



**INTERNATIONAL FINANCIAL REPORTING**  
FOR NON PROFIT ORGANISATIONS



## **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:

- 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](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/have-your-say](http://www.ifr4npo.org/have-your-say)



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**Respondent information\*:**

<b>First name:</b>	Musabe	<b>Organisation:</b> (who do you work for)	<b>JP MAGSON</b>
<b>Last name:</b>	James Magson	<b>Response:</b> please choose from: <ul style="list-style-type: none"> <li>• on behalf of my organisation or</li> <li>• as an individual</li> </ul>	<b>On behalf of my organisation</b>
<b>Email:</b>	jmusabe@jpmagson.com	<b>Country:</b> (this should be the country in which you are based)	<b>UGANDA</b>
<b>Position:</b>	<b>Managing Partner</b> ( and head of NPO sector engagements)	<b>Professional interest:</b> please choose from: <ul style="list-style-type: none"> <li>• preparer,</li> <li>• auditor,</li> <li>• standard setter,</li> <li>• professional accounting organisation,</li> <li>• regulator,</li> <li>• donor,</li> <li>• academic,</li> <li>• civil society,</li> <li>• user of NPO services,</li> <li>• other (please state)</li> </ul>	<b>Preparer and Auditor</b> (We are a professional services firm but we may take on the role of the preparer or auditor depending on the engagement with the NPO). However, majority of the engagement are in the auditor or investigator capacity.

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](mailto: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 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
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.
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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<p>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?</p> <p>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?</p>	G1.2-G1.5	Yes.  Yes.
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<p><b>Question 3: Concepts and pervasive principles</b></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>	
	<b>References</b>	<b>Response</b>



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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	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	<ul style="list-style-type: none"> <li>▪ <b>Generally no.</b> Because <b>1)</b> it brings in the concept of for-profit entities that the INPAG is trying to move away from, <b>2)</b> most of the NPOs are not to be owned by a particular group that will have legal entitlement on the net assets of the NPO. Most NPOs are limited by guarantee and without a share capital. We would suggest that equity be removed and then:             <ol style="list-style-type: none"> <li>1. Powers given to the jurisdictional or national standard setter to determine for each jurisdiction as applicable.</li> <li>2. NPOs that need enterprising lines can set up an enterprising company(ies) to handle such businesses and the amount invested by the NPO can be dealt with appropriate at consolidation/combination of the financial statements of the NPO and its subsidiaries, associates or joint arrangements.</li> </ol> </li> <li>▪ It should also be remembered that, blanket inclusion of for-profit entities terminologies in the NPO's accounts will drop the NPO into the taxman's "claws" and the grant incomes may actually become taxable in most jurisdictions like Uganda given the current tax laws.</li> </ul>
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.



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<p>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?</p> <p>g) Do you agree that 'service potential' should be introduced into Section 2? If not, why not?</p>	<p>G2.142, AG2.8-AG2.9</p> <p>G2.51, G2.54, G2.58, G2.67-G2.68, G2.103, G2.108-G2.110, G2.115-G2.117, G2.122</p>	<p><b>No.</b> First the equity concept should be eliminated if possible and the other approaches of dealing with equity explored. However, if it's inevitable, then funds set aside from accumulated surpluses for the holders of equity claims should be part of non-current liabilities and that they should be transferred to current liabilities in the fiscal period preceding prior to distribution.</p> <p><b>No.</b> This is already covered under the leasing arrangements in section 20 and in law. Therefore, we need not create more complications.</p>
<p>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?</p> <p>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?</p>	<p>G2.33-G2.36</p> <p>G2.43-G2.49, AG2.10-AG2.24.</p>	<p><b>Yes.</b></p> <p><b>Yes.</b></p>

**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



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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 IFRS for SMEs Accounting Standard? If not, what would you propose and why?	Sections 3-10	Yes.
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	<p><b>Yes, to comparatives on the face of the primary documents.</b></p> <p><b>Yes, to the proposed comparatives for the Statement of Income and Expenses.</b> However, the INPAG G3.14 ".....an NPO shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements...." What happens if a prior period amount has no presentation amount in the current period? For example if I had a loan balance of UGX50,000,000 that was fully paid off the current period, it prudent for me to still disclose the comparative amount with a "zero" in the current period and may be add a footnote for increased clarity.</p> <p><b>No.</b> However, G3.3 and AG 3.3 should be updated to include i.e. ".....Financial statements shall not be described as complying with INPAG unless they comply with all the <u>applicable</u> requirements of <u>this Guidance INPAG</u>. My understanding is that not all the requirements of the INPAG shall be applicable for each NPO for fiscal period. Circumstances shall keep changing and therefore, we need to adopt the "one size does not fit all approach".</p>
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><b>Financial statements:</b></p> <ul style="list-style-type: none"> <li>G3.18 "....."a Statement of Changes in Net Assets for the reporting period" should only be require for NPOs with other stream of changes. There are NPOs ( and others are Micro-SME NPOs) that only have grant income as their sources of income and the best they do is to spend according to donor agreed budgets as summarised in specific project budgets. In such cases the changes in the surplus or deficits can be tracked from the "Statement of Income and Expenses" by including those brought forward and then direct to the "Statement of Financial Position as at the reporting date".</li> </ul>



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	<ul style="list-style-type: none"><li>▪ I also think it would be good idea to develop, as a separate document available to NPOs as a resource; a complete set of INPAG good practice illustrative financial statements running from the cover page through to closure for:<ul style="list-style-type: none"><li>➤ Micro NPO that applies INPAG;</li><li>➤ Small NPO that applies INPAG;</li><li>➤ Medium NPO that applies INPAG; and</li><li>➤ Large NPO that applies INPAG.</li></ul></li></ul>
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<b>Question 5: Scope and presentation of the Statement of Financial Position</b>	<b>References</b>	<b>Response</b>
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	<b>Yes</b> , for all and always even where a liquidity-based presentation has been adopted. It's very important for the distinction to be readily available to the users given that they shall be at different level financial reporting expertise.
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	<b>No</b> . In fact, <b>all categories of asset balances</b> should be split between those with and those without restrictions, whether current assets or non-current assets. This helps the user to appreciate the available free levels of assets. I have seen donors that have: <ul style="list-style-type: none"><li>➤ advanced funds to NPOs on short term and others long-term basis to make fixed deposits or investments and only take the interest earned from such investments as NPO income. There are strict conditions to ensure that the initial grant amounts are not impacted by any loss on investment or poor yields.</li><li>➤ Other NPOs have the money in an interest-bearing bank account in the NPO's names, the interest goes to the NPO but the NPO is under strict condition never to use the</li></ul>



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		<p>grant transfers to such bank accounts. If fact, the donor can even instruct the NPO to transfer funds to other NPOs in the country from such bank accounts as and when the donor desires or instructs?</p> <p>➤ There will be fixed assets not the names of the NPO but the NPO has a right of use for the substantial economic useful life of the asset backed with an agreement/contract between the legal title holder (e.g. donor) and the NPO. This is common with lands, Motor Vehicles and heavy office Equipments. It also most locks into a leasing arrangement although the NPO will not be making any direct payment to the donor.</p> <p>Such arrangements may need to be appropriately provided for in the INPAG.</p>
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<p><b>Question 6: Scope and presentation of the Statement of Income and Expenses</b></p>	<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>	
	<p><b>References</b></p>	<p><b>Response</b></p>
<p>a) Do you agree with the name of the primary statement being 'Statement of Income and Expenses'? If not, why not?</p>	<p>BC5.1-BC5.5</p>	<p><b>Yes.</b></p>
<p>b) Do you agree that the terms surplus and deficit should be used instead of profit or loss? If not, why not?</p>	<p>G5.5, BC5.6</p>	<p><b>Yes.</b></p>



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<p>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?</p>	<p>G5.3, AG5.4-AG5.6, BC5.9-BC5.12</p>	<p><b>Yes.</b></p>
<p>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?</p>	<p>Implementation guidance</p>	<p><b>No.</b></p> <ul style="list-style-type: none"> <li>▪ The choice should be removed. Such choices impair comparability or at least make comparability with other NPOs costly e.g. donors will have to invest in reworking of the financial statements of each grant applicant.</li> <li>▪ The current common practice of Format 1: Incomes-Expenses=Surplus/(deficit) is very good and recommended to retention. However, if it's inevitable, then the Format 2 option should be adopted but the choice/ reflexivity at this level must be removed.</li> </ul>



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<b>Question 7: Scope and presentation of the Statement of Changes in Net Assets</b>	<b>References</b>	<b>Responses</b>
<p>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.</p>	<p>G6.2, BC5.13-BC5.16, BC6.1-BC6.5</p>	<p><b>Yes.</b></p>
<p>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?</p>	<p>G6.4</p>	<p><b>Yes.</b></p>
<p>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?</p>		
<b>Question 8: Scope and presentation of the Statement of Cash Flows</b>	<b>References</b>	<b>Responses</b>
<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 IFRS for SMEs Accounting Standard, with both the direct and indirect methods of producing a Statement of cash flows permitted.</p>	<p>G7.4 a)</p>	<p><b>First, we think this question is misguided. But.</b></p> <ul style="list-style-type: none"> <li>▪ If you meant “Cash donations” and “non-cash donations”, then Yes.</li> </ul>
<p>a) Do you agree with the separate presentation of cash donations and grants on the face of the statement? If</p>		



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<p>not, what alternative approach would you propose and why?</p>		<ul style="list-style-type: none"> <li>▪ If you meant “Cash donations” and “Grant”, then <b>No</b>. Because some grants have reached the NPOs in form of bank transfers from the governments or assisting corporations.</li> <li>▪ We seem to see a definition of a “grant” in the glossary except “government grant”. In developing countries, support from most INGOs is taken as grant. In fact, even some donor agreements are headed “Grant Contract”! With this background it would be advisable to slot in a definition of “Grant” also.</li> </ul>
<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><b>No</b>. Grants for the purchase of non-current assets are necessary for advancement of the NPO’s operative objectives and therefore, should be part of the operating cashflows but the same should be treated as capital fund on the statement of financial position because the NPOs do not necessary operate their assets for purposes of generating incomes. However, the treatment should follow the IFRS for SMEs if the NPO is accounting for an enterprising arrangement.</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><b>Yes</b>.</p>

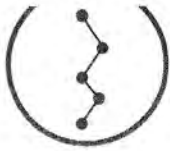
<p><b>Question 9: Principles underpinning the notes to the financial statements</b></p> <p>a) Do you agree that there are no NPO specific considerations for this Section? If not, what changes would you propose and why?</p>		<p>This Section sets out the general requirements for disclosures and the notes to the primary financial statements. There are no known NPO specific issues for this Section and modifications made to align with other Sections.</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">References</th> <th style="text-align: left;">Responses</th> </tr> </thead> <tbody> <tr> <td></td> <td><b>Yes</b>, but with need for a mandatory note requirement for NPOs to include a <b>Budget Vs Actual (BVA) Analysis</b> and a <b>Prior Year Actual (PYA) Vs Current Year Actuals (CYA)</b> with narrative explanatory for variances above at least 20%.</td> </tr> </tbody> </table>	References	Responses		<b>Yes</b> , but with need for a mandatory note requirement for NPOs to include a <b>Budget Vs Actual (BVA) Analysis</b> and a <b>Prior Year Actual (PYA) Vs Current Year Actuals (CYA)</b> with narrative explanatory for variances above at least 20%.
References	Responses					
	<b>Yes</b> , but with need for a mandatory note requirement for NPOs to include a <b>Budget Vs Actual (BVA) Analysis</b> and a <b>Prior Year Actual (PYA) Vs Current Year Actuals (CYA)</b> with narrative explanatory for variances above at least 20%.					



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Question 10: Approach to consolidated and separate financial statements	References	Response
		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.
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	<b>Yes.</b>
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	<b>Yes.</b>
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	<b>Yes.</b>
d) Do you agree with the use of the terms 'controlling NPO', 'controlled entity' and 'beneficial interest' instead of 'parent'?	G9.7, G9.24	<b>Yes.</b>



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‘subsidiary’ and ‘investment’? If not, what would you propose and why?	
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<b>Question 11: Approach to accounting policies, construction of estimates and accounting for errors</b>	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.				
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?	<table border="1"> <thead> <tr> <th data-bbox="708 1287 737 1493">References</th> <th data-bbox="708 256 737 1287">Responses</th> </tr> </thead> <tbody> <tr> <td data-bbox="737 1287 932 1493"></td> <td data-bbox="737 256 932 1287">Yes.</td> </tr> </tbody> </table>	References	Responses		Yes.
References	Responses				
	Yes.				

<b>Question 12: Scope and content of narrative reporting</b>	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.				
a) Do you agree with the principles proposed to underpin narrative	<table border="1"> <thead> <tr> <th data-bbox="1243 1287 1273 1493">References</th> <th data-bbox="1243 256 1273 1287">Responses</th> </tr> </thead> <tbody> <tr> <td data-bbox="1273 1287 1334 1493">G35.3-G35.7</td> <td data-bbox="1273 256 1334 1287">Yes.</td> </tr> </tbody> </table>	References	Responses	G35.3-G35.7	Yes.
References	Responses				
G35.3-G35.7	Yes.				





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<p>reporting? If not, what would you propose to change and why?</p>		
<p>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?</p>	<p>G35.8-G35.19, G35.30, AG35.2- AG35.13</p>	<p><b>Yes.</b></p>
<p>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?</p>	<p>G35.7</p>	<p><b>Yes</b>, but the nature or characteristics of what is considered "sensitive information" should be defined and included with examples otherwise "crafty" NPOs will be hiding under this veil to dodge disclosure.</p>
<p>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?</p>		<p><b>Yes</b>, but such NPOs should be reporting on what they are doing about the "narrative reporting" requirement in each fiscal year of these two-year transition period.</p>