**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\*:**

|  |  |  |  |
| --- | --- | --- | --- |
| **First name:** | Annet | **Organisation:** (who do you work for) | [free format] |
| **Last name:** | Karungi | **Response:** please choose from:   * on behalf of my organisation or * as an individual | As an individual |
| **Email:** | a\_karungi@yahoo.com | **Country:** (this should be the country in which you are based) | Uganda |
| **Position:** | Accountant | **Professional interest:** please choose from:   * preparer, * auditor, * standard setter, * professional accounting organisation, * regulator, * donor, * academic, * civil society, * user of NPO services, * other (please state) | user of NPO services |

|  |  |
| --- | --- |
| 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**

|  |  |  |
| --- | --- | --- |
| **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, it is useful as it’s matched with IFRS for SMEs accounting standard and IPSAS. |
| 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. |  | I would like to make the following points, which are not linked to any specific question (SMC):  1. Users expectations with respect to Financial and managerial accounts.  2. Statement of Income and Expenses and Statement of Changes in Net Assets  3. Transfers between funds/ Commitments  Users’ expectations with respect to Financial and managerial accounts. Our experience is that research about earnings management by NPOs in Australia holds true in other parts of the world. Many users expect to see a near zero ‘bottom line’ on NPO income statements. NPOs that show large positive or negative bottom line figures may be penalized in terms of taxes, privileges associated with ‘non-profit’ status, reduced donations or perception of mismanagement or poor financial health. This expectation of users is not realistic, as the economic reality of NPOs is that the timings of income and expenditure do not always match, due to the non-exchange nature of many transactions, i.e donations given in one year could be carried forward to the next year or reallocated to other votes with high consumption beyond budget.  The terms ‘surplus’ and ‘deficit’ are ambiguous as they could result from foreign exchange differences, savings/losses made through timely/delayed payment to vendors as described in Qb6 below, so the financial statements need to be structured and presented in a way to minimize this risk of misinterpretation.  Depending on the performance history of an entity, donor demands should be equally matched based on existing economic situation and expectations based more on humanity than principle.  The existence mandate of the entity should be clear to avoid political entanglement however it’s difficult to separate an NPO from government intervention. |

|  |  |  |
| --- | --- | --- |
| **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 | I agree with the definition of primary users and their needs |
| 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 | I agree the qualitative characteristics set out as per the IFRS are sufficient and detailed to cater for user’s needs. |
| 1. Do you agree with the components of net assets? If not, why not? | G2.73, Diagram 2.2 |  |
| 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 |  |
| 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 | I agree as restricted funds need to be used for specified activity while those without restrictions can be distributed based on the urgency or prevailing situation. |
| 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 | I agree that funds should be transferred to equity prior to distribution as it’s for the public benefit**.** |
| 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, Service potential should be included as that’s the way to fulfill their operational mandate. |
| 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 |  |
| 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. |  |

|  |  |  |
| --- | --- | --- |
| **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 |  |
| 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 | I agree as its easier to justify the use and reason for classification/delay in utilization. |

|  |  |  |
| --- | --- | --- |
| **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 | I agree as not all information should be disclosed on the face value. |
| 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 | I disagree as sustainability reporting is the core for NPO operations thus should be mandatory. |
| 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 | Yes, I agree as some sensitive information could put the staff or organizational existence in harms way. |
| 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? |  | Yes, I agree, this will reduce the need for reinstatement and year end adjustments and delayed performance due to budget made in closed period and activity executed in the next period due to unavoidable circumstances**.** |