



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:	Masum	Organisation: (who do you work for)	Save the Children International
Last name:	Chowdhury	Response: please choose from: <ul style="list-style-type: none"> • on behalf of my organisation or • as an individual 	As an individual
Email:	masum.chowdhury@savethechildren.org	Country: (this should be the country in which you are based)	Bangladesh
Position:	Senior Manager – Finance	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) 	User of NPO service

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	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.		

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	Agreed
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?		The guidance provided in Section 1 and the Preface is clear and useful in helping non-profit organizations understand the intended beneficiaries of INPAG.

Question 3: Concepts and pervasive principles	<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	The range of primary users and their needs described in INPAG appears to be appropriate and useful for NPOs to consider when preparing their financial statements.
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	Yes.
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	Yes.
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	Yes, the transfer of funds set aside from accumulated surpluses for the holders of equity claims to equity prior to distribution is generally required by accounting standards, and the categorization of these funds as either restricted or unrestricted depends on the specific terms and conditions of the equity claims.



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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	Agreed.
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	Agreed.
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.	While the NPO as a reporting entity is generally clear, I think that more detailed guidance is needed to support the principles of identifying branches and consolidating financial statements. By providing clearer instructions and practical examples, NPOs can ensure that their financial reporting is consistent and accurate, and that stakeholders have the information they need to make informed decisions.

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	Agreed.
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	Agreed.
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	<p>One key concern is the potential for the proposals to divert resources away from program activities towards compliance and reporting. NGOs may need to allocate more time and resources to meet the reporting requirements, which could impact their ability to achieve their mission and deliver programs effectively.</p> <p>Another concern is the potential for inconsistencies in the reporting requirements across different jurisdictions. The proposals may require NGOs to comply with different reporting requirements in different countries, which could create confusion and increase compliance costs.</p>

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
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	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	Agreed.
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	Agreed.

Question 6: Scope and presentation of the Statement of Income and Expenses	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.	
	Some income and expenses are proposed to be part of the Statement of Changes in Net Assets (see question 7).	
	References	Response



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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	Agreed.
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	Agreed, using surplus and deficit emphasizes the focus on the mission and goals of the NGO rather than solely on financial gain or loss.
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	Agreed.
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	Agreed.



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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	Agreed.
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	Agreed.

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)	I believe that separate presentation of cash donations and grants on the face of the statement can provide more useful information to stakeholders about the sources of an organization's revenue. It can help to differentiate between



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<p>not, what alternative approach would you propose and why?</p>		<p>regular donations from individuals and larger grants from institutions or governments. This can also provide greater transparency about the organization's funding sources and help donors understand how their contributions are being used.</p> <p>However, I do recognize that this may not always be feasible or practical for smaller NGOs with limited resources for financial reporting. In such cases, an alternative approach could be to provide additional disclosures in the notes to the financial statements to provide more information about the sources of revenue. This can also help to provide greater transparency about the organization's funding sources without the need for separate presentation on the face of the statement.</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>Agreed.</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>I believe that allowing both methods would give NGOs the flexibility to choose the method that best suits their needs and resources.</p>

<p>Question 9: Principles underpinning the notes to the financial statements</p>	<p>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.</p>
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	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?		Agreed.

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	I believe that the Application Guidance for the principles of control in this section is generally sufficient. However, I would suggest that the guidance could be expanded to provide more specific examples and explanations of control in the context of NGOs.
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	The current drafting of the presumption is sufficient, as it allows for the consideration of specific facts and circumstances that may affect the determination of control. However, it is important to note that the rebuttable presumption should not be applied automatically, and the specific facts and circumstances of each situation should be carefully considered before making a determination of control.
c) Is the Application Guidance sufficient to apply the fundamental characteristics of	G9.21-G9.22, AG9.17-AG9.19	I believe that the Application Guidance provides a good starting point for applying the fundamental characteristics of faithful representation and relevance to



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<p>faithful representation and relevance to consolidation? If not, what additions would you propose and why?</p>		<p>consolidation. However, there may be certain situations unique to NGOs that require additional guidance or clarification.</p> <p>For example, NGOs often work in partnership with other organizations or entities to achieve their mission, and the determination of control in these situations may be complex. Therefore, additional guidance may be needed to assist NGOs in determining whether consolidation is appropriate in these types of arrangements.</p> <p>Additionally, there may be situations where an NGO has subsidiaries or investments in entities that operate in different geographic regions, with different legal and regulatory requirements. In these cases, guidance on how to appropriately consolidate financial statements across multiple jurisdictions may be needed.</p>
<p>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?</p>	<p>G9.7, G9.24</p>	<p>Agreed.</p>

<p>Question 11: Approach to accounting policies, construction of estimates and accounting for errors</p>	<p>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.</p>	
	<p>References</p>	<p>Responses</p>



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<p>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?</p>		<p>Agreed.</p>
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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>References</p>	<p>Responses</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>G35.3-G35.7</p>	<p>I believe that additional guidance could be provided on how to report non-financial information, such as program impact and sustainability reporting. NPOs often operate in complex environments, and stakeholders increasingly demand information on an organization's impact beyond just financial performance. Providing more detailed guidance on how to report this information in a meaningful way could help NPOs better communicate their impact and enhance stakeholder engagement.</p>
<p>b) Do you agree with the scope of the minimum mandatory requirement, with additional information, such as</p>	<p>G35.8-G35.19, G35.30,</p>	<p>Agreed</p>



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sustainability reporting to be optional? If not, what changes should be made and why?	AG35.2- AG35.13	
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	Agreed.
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?		Agreed.