



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS



ICPAR
Unlimited possibilities

International Non-profit Accounting Guidance (INPAG)
Exposure Draft 1 Responses

Respondent information*:



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First name:	Kalisa	Organisation: (who do you work for)	Institute of Certified Public Accountants of Rwanda (ICPAR)
Last name:	Sunday	Response: please choose from: <ul style="list-style-type: none"> • on behalf of my organisation or • as an individual 	On behalf of my organisation
Email:	Sunday.kalisa@icparwanda.com	Country: (this should be the country in which you are based)	Rwanda
Position:	Director, Professional Development Services	Professional interest: please choose from: <ul style="list-style-type: none"> • preparer, • auditor, • standard setter, • professional accounting organisation, • regulator, • donor, • academic, • civil society, • user of NPO services, • other (please state) 	Country Champion, and Professional Accounting Organisation

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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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	Yes – since the adopted structure corresponds with an already acceptable Accounting Standard including incorporation of Narrative reporting.
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.		None

Question 2: Description of NPOs and users of INPAG	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.	
	References	Response
a) Do you agree with the description of the broad characteristics of NPOs? Does the term 'providing a benefit to the public'	G1.2-G1.5	Agree, though judgement application makes the feature to be so subjective. Nonetheless the term 'providing a benefit to the public' does not necessarily mean providing benefit for all of the public but instead a sufficient section being catered for



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include all entities that might be NPOs? If not, what would you propose and why?		depending on the NPO purpose; this somewhat mitigates the confusion including the subjectivity aspect of the incidental benefit.
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?		Agree. The tiered guidance would be paramount especially to entities that may be allowed to sufficiently apply cash-based information.

Question 3: Concepts and pervasive principles	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.	
	This Section is most likely to be read by standard setters, auditors, technical accounting advisors and financial accountants.	
	References	Response
a) Do you agree with the range of primary users and the description of their needs? If not, what would you propose and why?	G2.3-G2.12	Agree since internal stakeholders' position and that of donors were adequately examined.



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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	Agree. They incorporate all characteristics of useful information to most users of financial reports.
c) Do you agree with the components of net assets? If not, why not?	G2.73, Diagram 2.2	Agree
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	Agree
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	Agree
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	Agree
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,	Agree, as it emphasizes that NPOs operate for the benefit of the public as opposed to making profits.



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	G2.115-G2.117, G2.122	
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	Agree, it should be retained but only applied to the NPO's specific circumstances and equally disclosed.
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.	Agree, in our opinion the process for identifying branches supports the principles.

Question 4: Principles to enable comparability of financial statements	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.
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	References	Response
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?	Sections 3-10	Agree. Terminologies used appear to be somewhat specific to the sector including defining the uncommon equity in NPOs as an element.
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?	G3.14, G3.19, AG3.9-AG3.11, BC5.11	Agree, only if the comparative information enhances the understandability of the current NPO's financial statements.
c) Do the proposals for expressing compliance with INPAG create unintended consequences? If so, what are your key concerns?	G3.3-G3.7, AG3.3-AG3.5	Not any that we are able to foresee, since circumstances of compliance/ noncompliance disclosures are quite clear.

Question 5: Scope and presentation of the Statement of Financial Position	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.	
	References	Response
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?	G4.5-G4.9, AG4.4	Agree, as current and non-current amounts are presented separately in the financial statements unless a liquidity presentation approach is adopted.



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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?	G4.13-G4.14, AG4.5-AG4.7	Agree, such that any further details regarding asset and liability categories to be captured under Narrative Reporting.
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Question 6: Scope and presentation of the Statement of Income and Expenses	<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>	
	References	Response
a) Do you agree with the name of the primary statement being ‘Statement of Income and Expenses’? If not, why not?	BC5.1-BC5.5	Agree, the name is more natural and simpler, and it also explains the nature of the entity.
b) Do you agree that the terms surplus and deficit should be used instead of profit or loss? If not, why not?	G5.5, BC5.6	Agree, as that’s where the focus is, and besides, NPOs are not meant for profits therefore better to drop the ‘Profit and Loss’ name.
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	G5.3, AG5.4-AG5.6, BC5.9-BC5.12	Agree. As it enhances transparency. For consistency purposes we propose that you stick with ‘Income and expenses’ as opposed to “revenue and expenses” while exploring the scope and presentation of the Statement of Income and Expenses.



statement? If not, what alternative approach would you propose and why?		
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	Disagree, it would be more meaningful to start with Income first and then Expenses: starting with expenses may mislead some users.

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	Agree, since information would still be produced and presented regardless of the terminology used.
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	Agree, to enhance transparency.



<p>Question 8: Scope and presentation of the Statement of Cash Flows</p>	<p>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.</p>	
	<p>References</p>	<p>Responses</p>
<p>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?</p>	<p>G7.4 a)</p>	<p>Agree, since grants specifically belong to either operating or investing activities whilst enhancing comparability.</p>
<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?</p>	<p>G7.5 b)</p>	<p>Agree, since the providers of these grants would require knowing how it was received and spent.</p>
<p>c) Do you agree that both the direct method and indirect methods for the cash flow statement should be permitted? If not, why not?</p>	<p>G7.7-G7.9</p>	<p>Disagree, preparers might choose the simpler one (direct) as opposed to the indirect method which separates the disclosure of donations of assets that might be useful to the users of the financial statements. Nonetheless, a new optional statement to show fund/programme spend that is being explored for inclusion as part of ED3 could serve the purpose.</p>



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?		Agree, as we are not aware of any NPO specific considerations for this Section.

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	Agree, as a principles-based approach appears more appropriate.
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	Agree, as control is well described, though the terminology 'rebuttable presumption' we propose that it gets replaced with a less technical one such as 'accepted assumption' or any other simpler term.
c) Is the Application Guidance sufficient to apply the fundamental characteristics of faithful representation and relevance to	G9.21-G9.22, AG9.17-AG9.19	Agree



consolidation? If not, what additions would you propose and why?		
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	Agree, apart from beneficial interest, controlling NPO and controlled entity can easily be understood by even a non-accountant user.

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?		Agree, as there are no additional NPO specific considerations that we are aware of either.

Question 12: Scope and content of narrative reporting	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.
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	References	Responses
a) Do you agree with the principles proposed to underpin narrative reporting? If not, what would you propose to change and why?	G35.3-G35.7	Agree, since an NPO shall be compelled to include a set of minimum mandatory core requirements in its financial statements.
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?	G35.8-G35.19, G35.30, AG35.2-AG35.13	Agree, making sustainability reporting mandatory for example, could be challenging to most NPOs especially those in developing countries and besides, it is a new element in terms of reporting. This could be considered for incorporation at a later date.
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?	G35.7	Agree, though 'sensitive activities' can really be subjective and some entities might hide behind the spirit of sensitivity to misreport or in some cases, deliberately refuse to report some information that would be useful to users.
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?		Agree, two years appear sufficient with an earlier adoption encouraged for entities that could be ready.

Signed:

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