equity claims.
- 6.5 A new paragraph has been added at BB3.17 to clarify that not all TAG members agreed with the proposals for the content of the Statement of Income and Expenses and the Statement of Changes in Net Assets, preferring the single income statement from the *IFRS for SMEs* Accounting Standard.
- 6.6 A new paragraph has also been added at BB8.30. This paragraph explains the changes made to INPAS regarding which expenses can be charges to a fund. It explains the expectation that where an NPO is relying on 'other reasons' for not charging expenses to a fund (eg conflicts with donor requirements) that an NPO considers the needs of the users of its financial statements.
- 6.7 Additional text was added to BC1.42 to explain concerns about the use of 'outcome' within the definition of a delivery obligation and whether this would inappropriately delay revenue recognition.
- 6.8 TAG members noted that a number of paragraphs read more like guidance than a Basis for Conclusions. This included BC1.59-BC1.62, and BD2.38-BD2.61, which have been reviewed and amended to remove the guidance elements and focus on the proposal for a delivery obligation asset and liability.
- 6.9 One TAG member raised a comment on paragraph BD2.57 (formerly BD2.66) which explains the approach to sensitive information and the intention that compliance with financial reporting requirements should not result in physical harm. The concern was in using the Basis for Conclusions to permit non-compliance with the INPAS requirements. This explanation is also provided in BA3.24 for narrative reporting. The Secretariat note this concern, but the purpose here is to convey the intention, rather than to give permission not to comply. This may be a useful when judgements are made about disclosures. The Secretariat viewed this as particularly useful given the challenges around the drafting for the disclosure of sensitive information.
- 6.10 In addition to these changes, where an amendment has been made to INPAS, the Basis for Conclusions has been updated. This is flagged in the paragraph of this documents that describes the amendment.

Question 4: Do TAG members agree with the proposed amendments to the Basis for Conclusions for the Preface and for each of the Sections in:

Group A – Principles

Group B – Financial statements

Group C – Revenue

Group D – Expenses and liabilities

Group E – Non-financial assets

Group F – Financial assets and liabilities

Group G – Consolidation and reporting boundaries

Group H – Restatements and additional information

as well as Z – Transition to INPAS?

7. Illustrative financial statements

- 7.1 TAG members also proposed a large number of detailed changes to the Illustrative financial statements. These were also mostly to improve the clarity of the drafting and included proposed amendments similar to other sections, for example, removal of the passive voice where possible. The majority of the proposed changes were adopted into the Illustrative financial statements. The following paragraphs identify by exception the paragraphs where there was a more substantive issue.
- 7.2 TAG members identified a couple of instances where numbers did not appear to tie across the financial statements. All amounts were checked and there were no errors.
- 7.3 In a couple of places this is because the workings are not available in the notes to the financial statements themselves. For example, a query was raised about the receipts from goods and services in the cash flow and how this ties to the information in note 8. The difference relates to movements in work in progress, which is not illustrated as the year end balances are zero. Additional information has been added to the note, but if the movements in work in progress were included this could more clearly resolve the question.
- 7.4 The Secretariat is, however, in providing the illustration also attempting to show that it is only material amounts that need to be disclosed and therefore it may not be necessary to show more detailed information. The Secretariat is of the view that as long as the amounts are correct, education materials can be provided in due course to build on the illustrative financial statements.

- 7.5 There were some suggestions of labels for line items and headings that have been taken up. This also helps in showing the flexibility in INPAS.

Question 5: Are TAG members content that the feedback provided on the Illustrative financial statements has been properly addressed?

8. Changes post circulation of the ballot draft

- 8.1 Feedback was received on paragraph B8.21, regarding an inconsistency in how reserves are described as part of an NPO's net assets. As a result, it has been clarified that reserves form part of an NPO's net assets rather than fund balances. The sentence that describes that a reserve needs to be split between restricted and unrestricted funds has also been removed.
- 8.2 A further comment was received about the clarity of the presentation examples in IB8. As a result of this comment an introductory paragraph has been added that confirms that the funds received are recognised at the same time that the asset is acquired and that all of the funds have been spent on that asset.

9. Next steps

- 9.1 To finalise the document further detailed checking will be carried out. This will include rechecking paragraph cross references, cross check the bolding of terms to the glossary, address any remaining formatting issues and review for consistency of when acronyms are used, punctuation and capitalisation.
- 9.2 TAG members will be asked to consider whether INPAS is now ready for publication. This is considered in TAGFG08-02.

May 2025

Annex A – Other amendments and significant changes to paragraphs

Preface

INPAS

Paragraph	Revised text in the Ballot Draft
P11	The foundational framework of INPAS is the <i>IFRS for SMEs</i> Accounting Standard. INPAS incorporates this framework <u>generally</u> without amendment where an NPO-specific reporting solution to an accounting issue is not required, has not been developed, or the financial reporting solution provided by the <i>IFRS for SMEs</i> Accounting Standard is comprehensive and provides appropriate guidance for NPOs. <u>Terminology has been updated and modifications made to ensure alignment across INPAS sections.</u>
P20	The INPAS Secretariat has no authority to determine whether INPAS, either in whole or part, should or may apply to any entity. Legislative or regulatory authorities and standard setters in individual jurisdictions will decide which entities are required or permitted to use INPAS. Similarly, donors may require NPOs to use INPAS Practice Guide 1 – Supplementary statements for donor reporting <u>Harmonised grant reporting</u> , where NPOs may benefit from using INPAS in its entirety. INPAS A1 – provides a description of the types of entities that are expected to use INPAS so that the legislative or regulatory authorities, standard setters and NPOs and their auditors are informed of <u>can understand</u> the intended scope of applicability of INPAS.
P27	Any changes made to the <i>IFRS for SMEs</i> Accounting Standard, full IFRS Accounting Standards, IPSAS and jurisdictional-level standards will not automatically apply to INPAS. NPOs shall not anticipate or apply changes made to the <i>IFRS for SMEs</i> Accounting Standard, IFRS Accounting Standards, IPSAS and or jurisdictional-level standards. Such developments will be considered <u>for future editions of INPAS</u> to determine whether changes for subsequent editions of INPAS should be proposed <u>are required</u> .

Basis for Conclusions

Paragraph	Revised text in the Ballot Draft
BP31	<u>Donors are expected to benefit from INPAS through higher-quality, more consistent general purpose financial reports. Donors that require their grantees to use INPAS Practice Guide 1, will benefit from the link to audited financial information that is required by INPAS.</u>

A1 – NPOs

One TAG member raised a point about whether government entities could use INPAS. They suggested that it should be clear in paragraph A.15 that government entities are not considered to be in the scope of INPAS. This matter had been previously considered by TAG members, and the majority view was that INPAS should be silent on whether government entities could use it,

as it may be appropriate for some entities that operate at arms' length to governments. Consequently, no change is proposed.

INPAS

Paragraph	Revised text in the Ballot Draft
A1.8	NPOs will direct surpluses for the benefit of the public. This includes, but is not limited to, reinvesting in programs, expanding services, or strengthening the financial stability of the NPO to enhance future public benefits. NPOs may generate surpluses from activities such as selling services and/or goods, receiving donations that are not subject to restrictions , or earning returns from financial assets . Surpluses refer to entity-wide surpluses, rather than those generated from individual projects or grants. Surpluses Generally, surpluses should shall not be distributed for private benefit.
A1.10	It is recognised that such distributions may be legally permitted but where they do exist, they should-must be incidental relative to the overall scale of the NPO's operations. This includes an assessment of their proportionality in relation to the NPO's net assets, total incoming resources, and overall activities. Such distributions should-shall not compromise the entity's ability to achieve its primary objective of providing a benefit to the public.

Basis for Conclusions

Paragraph	Revised text in the Ballot Draft
BA1.5	Respondents to ED1 generally agreed with the focus of the first two characteristics, (subject to the comments in <u>paragraphs</u> Error! Reference source not found.-Error! Reference source not found.). However, there was respondents were concerned about the third characteristic and defining NPOs based on their public sector reporting obligations. They Respondents noted-thought that INPAS may-might be suitable for some public sector entities, particularly those that operate at arms' length from government (see paragraph Error! Reference source not found.). The third characteristic in (BA1.4 (c)) was removed in r esponse to this feedback with clarification that public sector entities were expected to follow IPSAS. Public sector entities may, exceptionally, use INPAS.
BA1.8	Having considered the scope of the 'public' and potential alternatives, the term 'public' remained the most appropriate. To address Amendments were made to address ambiguities. I the authoritative guidance defines the 'public' as the individuals or groups who directly or indirectly benefit from the NPO's services and activities in pursuit of the NPO's primary objective. The key factor was that the 'public' who are were the beneficiaries and benefit from the reinvestment of surplus were not the same as the holders of equity claims.

A2 – Concepts and pervasive principles

A TAG member noted that the description of entities that have public accountability had been amended in the final version of the *IFRS for SMEs* Accounting Standard, with some text removed. Consequently, paragraph A1.17 has been removed from INPAS.

Additionally, one TAG member proposed that the text on fundamental qualitative characteristics be updated to clarify that the fundamental qualitative characteristics of financial information

also applies to non-financial information. As this is the approach that has been adopted in A3, the Secretariat agreed that this clarification should be included.

One TAG member identified that paragraph A2.62 duplicates A2.59. The Secretariat agreed and this has been removed.

Paragraph A2.79 (formerly A2.80) referred to 'investments from holders of equity claims'. It was suggested that 'investments' was not an appropriate term given other INPAS material. The Secretariat agreed and this has been amended to 'Contributions from holders of equity claims' with this term added to the Glossary (see below).

One TAG member commented on the drafting in A2.83 (formerly A2.84) noting that the drafting addresses the fact that endowment type arrangements generate income, but not where they sit in the balance sheet. This was identified as a drafting improvement rather than a fatal flaw. The drafting has been amended and such that these assets may be held in net assets.

INPAS

Paragraph	Revised text in the Ballot Draft
A2.36	NPOs expend most of the effort involved in collecting, processing, verifying and disseminating financial and non-financial information, but users <u>or those that benefit from an NPO's activities</u> ultimately bear those costs. Users also incur costs of analysing and interpreting the information an NPO provides. If NPOs do not provide needed information, users incur additional costs to obtain that information elsewhere or to estimate it.
A2.79 (formerly A2.80)	Investments Contributions from holders of equity claims are an inflows of resources to the NPO, contributed by parties external to the NPO, as a consequence of equity claim arrangements, that establish or increase a financial interest in the net assets of the NPO. Examples would include the purchase by external parties of share capital issued by the NPO or funds contributed by members that entitle them to a share of net assets.
A2.83 (formerly A2.84)	Some NPO's will hold <u>Net assets may also feature</u> donated funds <u>in net assets</u> that <u>they</u> are required to be held permanently by the NPO and cannot be used directly as a resource to fund an NPO's <u>their</u> activities (such donated funds are often described as endowment funds). Only income which can be generated from the capital may be used by the NPO. These funds are originally recognised as income in an NPO's financial statements.
A2.147 (formerly A2.148)	The Statement of Income and Expenses is the primary source of information about an NPO's financial activity for the reporting period. All income and expenses are, in principle, included in that statement if they contribute to surplus and deficit. <u>An NPO presents</u> income or expenses are to be included in the Statement of Changes in Net Assets <u>if they do not contribute to surplus and deficit</u> when explicitly permitted or required by this Standard. This results in the Statement of Income and Expenses providing more relevant information or providing a more faithful representation of the NPO's financial activity for that period.

Implementation Guidance

Paragraph	Revised text in the Ballot Draft
IA2.26	For an NPO to confirm compliance with INPAS it must comply with the requirements of its sections including those related to materiality. An NPO cannot provide less information than required by INPAS and confirm compliance even if local laws and regulations permit otherwise. Conversely, local laws and regulations <u>or specific legal agreements (for example, grant agreements)</u> may specify requirements which-that will require information to be provided even if this does not meet an NPO's quantitative or qualitative measures of materiality. This might, for example, include information to be reported on remuneration. In such cases providing information in accordance with the regulatory requirements is permitted by INPAS though NPOs should avoid obscuring material information in the financial statements.
IA2.29	An NPO's specific circumstances will vary and this will be a driver of the cost and level of effort required. It is not possible to reflect all situations, but factors may include: <ul style="list-style-type: none"> (a) the relative costs of producing the information in relation to the benefit to users – the cost of producing the information would be expected to be material <u>(in order to be undue)</u> to the NPO's income and expenses; (b) the practicalities in obtaining the information needed; (c) the expectation that of, if the information relates to the first occurrence of the type of transaction, whether the initial cost from its recognition and measurement, although initially significant, will be lower on an ongoing basis; (d) consideration of the asset's or liability's significance in relation to the NPO's operations when applying the undue cost or effort provisions; and (e) consideration of the asset's or liability's significance in relation to an NPO's assets when applying the undue cost or effort provisions <u>measured in accordance with the exemption</u>.
IA2.54	Assets held by NPOs that embody service potential may be held, for example, for community purposes, or for medical or recreational purposes and are used to provide or support services for the public that use them. Such services may be for collective or individual consumption and payment for those services might be at cost or for a nominal charge. Services may be provided in areas or activities in which market competition is limited or non-existent or alternatively may be provided on an economic basis or not. <u>In such circumstances an NPO may need to consider the service potential of an asset rather than its ability to generate a financial return through cash generation.</u>

A3 – Narrative reporting

Feedback was received about how cross referencing was framed in A3. A TAG member expressed concern that narrative reporting information could be the source of information included in the financial statements rather than the other way around. The Secretariat agreed and paragraph A3.25 was amended accordingly.

INPAS

Paragraph	Revised text in the Ballot Draft
A3.9	<p>When selecting narrative reporting information in a general purpose financial report, an NPO shall apply the qualitative characteristics and the cost constraint on useful information identified in A2 <i>Concepts and pervasive principles</i>. The narrative report shall <u>provide information that is</u>:</p> <ul style="list-style-type: none"> (a) provide a faithful representation of the NPO's operations and activities; (b) provide relevant <u>information that is and</u> capable of making a difference in the decisions made by users, <u>eg for example</u>, it is material; (c) provide information that is comparable between reporting periods; (d) provide information that can be verified <u>verifiable</u>; (e) be provided on a timely basis; and (f) be understandable by the users of the general purpose financial reports. <p>This will result in narrative reporting information that is useful to users of the NPO's general purpose financial report.</p>
A3.25	<p>Cross-referencing of from the narrative reporting information to the financial statements will enable users to understand and assess the narrative reporting information within the context of the financial statements.</p>

Implementation Guidance

Paragraph	Revised text in the Ballot Draft
IA3.1	<p>Sensitive information will arise when the mandatory reporting requirements of A3 <i>Narrative reporting</i> would compromise commercial (<u>for example, legal and contractual</u>), operational or personal (<u>eg for example</u>, due to data protection) confidence. <u>Disclosures should not prejudice the ability of the NPO to deliver its mission. Operational confidence is needed to protect This includes putting at risk</u> the safety or wellbeing of individuals working/volunteering for the NPO, or those to whom it provides services and goods. because the information is sensitive and/or could prejudice the ability of the NPO to deliver its mission.</p>
IA3.10	<p>An NPO should only provide information that is relevant, ie information that is capable of making a difference to the decisions made by users. What is relevant will be NPO-specific and may be based on <u>the</u> magnitude or nature of the information provided. Including only <u>material-relevant</u> information will enable an NPO to produce a concise narrative report that is focused on the needs of users.</p>
IA3.29	<p><u>As set out in IA3.28 (e), an NPO may provide information about target levels of unrestricted funds, or unrestricted net current assets, as a measure of financial health. This could be expressed, for example, as a proportion of total funds, or a percentage of annual expenses.</u></p>

A4 – Fair value measurement

A point was raised regarding AA4.13 (formerly AA4.12) about the use of fair value measurement in crisis situations. A concern was raised that any assets/income received in a crisis situation would never need to be recognised and whether this was consistent with the exceptions set out in E1.5(b). This paragraph is consistent with guidance in E1 on inventories as it allows an item not to be recognised where it cannot be reliably measured and requires disclosures instead. There was also a question about whether specific disclosure requirements should be set out in this section. Consequently, the Secretariat has pared back the content of this paragraph to focus on establishing the issue and sets out the location of additional guidance.

INPAS

Paragraph	Revised text in the Ballot Draft
AA4.10 (formerly AA4.9)	If an observable market price is not available and obtaining a reliable measurement of fair value under paragraph Error! Reference source not found. AA4.6 is Error! Reference source not found., the fair value of donated items shall be determined as their 'replacement cost'. Replacement cost is the lowest economical cost that would be incurred in achieving the service potential created for use in delivering services to beneficiaries. This provides the value of an equivalent item in local use, or 'Error! Reference source not found.'. An NPO may use the cost to the donor or the carrying amount of the assets provided by the donor (where the historic cost to the donor is not appropriate or known) as the deemed fair value where this is known and is relevant.
AA4.11	Where a restriction is placed on how an asset can be used over time, the fair value of that asset shall be evaluated based on its current usage within those restrictions, <u>if these would be considered by the market participant</u> . An NPO shall consider any differences between the restrictions that would transfer to another buyer or market participant and those that are NPO specific. The fair value will be the highest and best use of that asset under the NPO's circumstances. An NPO shall not determine the highest and best use as if the restriction were lifted.
AA4.13 (formerly AA4.12)	There may be situations where an NPO is operating in a crisis situation and it is not able to determine a fair value for the assets that it is receiving (<u>eg for example, donated</u> inventory) because to do so would be impracticable in that location or at that time. In this situation it may not be possible to reliably measure such donated items and the NPO shall not recognise them. Instead the NPO must make a disclosure to describe the affected items. Paragraphs Error! Reference source not found. AE1.6– Error! Reference source not found. set out these requirements <u>the approach to be used and disclosures</u> for donated inventory. The <u>se</u> same principles also apply to other classes of assets.

Basis for Conclusions

Paragraph	Revised text in the Ballot Draft
BA4.11	The Application Guidance allows also permitted the cost to the donor to be used as the fair value of a donated item where this is was known or relevant. This option has been was included to reduce burdens on NPOs in determining a reasonable estimate of fair value. Respondents to ED3 suggested that this cost to the donor approach might be expanded to include the carrying amount of the asset provided by the donor where the historical <u>al</u> cost to

	the donor is was not appropriate or known. This measurement has <u>not</u> been <u>expressly</u> permitted. for the same reasons as cost is permitted <u>This was because an NPO would be expected to consider the condition of a donated asset when it was initially recognised and this would likely reflect any deterioration that would affect its carrying value.</u> It was decided that this will be kept under review to ensure that it is both useful and does not result in unintended consequences <u>burdens</u> .
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B2 – Statement of Financial Position

It was suggested that the word exceptionally be inserted with reference to equity claims in B2.1 as well as for non-controlling interests as they are also seen as rare. The Secretariat agreed and the positioning of exception in B2.1 was amended.

INPAS

Paragraph	Revised text in the Ballot Draft
B2.1	This Section sets out the information that is to be presented in a Statement of Financial Position and how to present it. The Statement of Financial Position (sometimes called the balance sheet) presents an NPO's assets, liabilities and net assets (comprising restricted funds, unrestricted funds, reserves (such as revaluation reserves) and, exceptionally any equity claims, and, exceptionally, and non-controlling interests) as of a specific date – the end of the reporting period.
B2.12 (b)	cash and cash equivalents, showing separately cash that may not be available for use by the NPO (comprising cash and cash equivalents that have restrictions due to reasons such as foreign exchange controls, <u>or</u> legal restrictions or restrictions imposed by donors – for example, the retention of cash in a specified bank account); <u>;</u>

B5 – Statement of Cash Flows

Feedback was provided on the drafting of B5.15 and B5.16 in relation to use of the term 'distributions' (which was intended to replace dividends), and whether the dividends would be more appropriate given this could relate to interests in for-profit entities. The drafting was updated to refer to capital distributions with the term included in the glossary.

INPAS

Paragraph	Revised text in the Ballot Draft
B5.4	Operating activities are the principal activities of the NPO. Consequently, cash flows from operating activities generally result from the transactions and other events and conditions that enter into the determination of surplus or deficit. Examples of cash flows from operating activities are: <ul style="list-style-type: none"> (g) cash receipts from grants and donations; (h) cash receipts from the rendering of services and the sale of goods; (i) cash receipts from royalties, fees, commissions and other revenue; (j) cash payments to suppliers for goods and services; (k) cash payments to and on behalf of employees;



	<p>(l) cash payments or refunds of income tax, unless they can be specifically identified with financing and investing activities;</p> <p>(m) cash receipts and payments from investments, loans and other contracts held for dealing or trading purposes, which are similar to inventory acquired specifically for resale; and</p> <p>(n) cash receipts and payments from advances and loans made to other parties where such transactions are the NPO's primary objective.</p> <p>Some transactions, such as the sale of an item of property, plant or equipment, may give rise to a gain or loss that is included in surplus or deficit. However, the cash flows relating to such transactions are cash flows from investing activities. Where <u>a n NPO receives a grant or donation is received</u> specifically for the acquisition or construction of property, plant and equipment, intangible assets and other long-term assets <u>this the grant or donation shall</u> be separately disclosed.</p>
B5.15	An NPO shall present separately cash flows from interest and capital distributions received and paid. The NPO shall classify cash flows consistently from period to period as operating, investing or financing activities.
B5.16	An NPO may classify interest paid and interest and distributions to holders of equity claims (including dividends) received as operating cash flows because they are included in surplus or deficit from operating activities. Alternatively, the NPO may classify interest paid and interest and distributions to holders of equity claims (including dividends) received as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

B8 – Fund accounting

A TAG member raised a question about the scope of the text in B8.3 which is focused on why other funds might exist and had examples of the common reasons for other funds. They were of the view that the common reasons were better located in the Implementation Guidance, particularly as they did not address all of the characteristics of a fund. The Secretariat agreed and this part of B8.3 has been relocated to the Implementation Guidance.

Clarifications were made to B8.15 and B8.16 to respond to feedback. In B8.15, the reference to the incurring of additional expenses when there is a shortfall has been removed. In B8.16 it has been clarified that when referring to what is legally allowed, it is both the transfer of funds and the closure of a fund

A concern was raised about whether readers would read the term 'reserves' in the context of 'general reserves' rather than 'revaluation reserves' in paragraph B8.21. It was suggested that splitting the first sentence would avoid this. This has been actioned in the ballot draft.

A clarification has also been made to B8.24 that transfers between separate funds, including between any restricted and unrestricted funds in a financial reporting period must net to zero. The previous drafting only referred to movements between restricted and unrestricted funds.



INPAS

Paragraph	Revised text in the Ballot Draft
B8.3	<p>A pre-requisite for fund accounting is an understanding by an NPO of the different funds it holds. A fund other than the General Fund may exist for a variety of reasons. Most commonly it will be:</p> <p>A1.2 — an operating choice by an NPO about how it manages itself;</p> <p>A1.3 — a requirement because of jurisdictional law relating to NPOs;</p> <p>A1.4 — a requirement arising from legal or equivalent means, for example, arrangements with grantors or donors; or</p> <p>a result of the publicly communicated actions by the NPO that have created reasonable expectations that an NPO will use resources for a specific purpose.</p>
B8.5	<p>An NPO shall keep separate accounting records for sets of activities identified in paragraph B8.4, comprising each fund's record the income, expenses, non-financial assets, non-current liabilities and any assets or liabilities relating to delivery obligations <u>for each fund identified in paragraph</u> Error! Reference source not found.. An NPO shall track other current assets and current liabilities where the information is available without undue cost or effort. The ability to maintain separate accounting records will allow an NPO to track its use of fund resources.</p>
B8.7	<p>The income, expenses, assets, and liabilities recorded against each fund shall only relate to the activities undertaken to further the specific purposes of the fund <u>and shall not relate to any other purpose</u>. These Expenses can include direct costs, shared costs and support costs (as defined in D1 <i>Classification of expenses</i>) <u>unless they are not permitted as part of a fund for legal, regulatory or other reasons</u>.</p>
B8.12	<p>A reasonable allocation of the support costs associated with managing a fund shall be presented as part of a fund, unless it is legally not allowed to their inclusion <u>of support costs is not permitted</u> as part of the fund set out in 0. Subject to legal permissibility, support costs shall be presented as part of a fund even if they are ineligible under the terms of any grant agreement that has resulted in the creation of a fund.</p>
B8.15	<p>Where there is a realistic expectation that the NPO will receive future income to cover a shortfall or that it will incur additional expenses, the NPO shall carry forward the negative balance. Where future income is not likely to be received to cover the shortfall, the NPO shall make good the shortfall from its unrestricted funds and disclose the reasons for this shortfall in line with paragraph Error! Reference source not found..</p>
B8.16	<p>When a fund that was previously presented as a restricted fund is no longer required because the reason it was established no longer exists (eg for example, the purpose has been achieved or all the funds used), any balance on the fund, whether positive or negative, shall be transferred to unrestricted funds and the fund closed where this both the transfer and closure <u>is legally allowed</u>. Where not currently legally allowed the NPO will continue to report the balance on the fund until it can be <u>transferred and/ or</u> closed.</p>



B8.21	Reserves that result from the application of Applying other INPAS sections may result in reserves , such as the revaluation reserve arising from the revaluation of property, plant and equipment . Such reserves form part of an NPO's overall fund balances . NPOs shall treat these reserves as unrestricted unless any reserve movement relates to a restricted fund. In these circumstances an NPO shall split the reserve to show any element that is restricted. NPOs shall show these reserves separately to restricted funds and unrestricted funds.
B8.24	The total transfers recorded between separate restricted funds, including between any restricted and unrestricted funds in the reporting period shall always net to nil.

Implementation Guidance

Paragraph	Revised text in the Ballot Draft
IB8.31	As a consequence a restriction arises where resources must lawfully be used for a specific purpose or a grantor or donor requires that the resources it provides are applied to specific purposes, sets of activities, assets or resources as a consequence or a legal requirement or a requirement imposed by a grantor or donor. A restriction may be temporary or permanent. Grant agreements with delivery obligations impose such restrictions.

Basis for Conclusions

Paragraph	Revised text in the Ballot Draft
BB8.30	INPAS has been amended to state that such expenses should not be included in a fund where this was not permitted for legal, regulatory or other reasons. This change reflected the expectation that where an NPO relies on 'other reasons' for not presenting expenses as part of a fund, it considers the needs of the users of its general purpose financial reports.

C1 – Revenue

Following feedback, a number of drafting amendments have been made in C1 to move from the passive voice to an active voice. None of these amendments change the substance of the text and have been made to assist readability.

It was suggested that simplifications be made to C1.17 regarding unfulfilled grant or contract arrangements to ease understandability. It was also noted that there were issues with the final sentence and that was not consistent with A2. Amendments have been made and the last sentence deleted.

A TAG member sought clarification on the wording of C1.39 (a) (ii) and whether there was an intent that an NPO needed to identify distinct services, goods or other assets or whether the requirement was to use them for those purposes. As a consequence, the reference to distinct services, goods or other assets was replaced with delivery obligations. Clarifications were also made to C1.54 regarding remedies for non-compliance.

Drafting amendments were suggested for C1.58 to make the requirements more concrete and to ensure consistency in how the terms assets and resources are used.

One TAG member questioned the “yes” arrow from the “Does the donor have a valid expectation...for a particular purpose” box to a box that references “with or without restrictions.” The Secretariat view this as necessary where the NPO cannot identify the related revenue, expenses, assets and liabilities.

Another TAG member questioned why there are two blocks relating for when an NPO recognises revenue when it controls the resource and whether they could be merged. This suggestion had been previously discussed with TAG members and it was agreed to retain the two boxes to give clearer identification of two separate flows.

In response to feedback, paragraphs C1.58 and C1.68 have been amended so that the requirement is amended from ‘may’ to ‘shall’. This is consistent with the intention.

Several TAG members commented on paragraph C1.78 (b) regarding the timing of revenue recognition. One TAG member suggested adding ‘or over the same period of time’ at the end of the sentence. The Secretariat is of the view that this is not appropriate, as the pattern of recognition might be different through the period of time, and this period might cross reporting periods. Limiting to “point in time” is consistent with Part II and with the *IFRS for SMEs* Accounting Standard and therefore no change has been made.

Two TAG members commented on paragraph C1.95 (b) regarding use of an input method. Both TAG members found the use paragraph confusing. The wording has been taken from IPSAS 47 *Revenue*, but the example in that Standard includes multiple conditions. On reflection this is too complex for INPAS and consequently the example has been deleted and further text (based on IPSAS 47) added.

A question was also raised about what is meant by ‘significant’ in C1.107 (a) and whether this meant ‘material’. The Secretariat is of the view that this will be dependent on circumstances and so will require judgement. ‘Significant’ is also often used in this way and therefore proposes to make no changes.

A comment was also made the disclosure requirements in C111(a) and whether the information was too general or would likely be captured to some extent in the accounting policy disclosures for revenue. The Secretariat is of the view that the disclosure approach is likely to depend on volume of grants an NPO has and notes that similar requirements in Part II / arising from the *IFRS for SMEs* Accounting Standard argue for retaining the wording.

INPAS

Paragraph	Revised text in the Ballot Draft
C1.17	Similarly, where a part of the grant agreement with a delivery obligation <u>or contract with a customer</u> remains <u>equally</u> unfulfilled, the NPO shall not recognise any asset, liability or revenue for the <u>equally</u> unperformed parts of the grant agreement. <u>Such equally unfulfilled parts of the grant agreement continue to constitute a single asset or liability that is measured at zero.</u>

C1.39(a)(ii)	impose requirements that constrain an NPO's ability to use the grant revenue, without requiring the NPO to undertake specific activities or identify distinct services, goods and other assets imposing one or more delivery obligations ; or
C1.54	The grant recipient's right to obligate the grantor to pay the agreed grant amount may arise from the grant agreement providing that right or from the grant agreement requiring the grantor to pay the grant in advance, and the grantor doing so. In the latter case, the absence of a remedy for non-compliance does not arise <u>the grantor has complied with its obligation, and the grant recipient therefore does not need a remedy for non-compliance.</u>
C1.58	Grant revenue from transactions without delivery obligations will result in an asset (cash, goods, services or another asset) and revenue for an NPO. An NPO will does not control <u>recognise</u> these assets until such time as it <u>controls (ie, has a right to)</u> those resources. The NPO will usually shall recognise both the asset and revenue when the asset is received or when the amount becomes receivable.
C1.68	Donations in-kind may shall only be recognised when they can be measured reliably. Where <u>an NPO does not recognise</u> donations in-kind are not recognised by an NPO , the NPO shall make the disclosures in paragraph Error! Reference source not found..
C1.78(b)	an NPO fulfils all delivery obligations in a grant agreement at the same point in time.
C1.95(b)	when a cost incurred is not proportionate to the NPO's progress in fulfilling the delivery obligation. In those circumstances, the best depiction of the NPO's performance may be to adjust the input method to recognise revenue only to the extent of that cost incurred <u>(if that cost is significant relative to the total expected costs to completely satisfy the delivery obligation)</u> . For example, where the costs of goods are the major cost of fulfilling the delivery obligation, a faithful depiction of an NPO's performance might be to recognise revenue proportionate to the cost of those goods.

Basis for Conclusions

Paragraph	Revised text in the Ballot Draft
BC1.42	Paragraph C1.70 defines a delivery obligation as a grant recipient's separately identifiable undertaking in a grant agreement to achieve a specified outcome, to carry out a specified activity, or to use or transfer distinct services, goods or other assets. <u>TAG members discussed whether 'outcome' would be at too high a level to be sufficiently specific to be a delivery obligation. Some TAG members expressed concern that the use of 'outcome' would inappropriately delay revenue recognition.</u>

D1 – Classification of expenses

TAG members suggested amendments to D1.13 to avoid confusion about what disclosures are needed in a mixed presentation. As a consequence, the example was removed and the text clarified.

INPAS

Paragraph	Revised text in the Ballot Draft
D1.13	Where an NPO uses a mixed presentation in the Statement of Income and Expenses, it shall label the line items in such a way that clearly identifies what expenses are in each line item. For example, if an NPO includes employee benefits in a function item for aid programmes but also presents other employee benefits as a separate line item, the NPO will need to clearly identify that <u>the employee benefits line item</u> does not include all employee benefits (for example, it could use employee benefits other than those included in the aid programmes).
D1.17	Where volunteers receive benefits (volunteer benefits) such as free or subsidised services or goods, these shall be disclosed separately from employee benefit disclosures required by D4 <i>Employee benefits</i> . Where volunteer benefits are provided on the same basis as to an NPO's employees they are not required to be disclosed, unless they are instead of a <u>substitute for</u> remuneration.

Implementation Guidance

Paragraph	Revised text in the Ballot Draft
ID1.13	Volunteer benefits are free or subsidised goods, assets or services received by volunteers from an NPO, where these are not provided on the same terms as employees of the NPO. Such benefits include for example, specialist training given to volunteer medical staff or gifts from a commercial trading arm as a token or reward for the volunteer for providing their support or services. Alternatively, volunteers might benefit from some of the services provided by the NPO, for example, this might be support or guidance provided to other service recipients (though if it is provided on the same basis as <u>to</u> other service recipients then it is not considered to be a volunteer benefit).
ID1.14	NPOs may incur costs to support volunteers in their work. This might be costs for travel expenses and subsistence, or it may be the costs of training individual volunteers to support service recipients. Where such costs are reimbursed or paid on the same terms as <u>to</u> the employees of the NPO they are not likely to be volunteer benefits. However, if employees are, for example, paid an allowance that substantially exceeds <u>is paid irrespective of</u> the costs actually incurred, this might be considered a form of remuneration. It is less likely that receipted expenses are volunteer benefits, but if the expense <u>incurred</u> exceeds that required for the activity (and it doesn't represent value for money) , an NPO would need to consider if this is a volunteer benefit <u>requiring disclosure</u> . For example, if a volunteer stays in a luxury hotel when an alternative is available that would be sufficient for the activity being undertaken, <u>then this would require disclosure</u> . <u>An NPO should also consider whether any benefits provided would be considered a taxable benefit in the jurisdiction that it operates.</u>

Basis for Conclusions

Paragraph	Revised text in the Ballot Draft
BD1.26	In particular, Technical Advisory Group (TAG) members agreed that the disclosure related to ex-gratia payments was to be included and broadened to include losses (including fraud), write-offs and unusual payments. These types of expenses include transactions

	that are <u>were</u> material by nature and deemed to be outside <u>of good governance or what would be expected to be the normal day to day</u> activities of an NPO. While it was not possible to provide an exhaustive list of expenses that could be included in this disclosure, examples have been provided to assist NPOs in applying judgement. TAG members also supported the proposed disclosure for volunteer benefits for inclusion in ED3.
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D2 – Expenses on grants and donations

A TAG member questioned whether a grant agreement without fulfilment rights could be a written agreement. This was omitted in error and has been included.

TAG members raised questions about the references to customary practices included in D2.11 and D2.12, as they were referred to variously as grantor's customary practices, sector customary practices, with IFRS 15 referring to entity customary practices. INPAS recognises that different types of NPOs may follow different practices given the diverse nature of the sector. The Secretariat has amended D2.11 to only refer to customary practices, with it spelt out in D2.12 to avoid duplication.

A TAG member noted that 'grant expenses' should not be included in D2.22, as only provisions should be initially and subsequently measured in accordance with D5.

A TAG member raised a point about whether it's necessarily the case that it's the most significant modifications that are accounted for as separate transactions (D2.41). As the criteria focus on whether a modification is effectively a bolt-on, the modifications that are accounted for as separate transactions may tend to be less significant. The Secretariat agreed and removed reference to 'significant'

A question was raised about the framing of the content on matched funding where it was referred to as 'being outside the control of the grantor' The Secretariat agreed and has redrafted to focus in D2.42 more directly on matched funding and the actions needed by the grantor.

A TAG member was of the view that it could be clearer about what happens in the situation when future payment is uncertain not because of a review or break clause, but because there are fulfilment rights that the grant recipient has not yet fulfilled, but which aren't under the grantor's control. The Secretariat agreed and D2.44 has been amended to make clear that an expense is not recognised until a delivery obligation has been met.

A TAG member requested that a cross reference be made to D5 Provisions and contingencies in relation to commitments to provide grant funding that are not recognised as liabilities or provisions. The Secretariat agreed and an additional sentences was added to D2.63.



INPAS

Paragraph	Revised text in the Ballot Draft
Figure D2.1 (presentation box only)	Present as expense <u>in an unrestricted fund</u> without restrictions unless <u>the</u> expense is required <u>has been incurred</u> as a result of of funding from a grant agreement and where the funding is presented as revenue with restrictions <u>grant agreement is presented as part of a restricted fund</u> in accordance with B8 <i>Fund accounting</i> , <u>in which case the grant expense will be shown against the relevant restricted fund</u> .
D2.8	A grant agreement with a grant recipient that is not enforceable through legal or equivalent means and does not give both parties rights is a grant expense transaction without fulfilment rights. A grant expense transaction without fulfilment rights may be <u>a written agreement</u> , an oral agreement or implied by customary practices.
D2.11	Fulfilment rights arise from grant agreements that confer both rights and obligations, enforceable through legal or equivalent means, on both the parties to the agreement. This could be through a written grant agreement but could also be through an oral agreement or implied by a grantor's or a sector's customary practices.
D2.22	Where a grantor recognises a grant expense and a provision in accordance with paragraph Error! Reference source not found. , the grant expense and liability is initially and subsequently measured in accordance with paragraphs Error! Reference source not found. – Error! Reference source not found. .
D2.41	A modification to a grant expense transaction with fulfilment rights may be so significant that it requires the grantor to account for the modification as a separate transaction. A grantor shall account for a modification to a grant expense transaction as a separate transaction if both of the following factors are present:
D2.42	Grant agreements may contain rights and obligations that are outside the control of the grantor. For example, a The transfer of resources by a grantor may be subject <u>require to</u> the grant recipient <u>to obtain</u> ing match funding <u>(an amount specified in the grant agreement in order for the grantor to be obligated to make the grant)</u> . Where obligations are outside the control of the The grantor, it should <u>shall</u> assess <u>at each reporting date</u> whether the transfer of resources is probable . Where the grantor determines that the transfer of resources is probable, it shall follow the requirements of paragraph Error! Reference source not found. , with any provision for grant expenses initially and subsequently measured in accordance with paragraphs Error! Reference source not found. – Error! Reference source not found. .
D2.44	When payments for later reporting periods are subject to the grant recipient satisfying delivery obligations that it has not yet met, the grantor shall not recognise a grant expense <u>until the delivery obligations have been satisfied</u> . Tfor the amount for each stand-alone fulfilment right <u>shall be recognised</u> in the period that the grant recipient satisfies the delivery obligation.
D2.63	<u>An NPO shall follow the disclosure requirements in D5 for all grant commitments and liabilities. Where</u> When a grantor has recognised a liability for an obligation other than cash, the grantor shall provide information on the nature of the obligation and the resources that will need to be transferred to satisfy the obligation. If the liability is an



	obligation to transfer cash, the disclosure requirements in F1 <i>Financial instruments</i> for payables are applicable.
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Implementation Guidance

Paragraph	Revised text in the Ballot Draft
Figure ID2.34 (The grantor recognises a liability box only)	<u>(Note that this is expected to be rare as in most cases the grantor will be able to avoid the grant expense until the grant recipient has met its delivery obligations).</u>

Basis for Conclusions

Paragraph	Revised text in the Ballot Draft
BD2.38	The impact on the timing of the recognition of grant expenses was a significant issue raised through the CP, particularly where the donor makes a grant payment in advance that covers multiple reporting periods. D2 requires ED2 proposed that a grantor was required to recognises a grant expense for the total amount of the resources that were required to be transferred under the grant agreement to the grant recipient for the delivery obligations if the grant recipient has met. This is regardless of the timing of when the transfer of the resources from the grantor took place .
BD2.39 (formerly BD2.40 and BD2.41)	As noted in paragraph It also proposed that BA2.36BA2.34, where neither party has met any obligations under – a grant expense transaction with fulfilment rights, that the grantor will would not recognise any transactions in the general purpose financial statements (see Error! Reference source not found.) . When the grant recipient has met a delivery obligation prior to the transfer of resources by the grantor, the grantor must recognise a liability for the grant expense. Where the grantor has transferred resources to the grant recipient prior to the grant recipient meeting its obligation, a prepayment asset will have previously been recognised. This will be derecognised when or as the grantor recognises the grant expense.
BD2.42 (formerly BD2.44)	Other comments included Respondents to ED2 also thought that the grantor should recognise grant expenses on a progressive basis or to coincide with the timing of the delivery of programmatic activities. Suggestions of matching recognition on a progressive basis do would potentially not accord with the substance of the transaction. However, in the absence of specific milestones for the extinguishment of fulfilment rights, recognising the expense based on progress made could be appropriate, subject to this being a reliable measurement of performance and a demonstration that the fulfilment right has been extinguished. The overall approach to grant recognition over multiple reporting periods has been was retained.
BD2.58 (formerly BD2.67)	PAG members raised the issue (also raised by respondents to ED2) of the risk of NPOs not meeting legal requirements of their jurisdictions or the professional standards and requirements of their officers (for example the chief financial officer). A3 confirms that the specifications requirements relating to sensitive information do were not expected

~~to not~~ prevent an NPO from meeting ~~relevant national and~~ jurisdictional legislation or meeting their professional standards and duties.

D8 – Income tax

On TAG member raised a question about whether taxable profit should be used rather than taxable surplus (D8.5). It was noted that taxable profit is the common term for tax purposes. However, the Secretariat was of the view that it was important to distinguish between these terms and has therefore clarified that tax is only paid on a surplus to the extent that it is taxable.

INPAS

Paragraph	Revised text in the Ballot Draft
D8.5	An NPO shall recognise a current tax liability for tax payable on a taxable the surplus (to the extent that the surplus is subject to tax) for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the NPO shall recognise the excess as a current tax asset.

E2 – Property, plant and equipment

A TAG member raised the question of whether there should be additional guidance on the treatment of revaluation surplus balances where NPOs have opted to use the revaluation model. The Secretariat agreed that additional guidance would be useful, but as this Section has not yet been fully reviewed, additional guidance will be considered for subsequent editions of INPAS.

E3 – Investment property

A TAG member identified that investment properties used for missional purposes 'shall' be accounted for using E2 rather than 'should'. The Secretariat agreed and made this amendment.

A comment was also made about the clarity of the drafting in E3.14. As this follows the wording in the *IFRS for SMEs* Accounting Standard, no changes have been made.

INPAS

Paragraph	Revised text in the Ballot Draft
E3.8	An NPO shall measure donated investment property at fair value in accordance with A4 <i>Fair value measurement</i> . Application of The fair value determined on initial recognitions shall be the deemed cost of the investment property.

F1 – Financial instruments

A TAG member made a number of comments on the terms that had been highlighted and queried why the word 'performance' had been highlighted (F1.43) when it was not in the glossary. This term is not included in INPAS as it is used in the *IFRS for SMEs* Standard in a way

that is inconsistent with INPAS. As a consequence 'performance' has been amended to 'activities in the financial reporting period' consistent with other INPAS sections.

INPAS

Paragraph	Revised text in the Ballot Draft
F1.4(d)	accounts, notes and loans receivable and payable (including concessionary loans);
F1.43	An NPO shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance <u>activities in the reporting period</u> . For example, for long-term debt, such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the NPO).

F2 – Liabilities and equity claims

A point was raised about consistency over the use of equity claims, equity instruments and equity claim instruments. G4 also uses equity holdings. The text has been amended throughout so that only equity claims and equity instruments are used.

G2 – Investments in associates

It was noted that in G2.8 (a) that an associate may be a for-profit entity or NPO and proposed that the text be amended to “changes in the associate’s equity or net assets as applicable”. The Secretariat agreed to this text as a consequential amendment from A2.

INPAS

Paragraph	Revised text in the Ballot Draft
G2.8(a)	<i>distributions and other adjustments to carrying amount</i> . Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be required as a consequence of changes in the associate’s equity <u>or net assets, as applicable</u> , arising from items that result in changes to net assets.

G4 – Business combinations including goodwill

A TAG member noted that (G4.5(e)) that obtaining powers to appoint and/or remove the majority of an NPO’s governing board may give an NPO control, but that the other items listed are types of consideration that the acquirer might provide. The Secretariat noted this point, but the drafting was intended to show that control can be obtained other than through consideration. No changes are proposed.

A TAG member noted that a bargain purchase involving NPOs with positive net assets could occur frequently. It was suggested that ‘occasionally’ be removed from G4.24. It was also suggested that the final paragraph of G4.24 be separated into a separate paragraph. This has been actioned.

INPAS

Paragraph	Revised text in the Ballot Draft
G4.24	Occasionally, a An acquiring NPO will <u>may</u> make a bargain purchase—a business combination in which the amount in paragraph Error! Reference source not found. exceeds the <u>sum</u> of the amounts specified in paragraph Error! Reference source not found. .. If <u>an</u> excess remains after <u>an</u> acquiring NPO <u>applies</u> paragraph Error! Reference source not found. , the acquiring NPO shall recognise the resulting gain in surplus or deficit on the acquisition date. The gain shall be attributed to the acquiring NPO.

H4 – Supplementary information

A TAG member questioned whether equity information should be included within the scope of this Section. The Secretariat is of the view that equity claim information is not expected to be needed for Supplementary statements and therefore not needed in the whole-of-NPO information. The engagement to date has not identified a need for equity information.

A TAG member queried how the disclosures about differences in reporting boundary corresponds with H4.4 (which says that the boundary must be as set out in A1.70-75). The Secretariat notes that INPAS Practice Guide 1 does allow, exceptionally, a different boundary. The drafting has been amended to clarify that it is Practice Guide that allows a different reporting boundary and not INPAS.

INPAS

Paragraph	Revised text in the Ballot Draft
H4.2	When paragraph Error! Reference source not found. <u>applies</u> , An-an NPO shall disclose whole- of- NPO supplementary information when paragraph H4.1H1.48 applies . Supplementary information is the information required to produce that will allow a whole- of- NPO Supplementary statement in the format prescribed by INPAS Practice Guide 1 <u>to be produced</u> . Information-Such information will need to be disclosed even if is not otherwise required by this Standard to be presented elsewhere in the general purpose financial statements will need to be disclosed by this Standard .
H4.7	Each item of supplementary information may be disclosed individually or as part of <u>together so that the</u> whole- of- NPO <u>information follows the</u> Supplementary statement <u>format</u> .
H4.8 (formerly H4.9)	<u>An NPO is encouraged, but not required, to produce the information together. When an NPO adopts this approach, the information shall be presented in accordance with the format prescribed in INPAS Practice Guide 1.</u>
H4.9 (formerly H4.8)	When-a An NPO is not required to repeat the disclosures already made elsewhere in the financial statements when meeting the requirements of this Section. When an NPO adopts this approach, it shall identify in each of the relevant disclosures made in accordance with other Sections of this Standard, the Supplementary statement -class of income and/or expenses <u>from the Supplementary statement format</u> to which that disclosure relates.

Drafting amendments from other sections

A5.10	When an NPO pays or receives consideration in advance <u>of a grant obligation being fulfilled (either as a grant revenue or a grant expense)</u> in a foreign currency, it recognises a non-monetary asset or non-monetary liability. The exchange rate to be used on the initial recognition of the related asset, expense or income (or part of it) is the exchange rate at the date on which the NPO initially recognised the non-monetary asset or the non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the NPO shall determine a date of the transaction for each payment or receipt of advance consideration.
BB1.15	It was decided that some NPOs may-might have the capacity to implement full fund accounting and may-might consider that this would improve the usefulness of their financial statements. Such NPOs are-were required by B1 Presentation and compliance to ensure that the financial statements provide a fair presentation when providing these additional disclosures. or allowed permitted by They were also required to follow <u>B6 Notes to the financial statements</u> . to provide this additional information, in line with the additional disclosures permitted for all financial statements. Any NPO should ensure anythat additional disclosures do not obscure important information and are-have been to-be driven by the usefulness of the information based on the nature of the NPO and the <u>materiality</u> of the information to the understanding of the users of general purpose financial reports.
IB3.4	The use of separate columns to present items in the Statement of Income and Expenses for aggregated income and expenses with restrictions and aggregated income and expenses without restrictions is restricted funds and unrestricted funds is not required. An NPO can, <u>however</u> , choose to present this information.
BB3.17	<u>Not all TAG members agreed with this approach, preferring to retain the single income statement from the IFRS for SMEs Accounting Standard. However, the majority of TAG members supported the approach adopted in ED1 because of the input provided about the understandability of the financial statements. Respondents to ED1 supported the proposals for this statement.</u>
BD4.9	TAG members were, however, of the view that removing a policy choice was effectively introducing a rebuttable-presumption <u>single approach with reliance on a true and fair override to adopt a different approach</u> . With the expectation that few NPOs will-would have defined benefit pension schemes and those that do may-might have more complex stakeholder requirements, TAG members were of the view that it was appropriate to maintain the policy choice.



AG1.25	Paragraphs Error! Reference source not found.–Error! Reference source not found. G1.39 provide that, if appropriate, group results should be allocated proportionally between controlling and non-controlling interests. This is intended to provide a split between results of the controlling NPO and any controlled entities, separate to the results of any interests that a controlling NPO may have in an entity that it doesn't control. Given the focus of NPOs on furthering their objectives for public benefit, it is less likely that an NPO will have non-controlling interests in other entities as it would not be able to affect the returns (non-financial benefits) in a way that would meet its objectives. It is possible that an NPO holds a non-controlling interest for purely financial return, but it is not anticipated that this will frequently occur. As a consequence, it is expected that the majority of NPO groups do not have any non-controlling interests and the requirements of paragraphs Error! Reference source not found.–Error! Reference source not found. G1.39 are may not need to be frequently applied.
Z1.1	This section applies to a first-time adopter of this Standard, regardless of whether its previous accounting framework was IFRS or IPSAS based accounting standards or another set of generally accepted accounting principles (GAAP) such as its national accounting standards or another framework such as the cash basis or the local income tax basis.
Z1.4 (c)	presented its most recent previous financial statements in conformity with full IFRS Accounting Standards , the IFRS for SMEs Accounting Standard or IPSAS Standards.
BZ1.2	Section 35 of the <i>IFRS for SMEs</i> Accounting Standard is based on an entity moving from another framework such as full IFRS, national GAAP or the cash basis of reporting (potentially consistent with the local income tax basis) and also provides for those entities that did not previously present financial statements. This Section requires that at the date of transition to INPAS all entities need to create opening balances to recognise all assets and liabilities. INPAS defines new assets and liabilities, which that will also need to be included.

Annex B – Glossary terms

New terms

Term	Description
Capital distributions	An outflow of resources from an NPO, distributed to parties external to the NPO, which returns or reduces a financial interest in the net assets of the NPO.
Equity instruments	Any contract that provides a financial interest in an entity, for example issued shares, bonds and certificates of deposit. These instruments can be traded or exchanged
Highest and best use	The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (for example, a business) within which the asset would be used.
Owners	Holders of instruments classified as equity in a for-profit entity.

Amended terms

Term	Revised description
Full IFRS Accounting standards	Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise <u>comprising:</u> (a) International Financial Reporting Standards; (b) International Accounting Standards; (c) IFRIC Interpretations; and (d) SIC Interpretations.
Fund	A fund <u>consists of the net resources held by the NPO that are required to be separately tracked because:</u> <u>(a) there is a requirement arising from legal or equivalent means to separately track resources and the use of those resources; or</u> <u>(b) there are reasonable expectations by an individual stakeholder or a group of stakeholders (internal or external) that an NPO will track resources used for a specific set of activities. is used to present accounting information where resources and their use are to be separately tracked</u>
IPSAS	Standards and Interpretations issued by the International Public Sector Accounting Standards Board (IPSASB) for use by public sector entities other than government business enterprises. They comprise:- International Public Sector Accounting Standards; and International Recommended Practice Guidelines
Support costs	Costs that are not specific to an activity and are likely to be organisation wide. These costs s may be apportioned between the activities being supported.