



Panama, March 31<sup>st</sup>, 2023

Chartered Institute of Public Finance and Accountancy (CIPFA)  
77 Mansell Street  
London E1 8AN  
United Kingdom

Ref: Comments on INPAG ED1 of IFR4NPO

Dear Sirs:

Receive a respectful greeting.

According to your invitation for comments on the INPAG ED1 of IFR4NPO, which seeks to obtain feedback from all interested parties in this project of the International Accounting Guide for NPOs, on its first part that includes the application of general concepts and principles, primary financial statements, notes and narrative reports, the Panama Financial Accounting Standards Commission (in Spanish, Comisión de Normas de Contabilidad Financiera de Panamá (NOCOFIN)) discussed the questions and for which our comments are presented in the Annex to this letter.

If you require any clarification or additional information, do not hesitate to contact us.

Very truly yours,

Glenis O. Pinzon  
President  
NOCOFIN

**Question 1: General comments**

- a) Is the structure of INPAG helpful? If not, how could it be improved?
- 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.

**References**

GP22-GP24

**Comments:**

- a) The structure of INPAG is helpful.
- b) None.

**Question 2: Description of NPOs and users of INPAG**

- 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?
- 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?

**References**

G1.2-G1.5

**Comments:**

- a) We consider it is necessary to expand the guidance about the concepts of "public benefit" and "private benefit". The description "providing a benefit to the public" could make it difficult to evaluate if an entity meets the definition of an NPO (and if it is eligible to apply the Guide), since something that one group in society might perceive as a benefit, another might not perceive it. Therefore, we consider that it would be better to eliminate this characteristic from the definition (the importance lies in the fact that it does not distribute profits).

We also suggest including a paragraph that considers the use of local jurisdiction (legal framework) be included as part of the elements to define if it meets the definition.

- b) The draft mentioned that entities such as cooperatives, mutual benefit organizations and professional associations could meet the definition of NPOs; however, we consider it necessary to expand on this, since it leads to confusion when it is related to private and public benefits (see comment on the previous question). For example, the cooperative model seeks that its associates improve their socioeconomic conditions and tends to present surplus distributions among its quota holders. From the example described, we highlight that the surplus would not be considered a public benefit, because the quota holders are its main public.

Question 3: Concepts and pervasive principles	References
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
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
c) Do you agree with the components of net assets? If not, why not?	G2.73, Figure 2.2
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
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
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
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
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
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.

**Comments:**

- a) We agree.
- b) We suggest a change in a format with which the titles and subtitles of the Guide are presented, so that the reader has a better understanding. For example, the following in section G 2: Qualitative characteristics of information in general purpose financial reports, Qualitative characteristics of useful financial and non-financial information, Fundamental qualitative characteristics, Relevance and Materiality, cannot be identified if they are headings or subheadings.
- c) We agree.
- d) We agree; however, the equity element is unusual for NPOs in Panama.
- e) We agree.
- f) We agree.
- g) We agree.
- h) We agree.
- i) We agree.

<b>Question 4: Principles to enable comparability of financial statements</b>	<b>References</b>
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
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
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

**Comments:**

- a) We agree.
- b) We agree, including the proposed comparatives for the Statement of Income and Expenses.
- c) We do not consider that they create unintended consequences.

<b>Question 5: Scope and presentation of the Statement of Financial Position</b>	<b>References</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) 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

**Comments:**

- a) We agree.
- b) We agree

<b>Question 6: Scope and presentation of the Statement of Income and Expenses</b>	<b>References</b>
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
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
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
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

**Comments:**

- a) We consider that the name “Statement of Activities” is more appropriate.
- b) We agree.
- c) We agree.
- d) We agree.

**Question 7: Scope and presentation of the Statement of Changes in Net Assets**

**References**

- |  |                                     |
|--|-------------------------------------|
| 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,<br>BC6.1-BC6.5 |
| 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                                |

**Comments:**

- a) We agree.
- b) We agree.

**Question 8: Scope and presentation of the Statement of Cash Flows**

**References**

- |  |           |
|--|-----------|
| 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)   |
| 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)   |
| 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 |

**Comments:**

- a) We agree
- b) We agree.
- c) We agree.

**Question 9: Principles underpinning the notes to the financial statements**

- a) Do you agree that there are no NPO specific considerations for this Section? If not, what changes would you propose and why?

**Comments:**

- a) We agree.



<b>Question 10: Approach to consolidated and separate financial statements</b>	<b>References</b>
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) 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
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
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

**Comments:**

- a) We agree and suggest including additional guidelines to clarify when the NPOs has obtained control without issue equity instruments.
- b) We agree that the rebuttable presumption is a useful tool in assessing control of an entity, if the question refers to G9.17. We are concerned whether the question should refer to G9.18, since it refers to the fact that control elements are included in paragraph G9.5, when they are contained in paragraphs G9.8 and G9.9. It would be convenient to review and correct the references, if required.
- c) We agree.
- d) We agree.

**Question 11: Approach to accounting policies, construction of estimates and accounting for errors**

- 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?

**Comments:**

- a) We agree.

<b>Question 12: Scope and content of narrative reporting</b>	<b>References</b>
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
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
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
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?	

Comments:

- a) We agree.
- b) We agree.
- c) We agree, but we suggest including further clarification about what information may be sensitive to avoid different interpretations.
- d) We agree with the two-year transition period, but early disclose should be permitted considering most NPOs already present narrative reporting.