

**International Non-profit Accounting Guidance (INPAG)**

**Exposure Draft 2**

**Respondent information:**

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| **First name:** | Sunday | **Organisation:** (who do you work for) | Institute of Certified Public Accountants of Rwanda |
| **Last name:** | Kalisa | **Response:** Are you submitting your response* on behalf of my organisation
* as an individual
 | on behalf of my organisation |
| **Email:** | Sunday.kalisa@icparwanda.com | **Country:** (this should be the country in which you are based) | Rwanda |
| **Position:** | Director, Professional Development Services | **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, and Professional Accounting Organisation |

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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**AgreeCheckmarkDisagree |

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

**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 | We do agree with the proposal since the changes made are mainly editorial in nature. |

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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 | We do agree with the proposal since all inventories held by an NPO may not specifically be for sale or related activity. |
| 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) | We do agree with the proposal. |
| 1. Do you agree that fair value should be used to value donated inventory? If not, what would you propose instead?
 | G13.7 | We do agree with the proposal with no known inventory cost and the recipient need to have a value to record donated inventory; fair value appears fair enough. |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal since inventories cannot be reliably measured, and therefore missing out on recognition. It appears a disclosure statement would be the most ideal approach in such circumstances. |

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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 | We do agree with the proposal since an example on onerous contracts is more relevant to NPOs compared to warranties.  |

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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 | Agree – as the terms are well adapted and explained. |
| 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 | We do agree with the proposal given that the guidance clearly demonstrates how a transaction should be treated either with Part I or Part II including circumstances when to adopt both. |
| 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 | We do agree with the proposal since revenue recognition with grants and donations is attributable to existence of a right and an obligation. |
| 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 | We do agree with the proposal because it caters for the multiplicity of the distinct grant fulfilment right and consequently the related corresponding obligation**.** |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. However, additional guidance should be provided on more complex grants’ eases and improves useability.  |
| 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.
 |  | The full content is needed and necessary as it is equally appropriate for NPOs; no other 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,  |  We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 | We do agree though alternative equivalent processes appear to be somewhat ambiguous. It would be better if those alternative processes are well identified. |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 24IG24.21 | We do agree with the proposal – No other additional comments. |

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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 | There appears to be no other significant alignment changes required under this Section. |

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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 | We do agree with the proposal. |

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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 those 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 | We do agree with the proposal. |
| 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 | We do agree with the proposal. |

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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 | No other elements of this Section appear not to be required by the NPO. |

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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) | We do agree given the fact that grants and donations are one of the most important factors an NPO considers in determining its functional currency. |
| 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) | We do agree with the proposal. |
| 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 | We do agree with the proposal. |
| 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 other comment. |

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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 | We do agree with the proposal – we believe this section ONLY required terminology adjustments. |

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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 | We do agree with the proposal. |

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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.  | NPOs play an important role in all our societies and it is important that the information they provide to users of their financial statements remain consistent and transparent. The NPO Guidance therefore is welcome and timely in this regard. |

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)