



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:	Muhammad	Organisation: Mo Chartered Accountants (Zimbabwe)	[free format]
Last name:	Umar	Response: please choose from: <ul style="list-style-type: none">• on behalf of my organisation	[choose]
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Position:	Partner	Professional interest: please choose from: <ul style="list-style-type: none">• Professional services firm	[free format]

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
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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	<p>As a guidance that is for the first time being implemented, it has to be easily understandable, not overly challenging to implement and adaptable to the needs of preparers and users and we believe in all these categories the requirements are adequately satisfied.</p> <p>Under GP3 in the Authoritative Guidance, in (a) and (c), the term “uniformity” may be added to attain comparability. We believe, in some way the project is attempting to achieve this.</p>
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.		<p>Regulatory- No comments</p> <p>Assurance- No comments</p> <p>Cost/benefit- No comments</p>



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Question 2: Description of NPOs and users of INPAG	<p>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.</p>	
	References	Response
<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>G1.2-G1.5</p>	<p>Yes, the broad categories are very clear and precise.</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>		<p>What is not clear is are NPOs compelled to comply with this or they may continue reporting in accordance with their principals or donor designated reporting framework. Organisations will possibly review the cost benefit analysis and necessity of adopting such a framework if the users are amenable to it.</p>
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>	



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	This Section is most likely to be read by standard setters, auditors, technical accounting advisors and financial accountants.	
	References	Response
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	We would like to add on to the external stakeholder’s category that of the government/regulatory authorities. The numbers/financial information may not be overly important to this category/user yet their disclosure have a large bearing on their regulatory compliance which will impact their continued existence.
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 the qualitative characteristics are similar to those of other standard setters and are equally relevant.
c) Do you agree with the components of net assets? If not, why not?	G2.73, Diagram 2.2	The definition provided in G2.73 is the standard definition of net assets/ liabilities. The separation of funds with and without restriction is key. Recognition and timing of when rights and responsibilities are satisfied is important for recognition and measurement purposes.
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	The term equity may be misunderstood. Funds with restrictions have to be matched with relevant expenses to arrive at a surplus or deficit and be added to the net after expenses of funds without restrictions. In a similar manner that profit and loss was replaced by surplus or deficit we believe that equity is a term specific to profit biased entities. NPOs



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		usually do not have shareholders who are bothered about this metric compared to their interest in fulfilling a special public need. It appears that the purpose of this exercise is to align as much as possible the IFRS for profit based entities and those for NPOs with specific differences due to the different nature of these entities being considered. We support this, as far as possible for consistency, uniformity and concepts having the same meaning when used either side.
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	We are in support of this.
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	We believe that NPOs are generally held for public benefit. With the inclusion of this there is an element that this is like any other corporation for profit.
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	The term is highly subjective yet we appreciate what the INPAG is trying to achieve and disclose. We do not see what purpose the introduction of such a term will have to the users of financial statements nor its necessity in spite of the best efforts of the standard



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		setter to outline the value of such a concept. We simply do not see the qualitative value addition of inclusion.
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	<p>The term "undue" is open to various forms of interpretation.</p> <p>This can be re-phrased to "cost-effort factors"</p> <p>We also believe that IFRS for SMEs should have no bearing or mention in standards for NPOs.</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?	G2.43-G2.49, AG2.10-AG2.24.	<p>The definition as per G2.43 is clear.</p> <p>The key requirements for user of NPO financial statements is to ensure that each NPO fulfilled its unique purpose and the report is relevant to that user.</p> <p>The process and non-exhaustive indicators list for identifying branches in the application guidance is helpful</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 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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INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	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	Yes, we agree
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	None that can currently be expected.

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 a liquidity-based presentation has been adopted)? If not, why not?	G4.5-G4.9, AG4.4	Yes, we agree
b) Do you agree with the proposal that not all categories of asset and liability balances should be split between those with and	G4.13-G4.14, AG4.5-AG4.7	Yes, we agree



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

those without restrictions? If not, which categories of asset and/or liability should be split?		
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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 <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
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, we agree
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, we agree
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, we agree
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	Yes, we agree



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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.	
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?	References G6.2, BC5.13-BC5.16, BC6.1-BC6.5	Responses <p>We are in agreement to a certain extent.</p> <p>The statement of changes in net assets in all similitude mirrors the statement of changes in equity and is an extension of it.</p> <p>We believe that due to the nature of NPOs, the income statement should be split into operating activities and investing activities similar to the cash flow since totally avoiding other gains and losses and recognising them directly in stamen of changes in net assets may not be entirely appropriate and correct.</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?	G6.4	Yes, we agree
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	



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	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 not, what alternative approach would you propose and why?	G7.4 a)	Yes
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 we agree

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	
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INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	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. These principles are applicable at all times and for all purposes in the preparation of any financial information.
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.	
	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		Yes



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

changes or additions would you propose and why?		
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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
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 not, what changes should be made and why?	G35.8-G35.19, G35.30, AG35.2-AG35.13	<p>INPAG must provide clarity regarding optional additional information because if an entity decides to provide such optional narrative disclosures that election must be irrevocable in the future for prospective comparability.</p> <p>The necessity to disclose such information will not entirely be dependent on the preparers but the needs and requirements of the users of those financial statements. The current trend and focus is on ESG reporting and this will be critical for those entities that act in the interest of the public and the users are requiring such information and this will gather further momentum hence all preparers should be alive to the needs of the users.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<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>	G35.7	<p>All information that is relevant (irrespective of sensitivity), that will be necessary for users of the financial statements should be disclosed.</p> <p>Stating the reasons for non-disclosure and the potential impact sensitivity of such information should be disclosed.</p> <p>Auditors would definitely require to be privy to all information to avoid presenting a wrong inaccurate audit report. This is more so necessary in light of the finger-pointing and blame being laid on the auditor for negligence or blatant failures. With this in mind, the financial markets only work due to accurate and complete information and the exclusion of narrative information would only weaken market dependency on reliable accurate and complete information.</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>Yes it should be permitted.</p>