



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 or through the website at www.ifr4npo.org/have-your-say



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

Respondent information:

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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 <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



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

Specific Matters for Comment

Question 1: Financial instruments		
<p>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.</p>		
	References	Response
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	We agree that no significant alignment changes should be made since in theory, NPOs could hold and celebrate the same financial instruments and contracts that all entities can (in accordance with local regulation, of course).

Question 2: Inventories		
<p>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.</p>		
	References	Response



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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	We agree with the expansion of section 13.
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 don't agree with the approach taken because allowing not to recognize inventories can lead to condition where the accounting of an NPO won't faithfully represent the economic reality of the organization. This is especially true in the case that the NPO has a right to the donated assets even if they are not sold during fundraising activities.</p> <p>Donated inventories should be recognized by the probable sale value of the donated item to avoid presenting misleading information to readers of the financial statements, to present a complete picture of the economic and patrimonial situation of the entity, and to have a smoother transition in the case that there needs to change the accounting basis due to the closure of the NPO.</p>
c) Do you agree that fair value should be used to value donated inventory? If not, what would you propose instead?	G13.7	We agree with this approach.
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	G13.8	We agree with this measuring method.



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

of service potential, and replacement cost? If not, what would you propose instead?		
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	We agree with the disclosure requirements in general, we would propose to include a description of the situation that leads to the inability to recognize said inventories.

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
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	We agree with the change.



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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 ¹ . Do you agree with the terms enforceable grant arrangement	G23.23-G23.30, G24.3-G24.4	We agree with the definitions in general. We propose removing or clarifying paragraph AG23.23 regarding enforceable through “equivalent means”. The concept is not clear considering how that enforcement would be made outside legal mechanisms.

¹ 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>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?</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 structure of Section 23.</p>
<p>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?</p>	<p>G23.27, G23.41-G23.59</p>	<p>We agree with this approach.</p>
<p>d) The revenue recognition model for enforceable grant arrangements requires that revenue is allocated where there is</p>	<p>G23.53-G23.56, G23.125- G23.138,</p>	<p>We agree with the methods identified. We would recommend other can be used if they are stipulated in the contract for disbursement of the funds.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<p>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>AG23.52-AG23.59</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>We agree with the permitted exceptions.</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 agree with this approach.</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>We agree with this approach.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<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 enforceable grant arrangement? If not, provide examples of where administrative tasks are an enforceable obligation.</p>	<p>G23.49</p>	<p>We agree with this consideration.</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>We agree with this level of transparency.</p>
<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>Yes, they help with clarity.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<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>We don't have any more comments.</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
<p>a) Section 24 Part I and Section 23 Part 1 introduce new terminology relating to grant arrangements². 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</p>	<p>G24.3-G24.4, G23.23-G23.30,</p>	

² 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

same meaning? What are the practical or other considerations arising from these definitions, if any?		
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 grants or donations would not fit in either of these classes, and why not?	G24.3-G24.6	We agree with these classifications of all expenses on grants and donations.
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	We recommend a clarification similar to “when there is clear legal basis to believe that these mechanisms can be sufficient to create an enforceable grant arrangement”.
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	G24.17-G24.18, AG24.24-AG24.27	We agree with this approach.



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

grant-provider not recognise the full expense and what is the rationale?		
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?	AG24.30-AG24.35	We agree with this consideration.
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?	G24.32-G24.41	We agree that the proposals provide an appropriate level of transparency.
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 believe that the asset should be recognized when there is legal basis to make the asset enforceable (for example if appropriate legal actions have been taken or if the grant contract specified automatic refund of the grant in the case of non-compliance).
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	Section 24 IG24.21	We do not have any other comments.



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

to identify or report on resources. If so, provide the rationale for any comments and cross reference to the relevant paragraph.		
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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
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	We agree that there are no significant alignment changes required.

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



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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	We agree that guidance on this topic isn't required for NPOs.
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Question 8: Employee benefits		
<p>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.</p>		
	References	Responses
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	We agree with the exclusion of share-based payments.
b) Do you agree that in-year changes to the value of post-employment benefits can be shown on either the Statement of	G28.21	We agree with this approach.



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

Income 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	We don't see any elements that are not required by NPOs. This chapter should be closely examined when working with implementation due to tax code differences across jurisdictions.

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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INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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)	We agree with this consideration.
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)	We agree with this principle to improve clarity of the financial statements.
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	We agree with the proposal.
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	We do not have any more comments on this section.

Question 11: Hyperinflation



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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
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.	Section 31	We agree that there are not any more significant alignment changes.

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
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	We agree that there are no more significant changes required.



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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.