



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:	Oscar Noé	Organisation: (who do you work for)	<ul style="list-style-type: none">• López Cordón, Consultores Profesionales Asociados, S.A./López Cordón Contadores Públicos y Auditores.• Escuela de Auditoria, Facultad de Ciencias Económicas de la Universidad de San Carlos de Guatemala.• Asociación Interamericana de Contabilidad. (volunteer)• Instituto Guatemalteco de Contadores Públicos y Auditores. (volunteer)• Colegio de Contadores Públicos y Auditores de Guatemala. (volunteer)
Last name:	López Cordón	Response: please choose from: <ul style="list-style-type: none">• on behalf of my organisation or• as an individual	as an individual



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Email:	oscarnoe@lopezcordon.com.gt	Country: (this should be the country in which you are based)	Guatemala
Position:		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) 	<ul style="list-style-type: none"> • preparer • auditor • academic

Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.	Tick boxes <ul style="list-style-type: none"> • 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	Yes.
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.		No comments

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



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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?	G1.2-G1.5	Yes.
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?		Yes.

<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>	
	References	Response



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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	Yes.
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
c) Do you agree with the components of net assets? If not, why not?	G2.73, Diagram 2.2	<p>No. I disagree.</p> <p>Fundamental accounting principles have defined the difference between assets and liabilities under the name of equity, regardless of whether they are for-profit, governmental, or non-profit entities.</p> <p>Remember the equity form: Assets minus Liabilities equals Equity. A net asset is defined as the difference between the value of the assets and the rest of their depreciation, amortization or estimate so that they must be adjusted to their net realizable value.</p> <p>Restricted funds are commitments to be fulfilled, therefore, they must be considered as liabilities.</p> <p>Although the main purpose of NPOs is not to accumulate benefits but to meet the objectives for which they were created, the difference between assets and liabilities must be called EQUITY.</p> <p>The assets of an NPO are not distributed among its members, but are accumulated over time as assets, most of them in Properties, which are liquidated and/or sold only in the event of closure or cessation of activities and the Proceeds from said sale should go only to other entities with charitable endowments.</p>
d) Do you agree with the inclusion of equity as an element? If not, what would you	G2.141, AG2.6-AG2.9	Yes.



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propose and why? What type of equity might an NPO have?		
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,
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	Yeah. However, NPO funds transferred to capital or estate must not be distributed or returned to whoever donated them. The patrimony of an NPO must only be distributed in case of cessation of activities or liquidation and the remaining assets and liabilities, that is, the equity, must be donated or contributed to another NPO.
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	Yes.
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	Yes.



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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.	Yes.
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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	No. The term Equity should be used instead of Net Assets.
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	Yes.
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	Yes.

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	G4.5-G4.9, AG4.4	Yes.



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a liquidity-based presentation has been adopted)? If not, why not?		
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	Yes.

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	Yes.
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	Yes.



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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.
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	No. An NPO should present its revenue items first and then its expense items to arrive at a surplus or deficit.



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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	No. An NPO should use the Statement of Changes in Equity in a manner similar to that included in the IFRS for SMEs Accounting Standard.
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.

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	G7.4 a)	Yes.



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not, what alternative approach would you propose and why?		
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.
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.

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?		Yes.

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	
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	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	Yes.
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	Yes.
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	Yes.
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	Yes.

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.
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	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?		Yes.

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.	
	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	Yes.
b) Do you agree with the scope of the minimum mandatory requirement, with additional information, such as sustainability reporting to be optional? If	G35.8-G35.19, G35.30, AG35.2-AG35.13	No. Sustainability reporting should not be optional. Given that it is a trend, but above all a need to have information related to climate change, it must be mandatory to disclose and present information regarding this matter.



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not, what changes should be made and why?		
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	No. NPOs should be required to disclose in the narrative report that it has been prepared in accordance with the requirements of the sensitive information exemption. I do agree that NPOs are not required to provide any information that could have the effect of highlighting the nature or substance of the sensitive information.
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?		Yes.