**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](http://www.ifr4npo.org/exposure-draft-2)

Comments are most helpful if they:

1. Address the question asked;
2. Contain a clear explanation to support the response provided, whether this is agreeing or otherwise with any proposals made;
3. Propose alternatives for consideration, where responses are not in agreement with the proposal made;
4. Specify the INPAG paragraphs to which any comments relate; and
5. 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/](http://www.ifr4npo.org/)have-your-say

**Respondent information:**

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| **First name:** | Leslie | **Organisation:** (who do you work for) | Irish Aid |
| **Last name:** | Williams | **Response:** Are you submitting your response   * as an individual | Yes |
| **Email:** | lesliewilliams\_uk@yahoo.co.uk | **Country:** (this should be the country in which you are based) | Sierra Leone |
| **Position:** | Finance Manager | **Professional interest:** please choose from:   * NPO, ie preparer of financial statements, * auditor, * accounting standard setter, * professional accounting organisation, * regulator of NPOs, * donor, * academic, * civil society, * user of NPO services, * other (please state) | Country Champion, donor and standard setter |

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| 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 |

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)

**Specific Matters for Comment**

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| **Question 1: Financial instruments**  **INPAG Section 11** 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. | | |
|  | **References** | **Response** |
| 1. 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. | Section 11 | **I do agree to the extent that it does not include shares** |

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| **Question 2: Inventories**  **INPAG Section 13** 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. | | |
|  | **References** | **Response** |
| 1. Do you agree with the expansion of Section 13 *Inventories* to specifically include inventory held for use internally, for fundraising or distribution? If not, why not? | G13.1 | **Yes I do agree with the concept** |
| 1. 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) | **Yes I do agree with the permitted exceptions that allow for certain donated inventories and work-in-progress. My only reservation is what is the limit or criteria which an NPO can use to asses “l**ow-value items donated to the NPO” |
| 1. Do you agree that fair value should be used to value donated inventory? If not, what would you propose instead? | G13.7 | **Yes fair value should be used to recognize the value of the donated inventory** |
| 1. 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? | G13.8 | **Yes do agree** |
| 1. 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? | G13.26 (e), G13.27 | **Yes these disclosure requirements are serve to guide the NPO and somewhat supports standard measurements of such.** |

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| **Question 3: Provisions and contingencies**  **INPAG Section 21** 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. | | |
|  | **References** | **Response** |
| 1. 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? | Section 21, Illustrative example 3 | **Yes I do agree that is removed from the Implementation Guidance** |

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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** |
| 1. Section 23 Part I and Section 24 Part 1 introduce new terminology relating to grant arrangements[[1]](#footnote-2). 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? | G23.23-G23.30, G24.3-G24.4 | **I do agree with the terms but think that a lot of sensitization will have to be involved to get NPOs to fully grasp the concepts.**  **One of the practical considerations arising from these terminology it understanding the thought pattern behind it and also understand what gives right to what, EGA or EGO and how these sit within the reporting framework.** |
| 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? | Section 23 | **Yes I do agree** |
| 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? | G23.27, G23.41-G23.59 | **Yes I do agree to a large extent, NPOs have been deferring revenue based on the total cumulative expenditure to date for a certain period mostly the NPOs accounting period reduced from the total grant value and the balance is referred to as deferred income. This could spark the need for orientation around the concept of deferred income in this context** |
| 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? | G23.53-G23.56, G23.125-G23.138, AG23.52-AG23.59 | **Yes I do agree with the recognition model.** |
| 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? | G23.36, G23.37 | **Yes I do strongly agree with this concept** |
| 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? | G23.36, G23.38, G23.63, AG23.35-AG23.36 | **I do agree with this concept as it will streamline the process of recognition of such which can cause bigger issues if not handle properly, but think that the guidance might need to provide some sort of additional criteria or guidance on how an NPO can determine what is or what is not Mission critical** |
| 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 proposed instead? | G23.31-G23.32, G23.35-G23.38 | **Yes they should be measured at fair value to have uniformity** |
| 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. | G23.49 | **Yes I do agree, those needs to be separated from EGO if not the list will never end and it will create more confusion than the help it provides.** |
| 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? | G23.61-G23.70 | **Yes they do provide an appropriate level of transparency** |
| 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? | G23.42-G23.59, G23.73, AG23.37-AG23.40, AG23.62 | **Yes I feel that they successfully remove duplication and help with understandability** |
| 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. |  | **No further comments** |

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| **Question 5: Expenses on grants and donations**  **INPAG Section 24** is new and covers accounting for expenses. Part 1of 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** |
| 1. Section 24 Part I and Section 23 Part 1 introduce new terminology relating to grant arrangements[[2]](#footnote-3). 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, | **I do agree with the terms but think that a lot of sensitization will have to be involved to get NPOs to fully grasp the concepts.**  **One of the practical considerations arising from these terminology it understanding the thought pattern behind it and also understand what gives right to what, EGA or EGO and how these sit within the reporting framework.** |
| 1. 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 grants or donations would not fit in either of these classes, and why not? | G24.3-G24.6 | **Yes I do agree** |
| 1. 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 | **No I don’t agree, I think that these implied agreements often causes problems thereafter as it is mostly based on assumptions and not written regulations to which everyone is aware of. I think in terms of customary practices these should be mentioned in the agreement, doesn’t need to be listed but it should have a reference to customary practices within the EGA to give it more weight and better clarity** |
| 1. 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 | **Yes I do agree with this concept** |
| 1. 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? | AG24.30-AG24.35 | **Yes I do agree** |
| 1. 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? | G24.32-G24.41 | **Yes I do agree with the proposals as it stands, there could be the potential to amend or review this when we begin to apply it in practice as some issues might come up with this concept.** |
| 1. 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 | **Yes I do agree** |
| 1. 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 | **I do feel that there is some amount of confusion around administrative tasks and EGAs and these need to be clarified and a lot of education will need to be done to get preparers and users of the Guidance (financial reporting) to understand the difference and work through the issues that might arise. AG24.20-22** |

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| **Question 6: Borrowing costs**  **INPAG Section 25** specifies the accounting for borrowing costs. There are no significant changes with modifications made to align with other sections. | | |
|  | **References** | **Response** |
| 1. 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 | **I do agree that there are no significant alignment changes required to Section 25.** |

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| **Question 7: Share-based payments**  **INPAG Section 26** specifies the accounting for share-based payments. As share-based payment transactions are considered highly unlikely for NPOs this section has been removed and a paragraph included to explain why it is not part of INPAG. | | |
|  | **References** | **Responses** |
| 1. 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 | **Yes I strongly agree as NPOs should not have any share-based payments** |

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| **Question 8: Employee benefits**  **INPAG Section 28** 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. | | |
|  | **References** | **Responses** |
| 1. Do you agree that profit sharing and share-based payments are removed from Section 28 *Employee benefits* 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 | **Yes I do strongly agree, if employees share NPO surpluses or have share based reward schemes then I don’t think the entity should be considered an NPO** |
| 1. 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 | **Yes I agree** |

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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** |
| 1. Are there any elements of Section 29 *Income taxes* that are not required by NPOs? If so, explain which elements are not needed and why. | Section 29 | **Yes in some Jurisdictions including mine, NPOs are not obliged to pay taxes on their surpluses, they are only required to pay Withholding taxes and in most cases they can reclaim VAT or its equivalent taxes back from the Revenue Authority.** |

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| **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** |
| 1. 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) | **Yes they should, as these are the bulk of an NPOs revenue and this drives the expenditure cycle** |
| 1. 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) | **Yes I do agree, exchange gains should not be within restricted unless otherwise** |
| 1. 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 | **Yes I agree** |
| 1. 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 | **No** |

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| **Question 11: Hyperinflation**  **INPAG Section 31** 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. | | |
|  | **References** | **Responses** |
| 1. 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. | Section 31 | **I agree as Hyperinflation is a cross cutting issue that affects all sectors** |

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| **Question 12: Events after the end of the reporting period**  **INPAG Section 32** 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. | | |
|  | **References** | **Responses** |
| 1. 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. | Section 32 | **Yes I do agree** |

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| **General Feedback** | |
| 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. |  |

1. Both sections include the following question, which you can answer under either section, or cover the grantor and grantee perspectives separately. [↑](#footnote-ref-2)
2. Both sections include the following question, which you can answer under either section, or cover the grantor and grantee perspectives separately. [↑](#footnote-ref-3)