



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

## International Non-profit Accounting Guidance (INPAG) Exposure Draft 2

### Response template

Please use this form to record your responses to the Specific Matters for Comment relating to [INPAG Exposure Draft 2](#)

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, according to the various sections in INPAG. You do not need to answer all questions and can choose to answer as many or as few as you wish.

You may comment on any aspect of Exposure Draft, not just the specific matters identified. General comments should be added at the end of this document.

Responses must be received by **15 March 2024 and must be in English.**

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)



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

## Respondent information:

<b>First name:</b>	CHARLES	<b>Organisation:</b> (who do you work for)	INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA (ICPAU)
<b>Last name:</b>	LUTIMBA	<b>Response:</b> Are you submitting your response <ul style="list-style-type: none"> <li>• on behalf of my organisation</li> <li>• as an individual</li> </ul>	ON BEHALF OF MY ORGANISATION
<b>Email:</b>	standards@icpau.co.ug	<b>Country:</b> (this should be the country in which you are based)	UGANDA
<b>Position:</b>	DIRECTOR STANDARDS AND REGULATION	<b>Professional interest:</b> please choose from: <ul style="list-style-type: none"> <li>• NPO, ie preparer of financial statements,</li> <li>• auditor,</li> <li>• accounting standard setter,</li> <li>• professional accounting organisation,</li> <li>• regulator of NPOs,</li> <li>• donor,</li> <li>• academic,</li> <li>• civil society,</li> <li>• user of NPO services,</li> <li>• other (please state)</li> </ul>	ACCOUNTING STANDARD SETTER

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 2. 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

<b>Question 1: Financial instruments</b>		
<p><b>INPAG Section 11</b> provides guidance on the treatment of financial assets and financial liabilities. It has two parts, Part I that addresses simpler financial instruments and Part II that addresses more complex financial instruments. There are no significant changes other than alignment with other sections.</p>		
	<b>References</b>	<b>Response</b>
<p>a) Do you agree that there are no significant alignment changes required to Section 11, other than those that have already been made? If not, set out the alignment changes you believe are required.</p>	<p>Section 11</p>	<p>Given the fact that the ultimate intention of the project is to have guidance that is simple to use, mirroring material from the IFRS for SMEs introduces a risk of including content within the INPAG that is unlikely to be applied to NPOs. Failure to modify the IFRS for SMEs and tailor it, perhaps with examples or illustrations akin to the NPO sector means there will be demand for a fair degree of accountancy skill in comprehending the text and requirements.</p>

<b>Question 2: Inventories</b>
<p><b>INPAG Section 13</b> provides guidance on the recognition, measurement and disclosure of inventories. Major changes have been made to broaden the scope of this section to include NPO specific inventory and set out their measurement, where inventories held for use or distribution to be measured at the lower of cost adjusted for any loss of service potential and replacement cost. It has been modified to allow the use of permitted exceptions where certain donated items are not recognised in inventories. It has also been amended to allow NPOs to expense services to be provided to service recipients for no or nominal amounts as incurred rather than as work in progress within inventories. Disclosures have been updated to address the use of permitted exceptions and where donated inventories cannot be reliably measured.</p>



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	References	Response
a) Do you agree with the expansion of Section 13 <i>Inventories</i> to specifically include inventory held for use internally, for fundraising or distribution? If not, why not?	G13.1	<p>We agree with the expanded scope to include inventory held for use internally, for fundraising, or distribution. It is a common practice that NPOs may manufacture or purchase items to distribute them to beneficiaries either free of cost or at a nominal amount. Although such items may not be held for the purpose of sale, or for consumption in a production process, or in the rendering of services or other purposes of a commercial/business nature, these items need to be considered to be inventory.</p> <p>ICPAU conducted a survey among its members on selected proposals in ED2 including this one. Results from the survey indicated that almost all of the respondents agreed with the expanded scope to include inventory held for use internally, for fundraising, or for distribution (See Appendix 1, Question 2).</p>
b) Do you agree with the permitted exceptions that allow for certain donated inventories and work in-progress that comprises services to be provided for no or nominal consideration to not be recognised as inventory? If not, what would you propose instead/.	G13.2, G13.5 (a)-(c)	<p>We agree with the exception of allowing certain donated inventories and work in progress not to be recognised as inventory. Items received as a donation by an NPO for distribution to beneficiaries or for sale with the proceeds being used for the benefit of such beneficiaries should not be considered as inventory. However, our appreciation of para G13.1(b) and G13.5(b) read in conjunction is to the effect that the sections seek to extend the scope of inventories referred to therein (held for distribution to service recipients in the ordinary course of operations) to inventories that are non-current assets or high-value items.</p>



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		We also suggest that an interpretation/guidance on what would constitute high-value items be included to ensure a common or somehow similar approach to the identification of the same is done by NPOs.
c) Do you agree that fair value should be used to value donated inventory? If not, what would you propose instead?	G13.7	<p>We agree that fair value should be used to value donated inventory. However, we do observe that the way para G13.7 has been couched, it gives an impression that in all circumstances it must or it shall be possible for fair value to be established which may not be the case in all circumstances. We would have preferred a phrasing of para G13.7 as below:</p> <p><i>“Where inventories are acquired through a donation, their initial cost shall be measured at fair value in accordance with paragraph G23.33, <b><u>unless it is impractical to measure reliably the fair value of the donated inventories.</u></b>”</i></p> <p>We equally appreciate the intention of fully providing a section on fair value in ED 3. However, what remains unresolved is what would happen in instances where it is impractical to measure reliably the fair value of the donated inventories. We thus hope to see clarity on:</p> <ul style="list-style-type: none"> <li>(a) How the value of donated inventories would be determined when there is no direct evidence of fair value for an equivalent item;</li> <li>(b) Where the donated inventories are expected to be resold; how would the value be established if it is hard/impractical to measure the fair value</li> <li>(c) What would be the approach in establishing the value for donated goods that may have restrictions; among others?</li> </ul>



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<p>d) Do you agree that inventories that are held for distribution at no or nominal consideration or for use by the NPO in meeting its objectives shall be measured at the lower of cost adjusted for any loss of service potential, and replacement cost? If not, what would you propose instead?</p>	<p>G13.8</p>	<p>We agree, and the majority of respondents (about 91%) who participated in the ICPAU survey on ED 2 also agreed with this proposal. (See Appendix 1, Question 4).</p>
<p>e) Do you agree with the proposed disclosure requirements, particularly regarding the use of permitted exceptions and where donated inventories are not recognised because they cannot be reliably measured? If not, what would you propose instead?</p>	<p>G13.26 (e), G13.27</p>	<p>We agree. By virtue of prudence, one of the qualitative characteristics of information in financial statements as provided for under the IFRS for SMEs, and the basis of which the INPAG is grounded, the uncertainties that inevitably surround many events and circumstances are acknowledged by the disclosure of their nature and extent and by the exercise of prudence in the preparation of the financial statements. Prudence is the inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.</p> <p>The permitted exceptions call for the exercise of judgement and the exclusion of any inventories can only be adjudged once there is an honest disclosure of the circumstances surrounding the exclusion. We thus believe that an item that fails to meet the criteria for recognition should warrant disclosure in the notes, explanatory material, or supplementary schedules.</p>



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<b>Question 3: Provisions and contingencies</b>		
<p><b>INPAG Section 21</b> provides guidance on the recognition, measurement and disclosure of provisions (being liabilities of uncertain timing or amount), contingent assets and contingent liabilities. All examples are located in the Implementation Guidance and have been updated to be more relevant to NPOs, including an example relating to onerous grant agreements.</p>		
	<b>References</b>	<b>Response</b>
<p>a) Do you agree that an illustrative example on warranties is removed from the Implementation Guidance, and a new example on onerous contracts is added? If not, why not?</p>	<p>Section 21, Illustrative example 3</p>	<p>By virtue of the commentary under para BC21.3 (Basis of Conclusion to INPAG) which is to the effect that no changes were proposed to the core text, but the illustrative examples were amended to be more relevant to NPOs, we agree with the removal of an illustrative example on warranties.</p> <p>By nature, warranties whether of an assurance-type or a service-type are more relevant to supplier/manufacturer who is in a business/commercial nature of transactions. This model is not common with the NPO sector and thus the relevance of the illustration on warranties may not be value-adding.</p> <p>The perspective of warranties from a buyer's point of view (the position in which several NPOs may be found) would not fall within the provisions of Section 21 - Provisions and contingencies as such. For example, from the NPO's (buyer of product) viewpoint, a warranty regarded as a distinct service is excluded from the cost of an acquired asset and instead, is recognised as a revenue expense over the warranty's duration. This is not what Section 21 intends to achieve/provide for.</p>





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## Question 4: Revenue

**INPAG Section 23** has been expanded to specifically cover revenue from grants and donations. It comprises two parts with a preface that contains content that is common to both.

Part I is new material that has been written specifically for NPOs that sets out the requirements for the recognition, measurement and disclosure of revenue from grants and donations. The timing of revenue recognition is dependent on the existence of an enforceable grant arrangement (EGA), which must have at least one enforceable grant obligation (EGO). It follows the concepts in the 5 step model for revenue recognition used in international standards. Part I also describes permitted exceptions for the recognition of gifts in-kind and services in-kind.

Part II reflects the *IFRS for SMEs* Accounting Standard material for contracts with customers provides It provides simplified guidance for less complex contracts.

	References	Response
a) Section 23 Part I and Section 24 Part 1 introduce new terminology relating to grant arrangements <sup>1</sup> . Do you agree with the terms enforceable grant arrangement and enforceable grant obligations and their definitions? If not, what alternative terms would you propose to achieve the same meaning? What are the practical or	G23.23-G23.30, G24.3-G24.4	We do agree with the terms ‘enforceable grant arrangement’ and ‘enforceable grant obligations’. This is because unlike the term ‘binding arrangement’ common under the International Public Sector Accounting Standards (IPSAS), which is a little vague and open to difficulty in enforcement, the term adopted under the INPAG that is ‘enforceable grant arrangement reinvigorates the necessity of the grant arrangement being enforceable through legal or equivalent means. Enforceability of an arrangement as a virtue requires that there has to be an offer and acceptance of that

<sup>1</sup> Both sections include the following question, which you can answer under either section, or cover the grantor and grantee perspectives separately.



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<p>other considerations arising from these definitions, if any?</p>		<p>offer; consideration; an intention to create a legal relationship; and capacity to enter into such arrangements.</p> <p>The INPAG by highlighting the enforceability of an arrangement speaks into support of the common custom among NPOs of receipt of grants with minimal or no consideration. Remember, consideration need not be adequate BUT sufficient, and therefore in any transaction once an NPO's rights and obligations are identified, however slight the obligations could be, that would satisfy the notion of consideration.</p>
<p>b) Do you agree with the structure of Section 23, with Part I focused on grants and donations, Part II focused on contracts with customers, and a preface that brings together the key principles and information about how to navigate the guidance? If not, what changes would you make and why?</p>	<p>Section 23</p>	<p>We agree with the separation and creation of the two structures to cater for grants and donations, and contracts with customers. While we note that the INPAG seeks to adopt the five-step model for revenue recognition found in IFRS 15 as the IFRS for SMEs third edition transitions to the same, the application of the five-step model to grants and donations and contracts with customers would call for a clear demonstration of how the five steps would apply in both non-exchange transactions and revenue from contracts with customers.</p> <p>We, however, obtained reservations about this approach (the approach of separation in the structure of grants and donations, and contracts with customers) from some of the respondents. They noted that both Parts of section 23 adopt the 5-step model of revenue recognition from IFRS 15 and the only aspect of differentiation between the two parts is terminology which causes duplication of information within the guidance. These members propose that part I and part II of recognition of revenue be consolidated into one for example 'Principles of revenue recognition and</p>



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		measurement' to address revenue from grants and donations and revenue from contracts with customers simultaneously.
c) Do you agree that revenue is only deferred where the grant recipient has a present obligation in relation to the revenue received? If not, in what other circumstances could revenue be deferred and what is the conceptual basis for this proposal?	G23.27, G23.41-G23.59	<p>While we do not disagree with the deferral of revenue in circumstances where a grant recipient has a present obligation in relation to the revenue received, we believe there are other circumstances under which revenue may be deferred, such as;</p> <ul style="list-style-type: none"> <li>▪ Where a grant relates to a depreciable fixed asset, that grant should be treated as deferred income and recognised in the Statement of Income and Expenses account by allocating it over the useful life of the asset in the proportion in which depreciation on the asset concerned is charged.</li> <li>▪ In the case of restricted funds, where the fund is meant to meet a capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited and thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset.</li> <li>▪ A grant that is subject to performance-related conditions received in advance of delivering the goods and services where the unmet conditions are wholly outside the control of the grant recipient. Here while the deferral under para G23.27, G23.59 is largely tied to a present obligation to the grant recipients, there may be instances where the obligation is with a third party that is part of the entire enforceable grant arrangement.</li> </ul>
d) The revenue recognition model for enforceable grant arrangements requires that revenue is allocated where there is more than one enforceable grant	G23.53-G23.56, G23.125- G23.138,	<p>While we agree with the allocation methods identified, we wish to observe as herein below:</p> <p>We note that guidance as to how the pricing for goods and or services without an observable market price will be determined by way of estimation. The requirement</p>



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<p>obligation. Do you agree with the allocation methods identified? If not, what methods would you propose? What are the practical considerations?</p>	<p>AG23.52- AG23.59</p>	<p>to estimate a stand-alone value without clear disclosure of what has been considered in that estimation may result in unnecessary but also deliberate over and or under-estimation. Para G23.56 permits an NPO to take into account all information that is reasonably available to it, including market conditions, NPO-specific factors, and negotiations with the grant provider but there is no related requirement under the disclosure section to consider disclosure of such factors as shall have been considered in estimation of the stand-alone value.</p>
<p>e) Do you agree with the permitted exceptions that allow the recognition of some gifts in-kind, either when sold, used or distributed, and that these permitted exceptions cannot be used where donations are received as part of an enforceable grant arrangement? If not, what would you propose instead and what is the rationale?</p>	<p>G23.36, G23.37</p>	
<p>f) Do you agree that services in-kind are not required to be recognised unless they are mission critical? If not, on what basis should services in-kind be recognised and what is the rationale?</p>	<p>G23.36, G23.38, G23.63, AG23.35- AG23.36</p>	<p>We do not agree with the proposition here that services in-kind should not be recognised unless they are mission-critical. We believe that in the era where there will always be oscillating donor support for NPO activities, it is prudent that NPOs are in a better position to establish their true performance and position including an estimation of the cost of services that an NPO would have paid for had they not been received in kind. Recognition of services in-kind is important because it assists in understanding the operations of an NPO for example, where an NPO is dependent on</p>



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		services in-kind that are not mission-critical but somehow aid in achieving the mission. Such recognition also aids in appreciating an NPO's ability to withstand donor support shocks from a sustainability perspective.
g) Do you agree that donations in-kind (both gifts in-kind and services in-kind) should be measured at fair value? If not, what would you proposed instead?	G23.31-G23.32, G23.35-G23.38	We agree that donations in-kind (both gifts-in-kind and services in-kind) should be measured at fair value. However, our comments on the enhancement of the fair value guidance as mentioned under our responses to question 2 (c) above stand.
h) Do you agree that administrative tasks are generally not separate individually enforceable obligations, but a means to identify or report on resources in an enforceable grant arrangement? If not, provide examples of where administrative tasks are an enforceable obligation.	G23.49	<p>The key question to ask here is whether administrative tasks form the root or key conditions of an Enforceable Grant Arrangement (EGA) or whether the administrative tasks are simply incidental or ancillary tasks to the performance of the main enforceable grant obligations (EGO). Where in fulfillment of the EGO, administrative tasks simply accompany the activities therein, we are of the view that such tasks are generally not separate individually enforceable obligations, but a means to identify or report on resources in an enforceable grant arrangement and hence should not be regarded as part of EGO. This is because such administrative tasks in their own sense cannot be considered as EGO because they would be outright expectations in the performance of any EGO embedded within the EGA.</p> <p>However, where an NPO's administrative tasks form part of the conditions for any EGA, in such circumstances they should be considered to be EGO. Administrative tasks can individually create separate enforceable obligations. For instance, where the providing NPO stipulates in an EGA that the recipient NPO will receive funds in portions and thus to continue receiving the remaining portion of funds the recipient NPO has to submit periodical monitoring reports for example narrative reports to account for</p>



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		<p>the funds received before more funds are given to the recipient NPO. When the recipient NPO fails to adhere to the administrative tasks within their enforceable grant arrangements, there might be sanctions in line with the terms of the enforceable grant agreement. Sanctions may include penalties or the withholding of funds by the grant provider.</p> <p>INPAG seeks to take the direction of enforceability through legal or equivalent means, our demonstration above is akin to the use of the words ‘<i>condition</i>’ and ‘<i>warranties</i>’ in contract law, where if something is set as a condition in an EGA, then nonfulfillment of the same is fatal to the entire arrangement. We thus believe such distinction may need to be made with respect to administrative tasks.</p>
<p>i) Do the proposals for disclosure of grant revenue provide an appropriate level of transparency? If not, what would you propose and what is the rationale for your proposal?</p>	<p>G23.61-G23.70</p>	<p>The disclosure under para G23.64, ‘An NPO is encouraged (but not required) to disclose its best estimate of the value of any gifts-in-kind or services in-kind that it has received but not recognized as revenue,’ does not stem from the principle of transparency but rather creates leeway for NPOs to withhold information which might be vital to the users of their financial statements. This disclosure would make comparability of financial statements of an NPO that discloses and one that is not impractical with regard to services and gifts in kind yet one of the objectives of the guidance is ‘quality’ which encompasses the aspect of comparability.</p> <p>We propose for the guidance to make this mandatory for all NPOs for the reasons highlighted above.</p>



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<p>j) Part I is written for simpler grant arrangements and Part II includes a paragraph for simpler contracts with customers. For more complex grant arrangements, additional guidance is provided about how to apply Part II in the NPO context. Do these proposals successfully remove duplication, help understandability and the ability to implement? If not, what would you change and why?</p>	<p>G23.42-G23.59, G23.73, AG23.37-AG23.40, AG23.62</p>	<p>We partially agree to the extent that indeed the separation of material into Part I which is a new section drawn largely from IPSAS and Part II drawn from the IFRS for SMEs with NPO-specific terminology adopted.</p> <p>However, we received dissenting views to the effect that while the proposal assists in the understandability of how to deal with revenue from grants and revenue from contracts because each is elaborated in-depth, the proposals in Part I for simpler grant arrangements and Part II for simpler contracts with customers duplicate each other as they both are based on the 5 step model for recognition of revenue in IFRS 15 <i>Revenue from Contracts with Customers</i> except for the different terminologies used in both parts. These members believed that it would be wise to merge the two into one part of the section since they were communicating the same message in different words.</p>
<p>k) Do you have any other comments on the proposals in Section 23, including whether the full content of the IFRS for SMEs section on revenue from contracts with customers in Part II is necessary for NPOs? If so, provide the rationale for the comment and cross reference to the relevant paragraphs.</p>		<p>Yes, on the proposal of the ‘Economic substance of transactions - the amounts given and received are not of approximately equivalent value’ - we observe that an NPO may elect not to reflect the intention to make a donation or grant where the NPO provides both a service and a grant to the recipient NPO and the difference is not material or the cost of identifying the donation or grant exceeds the likely benefit to users of the financial statements. Our concern relates to what guides on the level of materiality that the NPO should consider as it is making the election not to reflect the intention to make a donation or grant. Additional guidance may be needed to ensure satisfaction of the ultimate objective of the general-purpose financial reports of an NPO which is to provide information about the NPO that is useful for accountability and decision-making by users of the financial reports.</p>



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### Question 5: Expenses on grants and donations

**INPAG Section 24** is new and covers accounting for expenses. Part 1 of this Section covers Expenses on grants and donations. Guidance covers the recognition, measurement and disclosure of grants that an NPO makes to other entities or individuals. As with Section 23 Part I, it has a model for recognising expenses on grants and donations that depends on the existence of an EGA.

	References	Response
a) Section 24 Part I and Section 23 Part 1 introduce new terminology relating to grant arrangements <sup>2</sup> . Do you agree with the terms enforceable grant arrangement and enforceable grant obligations and their definitions? If not, what alternative terms would you propose to achieve the same meaning? What are the practical or other considerations arising from these definitions, if any?	G24.3-G24.4, G23.23-G23.30,	Our response is as contained under Question 4 (a) above.
b) Do you agree that all expenses on grants and donations can be classified as an enforceable grant arrangement or as an other funding arrangement? If not, provide examples of which expenses on	G24.3-G24.6	We agree.

<sup>2</sup> Both sections include the following question, which you can answer under either section, or cover the grantor and grantee perspectives separately.





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grants or donations would not fit in either of these classes, and why not?		
c) Enforceable grant arrangements are required to be enforceable through legal or equivalent means. Do you agree that regulatory oversight and customary practices can be sufficient to create an enforceable grant arrangement? If not, why not? What weight should be applied to these mechanisms?	G24.3, AG24.9, AG24.13-AG24.15	
d) Do you agree that the full amount of the grant (including where it covers multiple years) should be recognised as an expense if the grant-provider has no realistic means to avoid the expense? If not, under what circumstances should a grant-provider not recognise the full expense and what is the rationale?	G24.17-G24.18, AG24.24-AG24.27	<p>No, we do not find it appropriate for a grant provider to recognise the full amount of the grant as an expense if the grant provider has no realistic means to avoid the expense. The grant provider would still be in control of the resources in the transaction since they have not been fully transferred to the grant recipient.</p> <p>NPOs operate within different environments liable to political, social, and economic (PSE) variations. Such interplay of PSE fundamentals may have a significant impact on the life of an NPO and hence its operations and association with grant providers. We further think that where the guidance introduces EGA and the associated EGO, in practice, exploring the rights and obligations mechanism from a grant provider's perspective via a vis the grant receiver, is likely not to be on equal terms. If there are funds still under the control of the grant provider, the terms and conditions highly favour them with respect to their disbursement. A multiple-year grant may thus be affected by such unprecedented occurrences.</p>



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<p>e) Do you agree that grants for capital purposes are expensed by the grantor using the same principles as other grants? If not, why not? What would you propose instead?</p>	<p>AG24.30-AG24.35</p>	<p>We agree.</p> <p>We believe that the treatment of the grants for capital purposes will be dependent on several issues. For example; Is there an EGA within which the capital grant is embodied? This is critical because if a capital grant is not enforceable the NPO will immediately recognise revenue and the grantor should equally fully expense the grants for capital purposes.</p> <p>If there is an EGA with such inherent enforceable rights and obligations to the grant receiver such as a right to specific performance; and or a return obligation for amounts not spent in the setting up of a capital item such as the construction of a building; in such circumstances the grantor may expense the grants for capital purposes proportionately on completion of the EGO by the grant receiver (para G24.20-G24.21)</p>
<p>f) Do the proposals for disclosure of grant expenses, which include a sensitive information exemption, provide an appropriate level of transparency? If not, what would you propose and what is the rationale for your proposal?</p>	<p>G24.32-G24.41</p>	<p>While we may agree with this guidance, especially in as far as it seeks to shield say funders who willfully contribute to a common pool, with the intention that the resources from the pool are channeled to supporting NPOs elsewhere, we however, have reservations on whether the same may not be considered redundant in some jurisdictions and by some regulatory bodies particularly those working for the government.</p> <p>In the era of growing legislation around anti-money laundering and countering terrorist financing and in the era of NPOs or their funders being accused of supporting ‘subversive activities’ at least common allegations in the developing world, we wonder whether this guidance will not be considered non-effectual. In the alternative,</p>



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		additional information may be considered to give a balanced basis for handling the disclosure of sensitive information.
g) Do you agree that a grant-providing NPO with an OFA can only recognise an asset at the point that a grant recipient has not complied with a constraint on the use of funds provided? If not, what would you propose instead?	G24.11	We agree
h) Do you have any other comments on the proposals in Section 24, including that administrative tasks in an enforceable grant arrangement are generally not an enforceable grant obligation but a means to identify or report on resources. If so, provide the rationale for any comments and cross reference to the relevant paragraph.	Section 24  IG24.21	No Comment



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<b>Question 6: Borrowing costs</b>		
<b>INPAG Section 25</b> specifies the accounting for borrowing costs. There are no significant changes with modifications made to align with other sections.		
	<b>References</b>	<b>Response</b>
a) Do you agree that there are no significant alignment changes required to Section 25, other than the terminology changes that have been made? If not, set out the alignment changes you believe are required.	Section 25	<p>We agree that there are no significant alignment changes required to Section 25, other than the terminology changes that have been made.</p> <p>While we are aware guidance in some jurisdictions (like it is in the full IFRS Accounting standards) is to the effect that borrowing costs be capitalized where they are incurred for purposes of setting up a qualifying asset, we believe by taking the version provided for under the IFRS for SMEs where all borrowing costs are expensed would be more valid for the NPOs. At least from a jurisdictional tax appreciation perspective especially for the NPOs that might have failed to prove their exemption status (due to the absence of an exemption certificate); by expensing the costs, the NPOs are able to recover their costs deduction earlier (within year one) unlike where the same costs had been considered for capitalisation - where such a claim for deduction would be spread throughout a longer cycle. Otherwise, for NPOs that are fully registered and secured an exemption status, we find expensing all borrowing costs as an easy form of accounting for them.</p>

<b>Question 7: Share-based payments</b>
<b>INPAG Section 26</b> specifies the accounting for share-based payments. As share-based payment transactions are considered highly unlikely for NPOs



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this section has been removed and a paragraph included to explain why it is not part of INPAG.		
	<b>References</b>	<b>Responses</b>
a) Given the characteristics of NPOs, do you agree that guidance on share-based payments is not required? If not, provide examples of share-based payments and explain how they are used.	Not applicable	<p>We agree that the guidance for share-based payments may not be required for NPOs. Our justification for this position rests on the fact that:</p> <p>(a) Section 26 of the IFRS for SMEs is intended for accounting for all share-based payment transactions including those that are equity or cash-settled or those in which the terms of the arrangement provide a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.</p> <p>(b) NPOs are never legally set up as entities limited by share capital and as such they cannot have or effect share-based payments. In Uganda, several NPOs are either limited by guarantee or some simply obtain operation permits - operating as branches of other international NPOs.</p> <p>(c) NPOs are rarely part of other group entities for provisions of para 26.1A of the IFRS for SMEs to apply to them in such circumstances where the NPOs would receive goods and or services and share-based payments be made by another group entity. This paragraph provides that; “A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving the goods or services.”</p> <p>However, in jurisdictions where NPOs can be part of a group structure, provisions may be made to incorporate guidance on how transactions settled by way of shares on behalf of an NPO part of that group may be accounted for.</p>



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<b>Question 8: Employee benefits</b>		
<p><b>INPAG Section 28</b> covers all forms of consideration given by an employing NPO to its employees. Changes have been made to this Section to remove references to share-based payments and to profit-sharing arrangements as these are not expected to be part of NPO remunerations structures. Amendments describe how a controlling NPO providing benefits to employees of controlled entities in the group can apply its provisions.</p>		
	<b>References</b>	<b>Responses</b>
a) Do you agree that profit sharing and share-based payments are removed from Section 28 <i>Employee benefits</i> to reflect that employees of NPOs are very unlikely to be incentivised by sharing in the surpluses made by an NPO? If not, provide examples of such arrangements used by NPOs.	G28.3, G28.27	<a href="#">We agree as per our discussion in Question 7 above.</a>
b) Do you agree that in-year changes to the value of post-employment benefits can be shown on either the Statement of Income and Expenses or Statement of Changes in Net Assets? If not, why not?	G28.21	



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### Question 9: Income tax

**INPAG Section 29** addresses the accounting for income tax including current and deferred tax. Minor editorial amendments have been made to align with other Sections. Amendments include the removal of the exclusion relating to government grants as this is now replaced, and to allow the tax expenses to be shown in the Statement of Income and Expenses or Statement of Changes in Net Assets as appropriate.

	References	Responses
a) Are there any elements of Section 29 <i>Income taxes</i> that are not required by NPOs? If so, explain which elements are not needed and why.	Section 29	No comment

### Question 10: Foreign currency translation

**INPAG Section 30** describes how to include foreign currency transactions and foreign operations in the financial statements. This Section has been amended to require that the exchange rate gains or losses on monetary items are presented consistently with the transaction to which they relate.

This Section also requires that deficits or surpluses arising as a consequence of changes in exchange rates for grant arrangements that are included as part of funds with restrictions are disclosed. This is to provide transparency of exchange rate exposures relating to grant arrangements.

	References	Response
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a) Do you agree that grants and donations should be considered when setting the functional currency? If not, why not?	G30.3 (c), G30.5 (b), G30.5 (d)	
b) Do you agree with the principle that exchange gains and losses are shown as part of funds without restrictions unless they relate to a transaction that is to be shown as restricted? If not, why not?	G30.12, G30.20 (c)	
c) Do you agree with the proposal to require exchange gains and losses that contribute to a surplus or deficit on grant arrangements presented as funds with restrictions to be disclosed? If not, why not? What would you propose instead?	G30.30	
d) Do you have any other comments on Section 30, including whether there are any NPO-specific recognition and measurement issues associated with foreign currency translation? If so, explain your comments and the NPO-specific recognition and measurement issues.	Section 30	

### Question 11: Hyperinflation





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<p><b>INPAG Section 31</b> describes the requirements where an NPO is operating in a hyperinflationary economy. Minor editorial changes, including those relating to the structure and names of the financial statements have been made.</p>		
	<b>References</b>	<b>Responses</b>
<p>a) Do you agree that there are no significant alignment changes required to Section 31, other than the terminology changes that have already been made? If not, describe any further alignment changes required.</p>	<p>Section 31</p>	<p>We agree</p>

<p><b>Question 12: Events after the end of the reporting period</b></p>		
<p><b>INPAG Section 32</b> sets out the principles for recognising, measuring and disclosing events that happen after the end of the reporting period. Minor amendments have been made to include grant providers as a source of bankruptcy, to remove some references including to profit sharing and dividends. Those with the power to amend the financial statements after they have been issued has also been widened given the nature of NPOs.</p>		
	<b>References</b>	<b>Responses</b>
<p>a) Do you agree that there are no significant changes required to Section 32, other than those that have already been made for alignment purposes? If not, describe any further alignment changes required.</p>	<p>Section 32</p>	<p>We agree to the changes that seek to include grant providers as a source of bankruptcy, to remove reference to profit sharing and dividends, and the widening of those with the power to amend the financial statements after they have been issued given the nature of NPOs.</p>



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<b>General Feedback</b>	
<p>Please share any other comments that you wish to raise on Exposure Draft 2. When providing additional feedback please reference the paragraph numbers, where possible and provide a short explanation to support your comments.</p>	<p>None at the moment.</p>