I would like to highlights on Question 4 - Relating to Revenue (Guidance 23)

1. Section 23 Part I and Section 24 Part 1 introduce new terminology relating to grant arrangements. 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

**Comments:** I support the terminology of enforceable grant and enforceable grant obligation and its definition. In USA GAP they use the as restricted grant or grant obligation imposed by the donor. The meaning and definition are almost the same.

1. 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?

**Comments:** I do agree with the broad category of Donation Part 1 which covers Unrestricted and Restricted donations and Part II which covers Exchange transactions or services provided by NPO like consulting services. I do recommend not to group them as part 1 or part 2. Because, NPO can account for part 2 as other revenue. Please merge them under one Guidance with no parts.

1. 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?

**Comments:** The principal principle should be like this ‘Revenue is only deferred where the grant recipient has a present obligation in relation to the revenue received”. In practice there are a number of reasons when revenues are deferred by NPO in accordance with the revenue recognition policy of the organization, such as difference in accounting year or a period. If a donation in cash is received for a number of years, with various development objectives, which will be achieved at the end of last year. In such cases. The organization recognized revenue only a certain portion based on the expenditure incurred or performing expenditure provided to achieve that objective in the last year, the unspent portion of the revenue received deferred for the next year.

1. The revenue recognition model for enforceable grant arrangements requires that revenue is allocated where there is more than one enforceable grant obligation. Do you agree with the allocation methods identified? If not, what methods would you propose? What are the practical considerations?

**Comments:** Yes, I do agree with the statement that if there is more than one obligation, NGO should allocate revenue among the obligations. The bigger problem is determining the allocation method and pricing of each obligation. In practice most of the NPO in the world prepare their grants budget based on inputs basis and by nature of cost. Besides, the indirect costs for Headquarters and HR costs for the project staff are fixed and look like common costs. So, this cost allocation is a very cumbersome process for allocation among obligations to multiyear and multi-country projects. I would recommend giving flexibility to the NPO for the projects where there are enforceable obligations, project duration is longer and projects are implemented in a number of countries. So, based on these guidelines NPO can make a policy for determining revenue recognition for such complex projects.

1. 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?

**Comments:** In my opinion, NGO should recognize revenue for all sorts of donations received at least from the institutional donors. Because every commodity or service provided by the donor has a cost, as a result revenue could be recognized either at cost method of the donors or fair market value at the time of receiving the goods or services from institutional donors. A mere disclosure as per G23.63 will not represent the financial statements and the actual transactions required for those donations in kind. I do disagree with G23.38 and AG23.35 and AG23.36. In practice, we are not paying volunteers but still there is a cost for any volunteers whether it is paid by the donors or by the NPO, such as housing costs, transportation costs, international travel costs etc. To make a fair presentation, in terms of activities performed by NPOs, in my opinion, we shouldn’t give an exception for any costs or any revenues which is essential for fairview of the financial statements. I would recommend we should consider all sorts of donations under the purview of accounting. In practice , accounting for all sorts of in kind donations is very simple, it is a contra debit (assets or expense) and contra credit (liability or revenue).

1. 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?

**Comments:** As stated earlier, I do recommend donations and services received from institutional donors need to be recorded as Revenue. It is very difficult to identify critical and non-critical goods and services for an NPO. This exception will dilute the uniformity principle on INPAG. I have reviewed G23.38, the materiality definition, which in fact depends on the size of NPO, where a small NPO with only 2 volunteers service is critical, but for big NPO like Save the Children 50 volunteers doesn’t fulfill the materiality Threshold. Considering those in mind, I would recommend every good and service need to be under the purview of revenue recognition threshold.

1. 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 propose instead?

**Comments:** In principle and in general or by following IFRS or FASB accounting Standard, I do agree donations received in kind (both gifs in kind and services in kind) should be measured at its fair value at the time of receiving those. As the ED3 will provide principles and detailed on the fair value I have no further comments on fair value. Let us see what should come up on ED3 on fair value measurement.

1. 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.

**Comments:** This is a very good question. In some enforceable agreements, Quarterly reporting, whether monitoring or financial, is treated as an enforceable obligation. I do recommend administrative tasks should be a second set of obligations and by which revenue recognition could be made and deferred.

1. 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?

**Comments:** In my opinion, the disclosures stated in G23.61 are fine because sometimes users of the financial statements are not fully aware about the financial information stated in the face of the income statement and balance sheet, as a result categorization is very reading friendly to understand by the non-finance users.

I have an observation on G23.63: If an NGO doesn't recognize donation in kind due to low value products or value can’t be reliably measured, the disclosure does not provide enough information for the users of the financial statement. Other than as stated in subsection G23.63 a b and c, I would recommend an estimated amount of value should be disclosed in the disclosure note certified by the Auditors or by the CFO of the NPO.

1. 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?

**Comments:** Honestly speaking, when I started to read the Revenue section, I was confused and asked myself why ED2 spread revenue recognition in different parts and in different sections. In my opinion the whole of the revenue for NPO, we can divide in three sections, those are (1) Unconditional/Unrestricted Donation (It may be in kind or in cash). (2) Restricted donation (Cash or kind). (3) Revenue from other sources (Selling of services). Then we can devise the principles for each of them in one Guidance, there is no need to make them Part 1 or Part 2.

1. 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.

**Comments:** It appears that Part 2 looks like a separate revenue generating business unit like BRAC in Bangladesh created more than 20 business establishments. In my opinion, we shouldn’t give much emphasis on the revenue generating component of NPO. Let us concentrate on (1) Unrestricted Donation (Cash and Kind). This area needs to work more. Because, a lot of occupational corruption in the NPO sector occurs in Unrestricted/Unobligated donation. (2) Restricted/Obligated Donation: Please do some more research on how to simplify Restricted/Obligated donation. The guidance provided a lot of burden to small and medium size NPO. They don’t have infrastructure like IT staff, professional compliance and finance staff to maintain large scale accounting and financial tools.

In conclusion I would like to provide my sincere thanks to Project Director Samantha, our professional colleagues from CIPFA and Humentum for taking this initiative to publish a uniform INPAG. We hope transparency in using donations will be improved and the world poverty rate will be decreased.

The End