**International Non-profit Accounting Guidance (INPAG)**

**Exposure Draft 1 Response template**

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

Comments are most helpful if they:

1. Address the question asked;
2. Contain a clear explanation to support the response provided, whether this is agreeing or otherwise with any proposals made;
3. Propose alternatives for consideration, where responses are not in agreement with the proposal made;
4. Specify the INPAG paragraphs to which any comments relate; and
5. 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](mailto:info@ifr4npo.org) if you have queries.

Responses can be submitted to [ifr4npo@cipfa.org](mailto:ifr4npo@cipfa.org) or through the website at [www.ifr4npo.org/](http://www.ifr4npo.org/)have-your-say

**Respondent information\*:**

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| **Position:** | Partner | **Professional interest:** please choose from:   * preparer, * auditor, * standard setter, * professional accounting organisation, * regulator, * donor, * academic, * civil society, * user of NPO services, * other (please state) | Auditor |

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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 |

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](mailto:IFR4NPO@cipfa.org)

**Specific Matters for Comment**

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| **Question 1: General comments** | The Guidance is split into Sections that mirror the structure of the *IFRS for SMEs* 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** |
| 1. Is the structure of INPAG helpful? If not, how could it be improved? | GP22-GP24 | **Yes**   * **Using section with the same purpose equivalent to IFRS for SME is most advantageous as it is familiar to most user.** * **Publishing guidance in stages will allow due consideration to be given to the INPAG and particularly the priority areas.** * **Support provided through AG, IG and BC including specifying the authoritative and non-authoritative guidance will ease the application of INPAG.** |
| 1. 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. |  | **Consider and review proposed changes on IFRS for SME especially exchange revenue when considering ED 2** |

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| **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** |
| 1. 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 | * **We agree on the broad description however we think a dissolution clause requiring the assets to be transferred to a similar entity would complete the broad description as much as it is covered on AG 1.2** * We agree on the general definition of providing a benefit to the public and the additional guidance as given on G1.3 |
| 1. 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, sufficient guidelines have been provided.** |

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| **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** |
| 1. 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 we agree** |
| 1. 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** |
| 1. Do you agree with the components of net assets? If not, why not? | G2.73, Diagram 2.2 | * **The term Net Assets does not resonate well NPO for describing residual funds for NPO.** * **The word general fund or accumulate funds resonates well with NPO which would ideally comprise residual surplus from un-restricted funds i.e. un-restricted funds that are available for used by the NPO.** * **Other reserve sitting under the general funds would be special reserves appropriated out of the general reserve for specific purpose e.g. revolving fund, capital reserve, endowment fund etc.** * **Any other restricted funds should be ideally be sitting as either short or long term deferred/advance income as liabilities** |
| 1. 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 | * **The word equity is not synonymous to NPO as equity is the residual interest for profit organization. Majority of NPO don’t have equity as there is no residual interest on the accumulated surplus i.e. not available for distribution. For NPO the same could be capital reserve or contribution that was initially inject to start the NPO.** |
| 1. 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 | * **We agree with categorization between restricted and unrestricted. However, there has to be clarity on the classification on the balance sheet. Ideally restricted funds should sit as either long or short term liabilities.** |
| 1. 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 | * **As highlighted in d we propose the element of equity be excluded as one common NPO characteristic is lack of residual interest in the accumulated surplus** |
| 1. 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, we feel this is an important concept as most NPO provide services without an expectation of return.** |
| 1. Do you agree that the provisions for ‘undue cost and effort’ used in the *IFRS for SMEs* Accounting Standard should be retained? If not, why not? | G2.33-G2.36 | **Yes, we agree that the same be included.** |
| 1. 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, however occurrence of internal branches required to produce GPFR in other jurisdictions is not rare. In most cases, international NPOs operate as branches in other jurisdictions.** |

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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** |
| 1. Do you agree with the proposed changes to terminology from the *IFRS for SMEs* Accounting Standard? If not, what would you propose and why? | Sections 3-10 | **Yes as they are most relevant and better understood in the context of NPO.** |
| 1. 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, to enhance usefulness of the information in the current period’s financial statements.** |
| 1. 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 | **None that we have identified and particularly given that specific adoption timeframes may be permitted and there will be requirements in Section 36 – Transition to the Guidance that will be applied.** |

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| **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** |
| 1. 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 | **Yes, as this shall provide useful information as it will distinguish between those assets and liabilities that are continuously circulating as working capital from those used in the entity’s long-term operations unless the entity does not supply services or goods within a clearly identifiable operating cycle.** |
| 1. 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 and this should not be required but permitted if doing so will provide useful information to users.** |

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| **Question 6: Scope and presentation of the Statement of Income and Expenses** | This Section is retitled from the equivalent Section in the *IFRS for SMEs* 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.  Some income and expenses are proposed to be part of the Statement of Changes in Net Assets (see question 7). | |
|  | **References** | **Response** |
| 1. Do you agree with the name of the primary statement being ‘Statement of Income and Expenses’? If not, why not? | BC5.1-BC5.5 | **We don’t agree with statement on income and expense. Expenses is term associated to For-Profit entities which is incurred to generate revenue. Statement of Income and Expenditure is a broader term which covers the unique nature of NPO activities e.g. sub-award, capital expenditure incurred on beneficiaries, project commitments/advances** |
| 1. 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, simply the arithmetic difference between income and expenditure to remove the implication of profit or loss.** |
| 1. 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 as it gives crucial information to the user of the Financial Statement** |
| 1. 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 we don’t agree. The presentation on format 2 would lead to confusion to the user of the accounts and also reduce comparability. We propose that Format 1 be adopted.** |

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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 *IFRS for SMEs* Accounting Standard. It includes a number of transactions that under the *IFRS for SMEs* Accounting Standard would be part of Other Comprehensive income. | |
|  | **References** | **Responses** |
| 1. 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, since having items of OCI in the statement of income and expense would distort the focus of this statement of being the surplus or deficit of income over expenses (OCI is less important here). Besides, this information clearly identifiable under Net Assets for users who will find it useful.** |
| 1. 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, this will allow users to see the level of funds and how they can be released for the portioning and other activities of the NPO.** |

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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 *IFRS for SMEs* Accounting Standard, with both the direct and indirect methods of producing a Statement of cash flows permitted. | |
|  | **References** | **Responses** |
| 1. 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) | **Yes, as this information would be most useful to user as most are centred on cash-based information** |
| 1. 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, to show fund providers how the grant was used specifically.** |
| 1. 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, as in either case additional information relating to donations and grants is required.** |

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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** |
| 1. Do you agree that there are no NPO specific considerations for this Section? If not, what changes would you propose and why? |  | **We agree that there are no additional NPO specific considerations. Should there be any, these would be best addressed in the specific requirements and disclosures in the various sections in respect to assets, liabilities, revenue, or expenses.** |

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| **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** |
| 1. 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 it is sufficient, control in an an NPO is best desribed in a prInciple based approach and the principles are well explained including a rebuttable presumption relating to control.** |
| 1. 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 we agree with the retention of the rebuttable presumption as this does not only include voting rigts but other situations including decision making rights that is well expounded in AG.** |
| 1. 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 | **We do not agree as G9.22 could be subject to abuse and this should only be used in extremely rare circumstances.** |
| 1. 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 | **We agree with the proposed terms as they are in line with the context of an NPO.** |

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| **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** |
| 1. 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? |  | **We agree that there is no need for additional specific NPO considerations. Approach is consistent with IFRS for SME and permitting NPO not only to refer to international standards but national standards as reference for those transactions, other events, or conditions not addressed in full IFRS (e.g. those that are non-commercial in nature and specific to NPOs).** |

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| **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** |
| 1. 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 | **We agree, this ensures that the performance information and financial statement commentary presented is fair and balanced.** |
| 1. 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 | **We agree, to ensure base level of consistency and comparability and give NPOs an option to extend their narrative reports to cover additional areas provided that the mandatory topics and elements that are important to users are covered.** |
| 1. 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 | **We agree but justification should be made on why certain information has been excluded.** |
| 1. 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? |  | **One year transition should be adequate as opposed to two years as this information is critical for NPO so it expected that the same will be readily available.** |