



# 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)

### Respondent information:

<b>First name:</b>	Mohammad	<b>Organisation:</b> (who do you work for)	Financial Reporting Council (FRC)
<b>Last name:</b>	Anwarul Karim	<b>Response:</b> Are you submitting your response	on behalf of my organisation



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<ul style="list-style-type: none"> <li>• on behalf of my organisation</li> <li>• as an individual</li> </ul>	
<b>Email:</b>	ed.ss@frc.gov.bd	<b>Country:</b> (this should be the country in which you are based)	Bangladesh
<b>Position:</b>	Executive Director- Standard Setting	<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>	regulator of NPOs

Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.	<b>Tick boxes</b> Agree <input checked="" type="checkbox"/> Disagree <input type="checkbox"/>
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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)



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

## 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>
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.	Section 11	<b>No comment</b>

<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>		
	<b>References</b>	<b>Response</b>
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	<b>No comment</b>



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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)	<b>No comment</b>
c) Do you agree that fair value should be used to value donated inventory? If not, what would you propose instead?	G13.7	<b>No comment</b>
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?	G13.8	<b>No comment</b>
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?	G13.26 (e), G13.27	<b>No comment</b>

### Question 3: Provisions and contingencies



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

**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
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?	Section 21, Illustrative example 3	<b>No comment</b>

## 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.



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	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 other considerations arising from these definitions, if any?	G23.23- G23.30, G24.3- G24.4	<p>The definition of EGO may be changed to “A grant recipient’s undertaking in an EGA or otherwise make commitments internally through board or with external party to achieve a specified outcome, to carry out a specified activity, to use distinct services, goods or other assets internally for a specified purpose or to transfer distinct services, goods, cash or other assets to a service recipient.”</p> <p><b>Practical consideration:</b> If a donation or grant can be linked (due to commitments, may not be enforceable/ Substance over form) to any specific specified activity, to use distinct services, goods or other assets internally for a specified purpose or to transfer distinct services, goods, cash or other assets to a service recipient, it would be more appropriate to follow / apply EGA revenue recognition criterion rather than use of cash basis.</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?	Section 23	<b>Yes</b>
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	<b>Revenue can be deferred when the grant recipient has ‘Constructive obligation’ as mentioned in IFRS for SMEs, section 21. See the basis mentioned in a) above.</b>

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



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<p>d) 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?</p>	<p>G23.53- G23.56, G23.125- G23.138, AG23.52- AG23.59</p>	<p><b>No comment</b></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><b>No comment</b></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><b>No comment</b></p>
<p>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?</p>	<p>G23.31- G23.32, G23.35-G23.38</p>	<p><b>Yes</b></p>
<p>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</p>	<p>G23.49</p>	<p><b>No comment</b></p>



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

enforceable grant arrangement? If not, provide examples of where administrative tasks are an enforceable obligation.		
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?	G23.61-G23.70	<b>No comment</b>
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?	G23.42-G23.59, G23.73, AG23.37-AG23.40, AG23.62	<b>No comment</b>
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><b>Since most of the time donation or grants in-kind (G23.35) can be linked to</b> <i>specified activity, to use distinct services, goods or other assets internally for a specified purpose or to transfer distinct services, goods, cash or other assets to a service recipient,</i></p> <p><i>the revenue recognition principle for Donations in-kind may be</i></p> <p><i>“Revenue should be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant or donation is intended to compensate.”</i></p> <p>Recognition of grants or donations in profit or loss on a receipts basis is not in accordance with the accrual accounting assumption (see IAS 1 <i>Presentation of Financial Statements</i>) and would be acceptable only if</p>





# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>no basis existed for allocating a grant to periods other than the one in which it was received.- para 16, IAS 20.</p> <p>The above mentioned principle could be used for all three types of grant revenue (G23.23), such as, with no constraints, EGO, OFA.</p>
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<b>Question 5: Expenses on grants and donations</b>		
<p><b>INPAG Section 24</b> 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.</p>		
	<b>References</b>	<b>Response</b>
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,	<b>No comment</b>
b) Do you agree that all expenses on grants and donations can be classified as an enforceable grant arrangement or as an	G24.3-G24.6	<b>No comment</b>

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



## INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<p>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?</p>		
<p>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?</p>	<p>G24.3, AG24.9, AG24.13-AG24.15</p>	<p><b>No comment</b></p>
<p>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?</p>	<p>G24.17-G24.18, AG24.24-AG24.27</p>	<p><b>No comment</b></p>
<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><b>No comment</b></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,</p>	<p>G24.32-G24.41</p>	<p><b>No comment</b></p>



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

what would you propose and what is the rationale for your proposal?		
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	<b>No comment</b>
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	<b>No comment</b>

<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	<b>No comment</b>



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<b>Question 7: Share-based payments</b>		
<p><b>INPAG Section 26</b> 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.</p>		
	<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	<b>No comment</b>

<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	<b>No comment</b>
b) Do you agree that in-year changes to the value of post-employment benefits can be shown on either the Statement of Income	G28.21	<b>No comment</b>



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

and Expenses or Statement of Changes in Net Assets? If not, why not?		
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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
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)	No comment



## INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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)	<b>No comment</b>
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	<b>No comment</b>
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	<b>No comment</b>

### 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.

	<b>References</b>	<b>Responses</b>
a) Do you agree that there are no significant alignment changes required to Section 31, other than the terminology changes that	Section 31	<b>No comment</b>



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

have already been made? If not, describe any further alignment changes required.		
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<b>Question 12: Events after the end of the reporting period</b>		
<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>
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.	Section 32	<b>No comment</b>

<b>General Feedback</b>	
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.	<b>No comment</b>