



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

International Non-profit Accounting Guidance (INPAG)

Exposure Draft 1 Response template

Exposure Draft 1 can be found here: www.ifr4npo.org/ed1. Please use this form to record your responses to the Specific Matters for Comment.

Comments are most helpful if they:

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

The text boxes will expand as required. There is no size limit. There are 12 question areas. You do not need to answer all questions and can choose to answer as many or as few as you wish.

Responses must be received by **31 March 2023 and must be in English**.

Please contact info@ifr4npo.org if you have queries.

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



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Respondent information*:

First name:	CHARLES	N/A	Organisation: (who do you work for)	INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA (ICPAU)
Last name:	LUTIMBA	N/A	Response: please choose from: <ul style="list-style-type: none"> • on behalf of my organisation or • as an individual 	ORGANISATION
Email:	standards@icpau.co.ug	N/A	Country: (this should be the country in which you are based)	UGANDA
Position:	MANAGER STANDARDS & TECHNICAL SUPPORT	N/A	Professional interest: please choose from: <ul style="list-style-type: none"> • preparer, • auditor, • standard setter, • professional accounting organisation, • regulator, • donor, • academic, • civil society, 	PROFESSIONAL ACCOUNTING ORGANISATION



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			<ul style="list-style-type: none">• user of NPO services,• other (please state)	
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Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.	Tick boxes Agree Disagree
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This document has been designed purely to enable feedback to Exposure Draft 1. Participation is undertaken on an entirely voluntary basis. The responses will be used to shape the development of INPAG and not for any other purpose. We ask for your name and contact information to enable us to contact you if we should have any clarifications regarding your responses. Responses will be public, but personal contact information will not be disclosed. Personal information will only be held for the purposes of developing INPAG. You may withdraw your consent for us to hold any of your personal information at any time by contacting us at ifr4npo@cipfa.org



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Specific Matters for Comment

Question 1: General comments	The Guidance is split into Sections that mirror the structure of the <i>IFRS for SMEs</i> Accounting Standard. INPAG has 3 volumes; (i) authoritative guidance (G) and application guidance (AG), (ii) a basis for conclusion that explains the reasons for the approach taken (BC) and (iii) non-authoritative implementation guidance (IG).	
	References	Response
a) Is the structure of INPAG helpful? If not, how could it be improved?	GP22-GP24	<ol style="list-style-type: none"> 1. We note that INPAG GP22 adopts the approach in Paragraph P14 of the IFRS for SMEs Accounting Standard, particularly, the organisation of topics, identification of cross-references, as well as the measuring unit for monetary amounts. We find this proposal helpful. 2. We also note that INPAG GP24 adopts a blended approach to the structure of the IFRS Accounting Standards as well as the IFRS for SMEs Accounting Standard by including mandatory Application Guidance as well as non-mandatory material in the Implementation Guidance, Implementation Examples and Basis of Conclusions. We find this to be similar to the approach of the IFRS Accounting Standards (See Page A1 of the IFRS Standards Part A Handbook). 3. However, we do not agree with the use of the phrase “core text” in INPAG GP24. We believe that without a definition for core, interpretation of INPAG GP24 could vary and cause unintended consequences for both preparers and users. Accordingly, we propose that INPAG GP24 be



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		<p>improved by using the words “mandatory” and “non-mandatory” instead. We therefore propose that INPAG GP24 be redrafted as follows:</p> <p><i>“The Preface, Sections 1-36, and the Application Guidance of INPAG are mandatory. These are accompanied by non-mandatory material in the Implementation Guidance (including implementation examples) and Basis for Conclusions.”</i></p>
<p>b) Do you have any other comments (including regulatory, assurance or cost/benefit) relating to this INPAG Exposure Draft? If so, explain the rationale for any points you wish to make.</p>		<p>We have the following comments/suggestions on the name of the name INPAG:</p> <ol style="list-style-type: none"> 1. Instead of “Non-Profit”, we propose that the INPAG Secretariat adopts a name that is more reflective of either the stakeholders that entities in this sector serve, or the services that they offer. Moreover, we find that the name “Non-Profit” covers public sector entities as well, which would be misleading to stakeholders. While we would have proposed adoption of the name “Civil Society organizations (CSOs)”, we find that this may not fully cover the entire spectrum of entities in this sector. Accordingly, we propose adoption of one of the following names: <ol style="list-style-type: none"> A) “Social Benefit organizations (SBOs)” or B) “Philanthropic organizations (POs)” 2. Since the INPAG Secretariat intends to meet the needs and expectations of users through the inclusion of narrative reporting as part of the general-purpose financial statements, we believe that naming the INPAG



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		<p>as “Accounting Guidance” would be inadequate. We find the phrase “Reporting Guidance” to be more representative of this objective.</p> <p>3. It is unclear how the INPAG will be maintained after development. We note that standard setting boards maintain standards through:</p> <ul style="list-style-type: none">A) Post-implementation reviews which are conducted to assess whether the Standard is achieving its objective and, if not, whether any amendments should be considered; orB) The establishment of an interpretations committee to advise stakeholders on any implementation or application problems that may arise.C) Also, there is usually a maintenance project during the transition period intended to guide on minor misconceptions with the application of the standard. We wonder whether this will be part of the project activities.
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<p>Question 2: Description of NPOs and users of INPAG</p>	<p>This Section sets out a broad characteristics approach to identifying those entities to whom INPAG might apply. This descriptive approach is used rather than a single definition, given the diversity of NPOs. Although an entity might be described as an NPO for the purposes of INPAG based on these characteristics, INPAG is not intending to apply to very small NPOs, where cash-based financial information might be sufficient, or those NPOs that meet the definition of public accountability in IFRS-based standards.</p>	
	<p>References</p>	<p>Response</p>
<p>a) Do you agree with the description of the broad characteristics of NPOs? Does the term 'providing a benefit to the public' include all entities that might be NPOs? If not, what would you propose and why?</p>	<p>G1.2-G1.5</p>	<ol style="list-style-type: none"> 1. Whereas the INPAG intends to be a guidance that is more descriptive rather than prescriptive, the three broad characteristics are more conclusive and seem not to leave room for such features/characteristics that may emerge thereafter. Other than the above observation, we also find that the broad characteristics are too wide for example, the phrase 'Providing a benefit to the public' may potentially be misunderstood to denote providing a benefit to all or a large section of the public (despite the elaboration stated under para G1.3), yet in real life we have come across NPOs that serve a particular section of society, however small it may be. 2. We would thus propose to enhance characteristic G1.2 (bullet one) by re-writing it as follows: <u>"They have the primary objective of providing a benefit to the public or a particular section of the public."</u> 3. The above notwithstanding, ICPAU conducted a survey among its members on selected proposals in ED1. The results of the survey revealed



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		<p>immense support for the ED1 description of the broad characteristics of NPOs. The results of the revealed general support for the first two broad characteristics proposed in ED1 (i.e., a and b). However, there seemed to be a sort of confusion among respondents regarding the third broad characteristic which is that NPOs are not public sector entities. We believe this confusion stemmed from the fact that the term “Non-Profit” covers public sector entities as well. Please refer to survey questions 1 and 2 in Appendix 1.</p>
<p>b) Does Section 1, together with the Preface, provide clear guidance on which NPOs are intended to benefit from the use of INPAG? If not, what would be more useful?</p>		<ol style="list-style-type: none"> 1. By reading the preface and section 1 of the ED, it is clear that INPAG is intended for NPOs that publish general purpose financial reports and confirm to the broad characteristics mentioned under para G1.2, with the additional indicators provided under AG1.2. 2. However, the first para of Section 1 concludes with a statement that, ‘this section describes the broad characteristics of NPOs, <u>but ultimately the decision on which entities are required or permitted to use INPAG rests with the judgement of relevant authorities in individual jurisdictions.</u>’ The underlined phrase simply introduces difficulty and or risk in choice of which NPOs the INPAG intends to target. This directly counteracts the jurisdiction and or cross boarder comparison of NPOs as envisaged under para G2.26.



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		<p>3. We further note that NPOs are multi-faceted and they may include charities, foundations, cultural organizations, religious organizations, research organizations, sports organizations etc. We believe it would be helpful if the INPAG included a decision tree that would make it more illustrative and easier to locate where one falls, the various categories, types and families that fulfill those descriptions.</p>
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<p>Question 3: Concepts and pervasive principles</p>	<p>This Section sets out the concepts and principles that underpin the accounting requirements for NPO transactions and events. It describes a reporting entity for the purposes of INPAG and provides additional guidance about the sometimes complex structures used by NPOs to achieve their objectives. It identifies the primary users of financial statements and reports, their information needs and the characteristics of useful information. It also describes the elements of financial statements and how net assets are derived. It introduces the categorisation of accumulated funds into funds with restrictions and funds without restrictions.</p> <p>This Section is most likely to be read by standard setters, auditors, technical accounting advisors and financial accountants.</p>	
	<p>References</p>	<p>Response</p>
<p>a) Do you agree with the range of primary users and the description of their needs? If not, what would you propose and why?</p>	<p>G2.3-G2.12</p>	<ol style="list-style-type: none"> 1. While donors, regulators and other stakeholders with authority will continue to require the reporting of tailored information to them, INPAG can support a reduction in the reporting burden on NPOs through greater consistency in reporting requirements. 2. With the inclusion of beneficiaries among the primary users, we do agree with the proposed range of users therein generally. We however, propose that the information needs of each user should be specified and cross referenced to the location where such information has been provided to be sure that their needs have been catered for. This is to fulfil the underlying objectives of improving NPO financial reporting that addresses the user needs of primary users and support a reduction in the reporting burden on NPOs through greater consistency in reporting requirements.



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b) Do you agree with the qualitative characteristics of useful information? If not, what would you change and why?	G2.13-G2.32, AG2.1-AG2.3	Yes, we agree with the qualitative characteristics of useful information.
c) Do you agree with the components of net assets? If not, why not?	G2.73, Diagram 2.2	We find the components of net assets sufficient as generally, the equity for an NPO would include the founders' deposits, but also other items such as subsidies and special-purpose donations (surpluses from previous periods, donations and contributions received, proceeds from public collections or stocks received free of charge) received as a source of financing of fixed assets, the value of fixed assets acquired gratuitously and used for the main activity of the NPO. Illustrating these with a reconciliation between the carrying amount at the beginning and the end of the period as proposed under para G6.3 simply alludes to the fulfilment of the concepts discussed in section 2 of the ED.
d) Do you agree with the inclusion of equity as an element? If not, what would you propose and why? What type of equity might an NPO have?	G2.141, AG2.6-AG2.9	1. While there may be some organisations that may have elements of nominal equity, we don't agree with using the word equity or giving it the prominence as is in the INPAG illustration. This is because equity means fairness, impartial, or the worth or the equivalent value of something that belongs to shareholders. We believe that, unlike for-profit organisations, the value of a NPO is far beyond the assets. The reason why assets were related to the value of the business (net assets) is because, it is the assets that make cashflows/profits which is the sole interest of shareholders and other stakeholders in a for-profit organisation. To the contrary, NPOs' value



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		<p>comprises net assets plus the relationships and networks that help NPOs to thrive. Our conclusion is therefore, a preference for use of net assets.</p> <p>2. Secondly, equity can be explained as the residual interest yet stakeholders of NPOs are more interested in solving the problems at hand. Such stakeholders are therefore less interested in the residual assets of the NPO.</p> <p>3. Additionally, we invite the INPAG Secretariat to consider the responses to survey question 3 in Appendix 1 of this comment letter.</p>
e) Do you agree with the categorisation of funds between those with restrictions and those without restrictions in presenting accumulated surpluses and deficits? If not, what would you propose and why?	G2.74-G2.75, AG2.4-AG2.5	Yes, we agree with the categorisation of funds between those with restrictions and those without restrictions in presenting accumulated surpluses and deficits.
f) Do you agree that funds set aside from accumulated surpluses for the holders of equity claims can be part of funds with restrictions and funds without restrictions and that they should be transferred to equity prior to distribution? If not, what would you propose and why?	G2.142, AG2.8-AG2.9	No comment.



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g) Do you agree that 'service potential' should be introduced into Section 2? If not, why not?	G2.51, G2.54, G2.58, G2.67-G2.68, G2.103, G2.108-G2.110, G2.115-G2.117, G2.122	No, we do not agree with the introduction of 'service potential' into Section 2 because since some NPOs provide services, while others provide goods, we believe that measuring assets based on their service potential may be misleading. This is because the goods potential would also become relevant. Without a reliable acceptable measurement model and units of service potential, implementation of this proposal would be difficult.
h) Do you agree that the provisions for 'undue cost and effort' used in the <i>IFRS for SMEs</i> Accounting Standard should be retained? If not, why not?	G2.33-G2.36	No comment.
i) Is the NPO as a reporting entity clear? Does the process for identifying branches in the Application Guidance support the principles? If not, what would be more useful?	G2.43-G2.49, AG2.10-AG2.24.	No comment.
j) Other comments on Section 2	G2.3, G2.12	For INPAG to be helpful, we propose to move G2.12 under the heading "Objective, usefulness and limitations of general-purpose financial reports". We believe that this heading would be more appropriate for the content in the paragraph.



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<p>Question 4: Principles to enable comparability of financial statements</p>	<p>This Section provides the principles behind the development of financial statements, including consideration of whether an entity is a going concern. It looks at the ability to compare financial statements and sets out the principles of comparability and consistency. Comparatives are identified as being necessary for financial statements and narrative reports. This Section also looks at the ability to express compliance with INPAG. It also considers NPO-specific terminology.</p>
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	References	Response
<p>a) Do you agree with the proposed changes to terminology from the <i>IFRS for SMEs</i> Accounting Standard? If not, what would you propose and why?</p>	<p>Sections 3-10</p>	<p>No comment.</p>
<p>b) Do you agree that comparatives should be shown on the face of the primary statements? In particular, do you agree with the proposed comparatives for the Statement of Income and Expenses? If not, what do you propose and why?</p>	<p>G3.14, G3.19, AG3.9-AG3.11, BC5.11</p>	<p>No, we do not agree that comparatives should be shown on the face of the primary statements because:</p> <ol style="list-style-type: none"> 1. Stakeholders of NPOs need comparatives to assess accountability for resources. One of the parameters for accountability is a budget criteria. The criteria set for a NPO is the budget plus outputs set out in a log frame. For NPOs, therefore, comparatives between approved financial and operational budgets would be more relevant than comparatives on the face of the primary statements. 2. Whereas the goal of a profit entity may be profit and only profit from year to year, the goals/outputs/ outcomes of NPO may be different every year with different work plans, donors, locations etc. NPO could incur more



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		<p>expenses on travel based on different planned areas to reach out. NPOs hire consultants to accomplish a task in one season and not in another; NPOs could hire more staff and lay them off due to different intentions. For this reason, prior period figures would only serve as a growth comparative rather than performance comparative. We would strongly recommend that we use budgets that determine management performance for a period rather than prior figures.</p> <p>3. Additionally, we invite the INPAG Secretariat to consider the responses to survey question 4 in Appendix 1.</p>
<p>c) Do the proposals for expressing compliance with INPAG create unintended consequences? If so, what are your key concerns?</p>	<p>G3.3-G3.7, AG3.3-AG3.5</p>	<p>No comment.</p>



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<p>Question 5: Scope and presentation of the Statement of Financial Position</p>	<p>The Statement of Financial Position has proposals that the aggregate of the fund balances for funds with restrictions and funds without restriction and has associated disclosures. This statement mirrors those used in other international standards, including how assets and liabilities are classified, but has NPO-specific terminology.</p>	
	<p>References</p>	<p>Response</p>
<p>a) Do you agree that all asset and liability balances should be split between current and non-current amounts (except where a liquidity-based presentation has been adopted)? If not, why not?</p>	<p>G4.5-G4.9, AG4.4</p>	<p>No comment.</p>
<p>b) Do you agree with the proposal that not all categories of asset and liability balances should be split between those with and those without restrictions? If not, which categories of asset and/or liability should be split?</p>	<p>G4.13-G4.14, AG4.5-AG4.7</p>	<p>Yes, we agree that not all categories of asset and liability balances should be split between those with and those without restrictions. However, we believe it would be helpful to require NPOs to explain, in the notes, the kind of restrictions that are on the funds for better understandability of the financial statements.</p>



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<p>Question 6: Scope and presentation of the Statement of Income and Expenses</p>	<p>This Section is retitled from the equivalent Section in the <i>IFRS for SMEs</i> Accounting Standard to be more relevant for NPOs. References to 'profit and loss' are replaced with 'surplus and deficit'. A key element of the presentation of this statement is that revenue and related expenses are split between those that have been received with restrictions and those that haven't.</p> <p>Some income and expenses are proposed to be part of the Statement of Changes in Net Assets (see question 7).</p>	
	<p>References</p>	<p>Response</p>
<p>a) Do you agree with the name of the primary statement being 'Statement of Income and Expenses'? If not, why not?</p>	<p>BC5.1-BC5.5</p>	<p>1. Yes, we agree with the name of the primary statement being 'Statement of Income and Expenses'. We find this to be appropriate to the accrual basis of accounting as adopted by INPAG. This conclusion is supported by the responses to survey question 5 in Appendix 1.</p> <p>2. The respondents to the survey in Appendix 1 also proposed the following names:</p> <ul style="list-style-type: none"> (i) Statement of Income and Expenditure (ii) Fund Accountability Statement (iii) Statement of Financial Activities (iv) Statement of Receipts and Payments
<p>b) Do you agree that the terms surplus and deficit should be used instead of profit or loss? If not, why not?</p>	<p>G5.5, BC5.6</p>	<ul style="list-style-type: none"> (i) Yes, we agree. This conclusion is supported by the responses to survey question 6 in Appendix 1. (ii) (iii) The respondents to the survey in Appendix 1 also proposed the following names:



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		<p>(iv) Unspent/overspent income</p> <p>(v) Excess of receipts over payments</p> <p>(vi) Excess of payments over receipts</p>
c) Do you agree that amounts on each line of revenue and expenses should be split between those with and those without restrictions on the face of the primary statement? If not, what alternative approach would you propose and why?	G5.3, AG5.4-AG5.6, BC5.9-BC5.12	Yes, we agree that not all categories of asset and liability balances should be split between those with and those without restrictions. However, we believe it would be helpful to require NPOs to explain, in the notes, the kind of restrictions that are on the funds for better understandability of the financial statements.
d) Do you agree that NPOs should be able to choose whether to present either income items or expense items first to get to a surplus or deficit? If not, what alternative approach would you propose and why?	Implementation guidance	Yes, we agree. This conclusion is supported by the responses to survey question 7 in Appendix 1.
Question 7: Scope and presentation of the Statement of Changes in Net Assets	This statement is derived from the Statement of Changes in Net Equity included in the <i>IFRS for SMEs</i> Accounting Standard. It includes a number of transactions that under the <i>IFRS for SMEs</i> Accounting Standard would be part of Other Comprehensive income.	
	References	Responses
a) Do you agree with the proposal that there is no Other Comprehensive Income (OCI), and that an expanded Statement of Changes in Net Assets would allow an equivalent to the OCI being produced. If not, why not?	G6.2, BC5.13-BC5.16, BC6.1-BC6.5	Yes, we agree.



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b) Do you agree that funds are split between those with and those without restrictions on the face of the primary statement? If not, what alternative approach would you propose and why?	G6.4	Yes, we agree that not all categories of asset and liability balances should be split between those with and those without restrictions. However, we believe it would be helpful to require NPOs to explain, in the notes, the kind of restrictions that are on the funds for better understandability of the financial statements.
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Question 8: Scope and presentation of the Statement of Cash Flows	This Section includes disclosures to highlight NPO specific transactions, such as revenue to fund the purchase of property, plant and equipment. There are no changes to the fundamentals of the cash flow from the <i>IFRS for SMEs</i> Accounting Standard, with both the direct and indirect methods of producing a Statement of cash flows permitted.	
	References	Responses
a) Do you agree with the separate presentation of cash donations and grants on the face of the statement? If not, what alternative approach would you propose and why?	G7.4 a)	<p>1. Yes, we agree. However, we believe that an improvement on the total original amount, drawdowns for the period and to date, and amounts outstanding to the end of the Grant period may be relevant for assessing the going concern of an entity.</p> <p>2. Additionally, we invite the INPAG Secretariat to consider responses to survey question 8 in Appendix 1.</p>
b) Do you agree that donations or grants received for the purchase or creation of property, plant and equipment should be treated as investing activities? If not, what alternative would you propose and why?	G7.5 b)	Yes, the donations or grants for creation of PPE should be treated as investing activities since the NPO intends to use the long-term investment to further or deliver its objectives.



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c) Do you agree that both the direct method and indirect methods for the cash flow statement should be permitted? If not, why not?	G7.7-G7.9	Yes, we agree. This conclusion is supported by the responses to survey question 8 in Appendix 1.
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Question 9: Principles underpinning the notes to the financial statements	This Section sets out the general requirements for disclosures and the notes to the primary financial statements. There are no known NPO specific issues for this Section and modifications made to align with other Sections.	
	References	Responses
a) Do you agree that there are no NPO specific considerations for this Section? If not, what changes would you propose and why?		

Question 10: Approach to consolidated and separate financial statements	This Section sets out the principles to identify control and provides additional guidance about how control applies to NPOs. It also includes a simplification for control in a number of defined circumstances (a rebuttable presumption). It provides guidance on less common situations when consolidation might not be appropriate. The Section uses NPO-specific terminology.	
	References	Response
a) Is the Application Guidance to apply the control principles sufficient? If not, what changes or additions would you propose and why?	AG9.1-AG9.14	No comment.
b) Do you agree that a rebuttable presumption relating to control should be retained? Is the current drafting sufficient? If not, what would you propose and why?	G9.17	No comment.



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c) Is the Application Guidance sufficient to apply the fundamental characteristics of faithful representation and relevance to consolidation? If not, what additions would you propose and why?	G9.21-G9.22, AG9.17-AG9.19	No comment.
d) Do you agree with the use of the terms 'controlling NPO', 'controlled entity' and 'beneficial interest' instead of 'parent', 'subsidiary' and 'investment'? If not, what would you propose and why?	G9.7, G9.24	No comment.

Question 11: Approach to accounting policies, construction of estimates and accounting for errors	This Section sets out the requirements for disclosure and approach to accounting policies, estimates and errors. There are no known NPO specific issues for this Section with modifications made to align with other Sections.	
	References	Responses
a) Do you agree with the updates to Section 10 and that there are no additional NPO specific considerations that need to be addressed in this Section? If not, what changes or additions would you propose and why?		No comment.



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<p>Question 12: Scope and content of narrative reporting</p>	<p>This is a new Section that has been written specifically for NPOs. It sets out the principles for narrative reporting, including the qualitative characteristics of the information to be included in the reports. It mandates the requirement for financial analysis and performance information to be included in general purpose financial reports. It leaves as optional any additional information that an NPO may wish to report on, such as sustainability reporting. It includes an exception, where information might be prejudicial to the operation of the NPO and the safety of its staff and volunteers.</p>	
<p>a) Do you agree with the principles proposed to underpin narrative reporting? If not, what would you propose to change and why?</p>	<p>References G35.3-G35.7</p>	<p>Responses</p> <p>1. Yes, we do agree with the principles that underpin the narrative reporting particularly the requirement that an NPO needs to provide comparative information and in a consistent reporting.</p> <p>2. However, there is need to tighten the principles by emphasizing that such objectives must adhere to the minimum SMART axiom. Secondly, for purposes of consistence in such reports, the same objectives should form the bed rock of how charts of accounts, budgets and financial statements are aligned in the various reports. This will help readers relate both the narrative/performance reports with the financial reports under the principles of accountability.</p>
<p>b) Do you agree with the scope of the minimum mandatory requirement, with additional information, such as sustainability reporting to be optional? If not, what changes should be made and why?</p>	<p>G35.8-G35.19, G35.30, AG35.2-AG35.13</p>	<p>1. Yes, for now we may consider sustainability reporting to be optional. We believe while matters of ESG are picking global concern, it would be an opportunity for NPOs to follow suit. Remember, there are some NPOs that play a very significant part in promoting climate change and environmental conservation as a whole. Letting NPOs appreciate the financial reporting requirements in the meantime would save them of the onerous responsibilities that may result from too many requirements at the same time.</p>



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<p>c) Do you agree with the proposals that sensitive information can be excluded from narrative reports? If not, what alternative would you propose and why?</p>	<p>G35.7</p>	<p>2. While we are cognizant of the fact that there may be sensitive information whose disclosure would put the NPOs, or their primary users at a greater risk, it would be prudent for the ED to provide guidance on what would amount to sensitive information and how the same would be disclosed without necessarily revealing any pertinent aspects of the information. This is the practice that has been adopted by a number other international standards where the need to restrict on the extent of disclosure of information is deemed desirable for safety purposes. For example, in the International Integrated Reporting Framework when it comes to what amounts to <i>material information that would cause significant competitive harm</i>. (See paragraph 3.51).</p> <p>3. This is the enhancement we believe could be made around sensitive information without which some NPOs may use the exemption as an excuse to hide their operations.</p>
<p>d) Should a two-year transition period for narrative reporting be permitted to assist in overcoming any implementation challenges? If not, what alternative would you propose and why?</p>		<p>1. Yes, we believe this should be sufficient period finance personnel within NPOs to learn and re- learn the requirements of the guidance. Early adoption may be encouraged on a jurisdictional basis.</p> <p>2. The two-year transition period should equally be used by the INF4NPO project to study and receive any unintended misinterpretations in application of the requirements of the guidance and immediate confirmation and or clarity may be issued to promote consistent application world over.</p>



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Other Comments:

Respondents to the survey in Appendix 1 had the following additional comments on the proposals in INPAG ED1:

- 1. There are NGO's that are having a profit-making business segment, the exposure draft 1 should take care of these kinds of NPOs and how such investments will be presented in the parent company financial statement.**
- 2. There is need to organise a forum of the most relevant stakeholders from NGOs for further discussions.**
- 3. Equity should be replaced with 'reserves' on the Statement of financial position and should be categorized into restricted and unrestricted reserves.**
- 4. Some NPOs have Income e.g., Rent income that calls for standard reporting frame work that can both used for Taxation authorities**
- 5. The Audit Procedures should also be reviewed given that NPO are far away different with profit making**
- 6. More consideration could be put on how surpluses are treated for tax purpose, especially when they are intended to be used for public benefit in the following years. Also, consideration for revenue recognition especially where grants are condition, such that the would-be deferred incomes are actually not treated as surpluses and probably causing tax issues to tax compliance purposes. (Ref Sec 23 & 24 IFRS for SMEs.**
- 7. The URA can cause difficulties for NPOs that show a surplus. So, I think the financial result for the year should be shown with opening and closing fund balances. Also, general reserves (i.e., unrestricted net assets minus unrestricted fixed assets) should be separately identified, as a valuable measure of financial sustainability.**