

Technical Advisory Group

AGENDA ITEM: TAGFG02-02

16 July 2024 – Online

Structure and content of INPAG – Feedback from ED1

Summary	This paper provides the TAG with an overview of the feedback from the ED 1 consultation on the Preface, (which largely relates to the structure and content of INPAG and offers proposed approaches to update the final guidance document.
Purpose/Objective of the paper	The Preface to INPAG provided context its creation and how it is expected to be used. The objective of this paper is to provide an analysis of the comments received. It includes respondents' views on those issues for consideration in the development of the final guidance. The paper seeks TAG views on the Secretariat's proposals for the way forward.
Other supporting items	N/A
Prepared by	Karen Sanderson
Actions for this meeting	Comment on: <ul style="list-style-type: none">(i) the advantages and disadvantage of content being held in separate volumes;(ii) the ordering of the Sections within INPAG to aid ease of use; and(iii) the feedback on naming conventions for NPOs.

Technical Advisory Group

Structure and content of INPAG– Feedback from ED1

1. Introduction

- 1.1 This paper:
- Provides a summary and high level analysis of the consultation responses to the Specific Matters for Comment (SMC) relating to the Preface included in Annex A.
 - Provides a summary of other issues raised by respondent which did not relate to any of the other SMCs.
 - Seeks TAG's advice on a number of the issues raised by the consultation responses, particularly around the ease of using INPAG.

2. Background

- 2.1 The purpose of the Preface is to set INPAG in context by explaining the history of its creation, its relationship to international financial reporting standards, its scope including narrative reporting and the basis of its preparation. It also describes the organisation of INPAG, its future maintenance and authority.
- 2.2 The Exposure Draft had only one Significant Matters for Comment (SMCs), which related to the structure of INPAG and how it could be improved. The majority of those that responded, 92% agreed with the structure, with 3% disagreeing and 5% neither agreeing nor disagreeing.
- 2.3 While there was overwhelming support for the structure there was feedback that related to how it could be improved. The key issues emerging from this feedback related to:
- ease of use of the guidance;
 - the benefits or otherwise of similarity with IFRS for SMEs; and
 - naming conventions.
- 2.4 There was also feedback on a number of areas, some of which related to topics that were shared in ED2 and ED3. The feedback also included the use of the term non-profits and the title of INPAG itself.
- 2.5 The key themes were shared with the PAG when it met in June and their inputs are reflected in this paper.

3. Ease of use

- 3.1 Eleven respondents commented on how INPAG is structured in terms of the use of volumes and the structure of those volumes with consequences for the overall ease of use. Of those that agreed, all but one fully supported the structure. Those respondents that either disagreed or neither disagreed had concerns about ease of use.

- 3.2 These respondents were concerned that locating guidance in different volumes might make the guidance more complex. There was no dissent that the Basis for Conclusions should be in a separate volume, however there were varying views about whether some or all of the Application Guidance should be included in the core text. Those that commented were of the view that putting the authoritative guidance in one place would make it easier to use and reduce the risk of inconsistencies.
- 3.3 One respondent was of the view that the Implementation Guidance (but not necessarily the illustrative examples) should also be incorporated into the core text, but highlighted as such.
- 3.4 One respondent was concerned at the use of the term 'core text'. They were of the view that this could be misinterpreted and that instead references should be made to mandatory and non-mandatory guidance.
- 3.5 In developing the guidance shared in ED1 the Secretariat took the view that the authoritative guidance should be separated from the non-authoritative guidance. In other words the core text and related application guidance should be separate to implementation guidance and illustrative guidance.
- 3.6 In separating the application guidance from the core text, the basis of the split was that the principles should be in the core text, with further explanation in the related application guidance. This approach follows the approach in full IFRS and IPSAS where the two are separated along these lines. However, each full IFRS and IPSAS standard can be somewhat longer than the Sections in INPAG, where the separation has been made to help users navigate the requirements and get more information if needed.
- 3.7 With the exception of Section 2 *Concepts and pervasive principles*, Section 11 *Financial instruments* and Section 23 *Revenue* each section is relatively short. In the *IFRS for SMEs Accounting Standard*, only Section 19 *Business combination and goodwill* has application guidance. Additional application guidance has been developed where needed for the Sections that have been reviewed in this edition of INPAG. Of the sections that have not been reviewed, only Section 12 *Fair value measurement* has additional application guidance. This was developed as a result of consequence of new material in INPAG to address donated assets where fair value is used to determine their value. This is an additional consideration.
- 3.8 The Secretariat can see that merging the application guidance into the core text could make it easier for users. However, for long sections there may remain a benefit in keeping the application guidance separate. The Secretariat is of the view that application guidance should be separate where the core text is long and the application guidance can be used to expand on the principles in the core text and where it has been created because a full review of a section has not been carried out. However, where this is not the case, the Secretariat is minded to merge the application guidance into the core text or implementation guidance as appropriate.

- 3.9 In terms of the Implementation Guidance, the Secretariat is of the view that having non-authoritative guidance and authoritative guidance in a single document may cause confusion. The Secretariat is therefore of the view that these should be kept separate.
- 3.10 These concerns were discussed with the PAG at their last meeting in June. PAG members did not disagree that the authoritative and non-authoritative guidance should be kept separate. PAG members reflected pros and cons of merging application guidance into the core guidance, recognising that there were differing views of the complexity of holding guidance in several places vs clarity.
- 3.11 It should be noted that the primary means to access the guidance is intended to be virtual. INPAG will be available in hard copy, with a fee that is intended to cover the costs of production. One respondent was strongly of the view that INPAG should be available in hard copy as they felt that navigating the document on-line would be too complex. The Secretariat is currently exploring options for on-line access to the guidance with the objective of optimising its navigation and being able to link guidance related to a particular topic.
- 3.12 Two respondents were of the view that the document is complex and that it could be more concise to make it easier to understand and implement. One respondent was of the view that it would only be of use to the largest NPOs and major accountancy firms working in the sector.

Question 1: What are TAG members' views on the rationale for separate Application Guidance?

Question 2: Do TAG members agree that the non-authoritative implementation guidance should be separate from the authoritative guidance?

Question 3: Do TAG members have any other views on the structure of INPAG to aid ease of use?

4. Structuring the content – consistency with the *IFRS for SMEs Accounting standard.*

- 4.1 Five respondents expressed views that related to the similarities between INPAG and the *IFRS for SMEs Accounting Standard*. These respondents were of either of the view that it was useful to follow the same structure as internationally accepted accounting standards or more specifically that following the same structure as the *IFRS for SMEs Accounting Standard* was helpful.
- 4.2 One respondent was of the view that using the *IFRS for SMEs Accounting Standard* structure allows for easy cross reference between INPAG and this Standard. Another respondent cited familiarity of the *IFRS for SMEs Accounting Standard* structure to users. This will be relevant for those NPOs that have familiarity with this Standard, but will not confer any advantages to those who to date have had no exposure to it.

- 4.3 While a small number (8%) of respondents identified consistency with the *IFRS for SMEs* Accounting Standard as helpful, it was not described as fundamental.
- 4.4 The possibility of renumbering INPAG has been made clear in each Exposure Draft. Noting that no respondents have expressed a view that this should not be done, the Secretariat is now considering the way forward. The Secretariat is concerned that in drafting new sections specifically for NPOs, these have been added at the end of sections already in the *IFRS for SMEs* Accounting Standard. Also the Secretariat has proposed that the section on share based payments should be removed. This means that if the order of the sections in the *IFRS for SMEs* Accounting Standard is retained that material most relevant to NPOs may be at the end of INPAG, with a gap in the numbering.
- 4.5 As INPAG is guidance specifically for NPOs, the expectation may be that the NPO-specific guidance appears earlier in the ordering of the sections in INPAG. Also there is an opportunity to group sections in a way that may be more beneficial to INPAG users to make it easier to navigate the guidance.
- 4.6 The Secretariat has explored two options for the structuring the INPAG sections. The first option is to retain the numbering in the *IFRS for SMEs* Accounting Standard, but to provide a navigation that shows which Sections relate to the financial reporting areas covered by INPAG. An example is in Annex B.
- 4.7 A second option would result in a complete reordering of the Sections and consequential renumbering. The objective of the reordering would be to improve access to and navigation of the content in INPAG. An example based on the financial reporting areas outlined in Annex B is in Annex C. If this option is progressed it is proposed that INPAG contains a mapping table that shows the section number in INPAG compared to the section number in the *IFRS for SMEs* Accounting Standard.
- 4.8 These options were discussed with the PAG at its meeting in June 2024. There was support for the renumbering of INPAG, noting that INPAG is designed for NPOs and that this should be reflected in its structure. Recognising that the *IFRS for SMEs* Accounting Standard may not be familiar to potential INPAG users, the Secretariat is of the view that renumbering INPAG using agreed financial reporting categories could provide the best outcome.

Question 4: What are TAG members' views on the financial reporting categories being considered? Are they the most useful?

Question 5: Do TAG members agree that renumbering INPAG using the financial reporting categories is the preferred option? Are there other options for the ordering of the content in INPAG that should be considered?

5. Other themes

- 5.1 One respondent requested clarification on whether INPAG is guidance or a stand alone standard. This respondent was of the view that whilst being branded as guidance it has been drafted as a standard. They were of the view that branding INPAG as guidance could lead to confusion. The Secretariat accepts the point that has been raised and will consider this further within any license constraints.
- 5.2 One respondent was of the view that INPAG uses complicated phrases and sentence structures, which may be difficult to understand in English and create further complications on translation. The Secretariat will look at the newly created content to identify opportunities to improve the simplicity of the language.
- 5.3 Two respondents raised concerns about consistency. The first respondent pointed to inconsistencies between the different INPAG volumes that might lead to lack of clarity. The second respondent noted that while the Preface notes that all INPAG paragraphs have equal weight this might appear to conflict with the explanation that the core text is supported by Application Guidance and non-authoritative Implementation Guidance. The proposals around application guidance will remove the potential for some of this inconsistency. Other points will be picked up in redrafting. Extracts from the responses to SMC1a are included in Annex D.

6. General feedback

- 6.1 Various points were raised in the general feedback on INPAG. Many of these points have been addressed in subsequent exposure drafts. Details of the points raised are in Appendix E.

Naming conventions

- 6.2 There was an opportunity in Exposure Draft 1 for respondents to make any other comments on the draft that were not related to the specific matters for comment. Nineteen respondents provided further comments beyond the SMCs, the majority of which will be, or have been addressed when considering the feedback to other sections.
- 6.3 A small number of respondents provided feedback about the use of the term non-profit organisations (NPOs). These respondents were of the view that the term had the potential to create confusion as many NPOs operate to generate a profit that can be used to meet their primary objectives of providing a benefit to the public/society. They also expressed concern that NPO was a negative term setting out what an entity wasn't doing rather than what it is doing.
- 6.4 One respondent suggested a number of alternative terms, but given the diversity of NPO's each of these terms on their own would unlikely be fully inclusive. Any alternative would need to take account of the range of organisations that might be non-profit.

- 6.5 It should also be noted that the concept of a non-profit is well understood globally even though how these organisations are referred to locally may differ. For example, organisations are frequently called NGOs or charities.
- 6.6 The use of the term non-profit was discussed at the last PAG meeting. There was recognition that the term had become sensitive, but on balance the view was that the term was either understood or becoming understood and that it would be more problematic to change it at this point. A preference for not-for-profit rather than non-profit was expressed in the meeting.

Question 7: Do TAG members agree that the term non-profit should be retained?

Preface

- 6.7 A number of respondents reiterated points, both positive and negative that they had made about the structure of INPAG. One respondent who had not commented on the Preface questioned the proposal that INPAG provides support for both preparers and users of general purpose financial reports. They were of the view that the guidance should be aimed predominantly at preparers, but agreed that guidance to assist users would be beneficial and recommended that this was separately prepared. On balance the Secretariat is of the view that preparers and their auditors are intended to be the main users of INPAG. The Secretariat notes the recommendation about separate guidance for users and will consider this for the future.
- 6.8 Another respondent expressed concern that the IFRS for SMEs Accounting Standard is moving closer to full IFRS and the implications of this on smaller NPOs.
- 6.9 Five respondents provided feedback about INPAG as guidance or a standard and about matters relevant to adoption. As noted in paragraph 5.1 above the status of INPAG will be further considered by the Secretariat.

Other themes

- 6.10 In addition to these areas of feedback, points were also raised that related to;
- the use of surplus and deficit;
 - the role of donors;
 - the requirement for ongoing maintenance;
 - cost/benefit;
 - various INPAG sections and the glossary;
 - availability in languages other than English; and
 - education materials.

Question 8: Do TAG members have any comments or concerns relating to the other areas of feedback?

Annex A(i) – Summary of Feedback Responses to SMCs for Section 1 NPOs

SMC 1(a) Is the structure of INPAG helpful? If not, how could it be improved?	Response	Number	% of those who responded (total 69)
	Agree	54	92%
	Disagree	2	3%
	Neither agree nor disagree	3	5%
	No Response	10	-
	Totals	69	100%

Annex B - INPAG Navigation table

Category	Existing Section
Accounting principles	Section 1 - NPOs Section 2 - Concepts and pervasive principles Section 12 - Fair value measurement Section 35 - Narrative reporting
Financial statements	Section 3 - Financial statements Section 4 - Statement of Financial Position Section 5 - Statement of Income and Expenses Section 6 - Statement of Changes in Net Assets Section 7 - Statement of Cash Flows Section 8 - Notes to the financial statements Section 36 - Fund accounting Section 37 - Supplementary statements
Revenue	Section 23 - Revenue
Expenses and Non-financial Liabilities	Section 20 - Leases Section 21 - Provisions and contingencies Section 24 - Expenses Section 28 - Employee benefits Section 29 - Income tax
Disclosure	Section 33 - Related parties
Non-financial assets	Section 13 - Inventories Section 16 - Investment property Section 17 - Property plant and equipment Section 18 - Intangible asset other than goodwill Section 25 - Borrowing costs Section 27 - Impairment of assets Section 34 - Specialised activities
Financial assets and liabilities	Section 11 - Financial instruments Section 22 - Liabilities and equity claims
Accounting boundaries	Section 9 - Consolidated and separate financial statements Section 14 - Investments in associates Section 15 - Joint arrangements Section 19 - Business combinations and goodwill
Accounting re-statements/re-presentation	Section 10 - Accounting policies, estimates and errors Section 30 - Foreign currency translation Section 31 - Hyperinflation Section 32 - Events after the end of the reporting period Section 38 - Transition to INPAG

Annex C - Structure of INPAG

Category	Renumbered
Accounting principles	Section 1 - NPOs Section 2 - Concepts and pervasive principles Section 3 - Fair value measurement Section 4 - Narrative reporting
Financial statements	Section 5 - Financial statements (merge Statement of Financial Position, Statement of Income and Expenses, Statement of Changes in Net Assets, Statement of Cash Flows and Notes to the financial statements Section 6 - Supplementary statements Section 7 - Fund accounting
Revenue	Section 8 - Revenue
Expenses and Non-financial Liabilities	Section 9 - Expenses Section 10 - Employee benefits Section 11 - Provisions and contingencies Section 12 - Leases Section 13 - Income tax
Disclosure	Section 14 - Related parties
Non-financial assets	Section 15 - Inventories Section 16 - Investment property Section 17 - Property plant and equipment Section 18 - Intangible asset other than goodwill Section 19 - Borrowing costs Section 20 - Impairment of assets Section 21 - Specialised activities
Financial assets and liabilities	Section 22 - Financial instruments Section 23 - Liabilities and equity claims
Accounting boundaries	Section 24 - Consolidated and separate financial statements Section 25 - Investments in associates Section 26 - Joint arrangements Section 27 - Business combinations and goodwill
Accounting re-statements/re-presentation	Section 28 - Foreign currency translation Section 29 - Accounting policies, estimates and errors Section 30 - Events after the end of the reporting period Section 31 - Hyperinflation Section 32 - Transition to INPAG

Annex D – Feedback on SMC 1a (extracts)

Comment	Response
<p><i>I agree it makes sense to separate the Basis for Conclusions, but I do not think it helps to separate the Implementation Guidance. There is a case for separating material that is simply provided as examples but much of the IG is providing helpful clarifications/additions to the authoritative guidance. Better to put it in the main document (though perhaps in a different font.) I am also unclear about the separation of Application Guidance in each section – it's very easy to miss important points in the AG that clarify the main guidance.</i></p>	<p>Addressed in the TAG paper</p>
<p><i>We also note that INPAG GP24 adopts a blended approach to the structure of the IFRS Accounting Standards as well as the IFRS for SMEs Accounting Standard by including mandatory Application Guidance as well as nonmandatory material in the Implementation Guidance, Implementation Examples and Basis of Conclusions.</i></p> <p><i>However, we do not agree with the use of the phrase “core text” in INPAG GP24. We believe that without a definition for core, interpretation of INPAG GP24 could vary and cause unintended consequences for both preparers and users. Accordingly, we propose that INPAG GP24 be redrafted as follows: “The Preface, Sections 1-36, and the Application Guidance of INPAG are mandatory. These are accompanied by non-mandatory material in the Implementation Guidance (including implementation examples) and Basis for Conclusions</i></p>	<p>The Secretariat notes the point around core text, but does not agree with the proposal for mandatory and non-mandatory guidance. The Secretariat prefers instead to refer to authoritative and non-authoritative guidance.</p>
<p><i>Generally, we think preparers prefer, and find it easier, to be able to look at fewer sources when preparing financial statements. The organisation of INPAG into five elements, two of which are authoritative, across three volumes, could be confusing to readers and we suggest that you consider rationalising to fewer elements. We therefore think that there should not be separate authoritative Guidance and authoritative Application Guidance. The current drafting approach has led to duplication, and it is not always obvious why some matters are Guidance and others are Application Guidance. We think that the Application Guidance should be incorporated into the main Guidance or the Implementation Guidance.</i></p> <p><i>If you do retain separate Application Guidance then, similar to Application Guidance in IFRS Accounting Standards, it would be helpful to signpost the specific paragraphs of the main Guidance to which the Application Guidance relates.</i></p>	<p>Addressed in the TAG paper.</p>
<p><i>We agree that the structure is useful. Regarding the content, we note that some key guidance aspects are left to the application guides, which makes it difficult to understand the text.</i></p>	<p>Addressed in the TAG paper</p>
<p><i>We note that INPAG GP22 adopts the approach in Paragraph P14 of the IFRS for SMEs Accounting Standard, particularly, the organisation of topics, identification of cross-references, as well as the measuring unit for monetary amounts. We find this proposal helpful</i></p>	<p>As per the TAG paper the Secretariat is looking at options to restructure INPAG but will retain a mapping table to the IFRS for SMEs Accounting Standard.</p>
<p><i>Overall, the structure of INPAG is helpful as it provides a clear set of guidelines for non-profit organizations to follow in their financial reporting. However, there is always room for improvement, Simplification: The INPAG structure can be simplified to make it more accessible to non-profit organizations of all sizes, including those with limited financial resources. The guidelines can be made more concise and presented in a manner that is easy to understand and implement.</i></p>	<p>The Secretariat will examine opportunities to streamline the guidance and simplify the language.</p>

<p><i>The whole structure of the document is very complex and lengthy. Moreover, so far we only have ED1. It will clearly become significantly bigger when the material that will be included in ED2 and ED3 is added. I do not see it being of any practical use except to the largest NPOs and major accountancy firms working in the sector.</i></p> <p><i>Moreover, much of the document uses complicated phrases and sentence structures which I find challenging, let along the implications for users whose first language is not English!</i></p>	<p>The Secretariat propose to focus on the new text to identify opportunities to simplify the language.</p>
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Comment	Response
<p><i>Flexibility: The structure of INPAG could be made more flexible to accommodate the unique needs of different non-profit organizations. This could include providing alternative methods of financial reporting that are suitable for organizations with diverse operating models</i></p> <p><i>Global perspective: The INPAG structure should be designed to accommodate the unique requirements of non-profit organizations working in different countries, with different legal, regulatory, and cultural environments. This would make it possible for non-profit organizations to comply with local regulations while maintaining consistency with international standards</i></p>	<p>INPAG is principles based guidance that is intended to be useful for a diverse range of organisations operating under differing legal frameworks. The Secretariat is of the view that ED2 and ED3 can address flexibility and will await further feedback.</p>

Comment	Response
<p><i>We further observe that ED1.GP23 specifies that all the paragraphs in INPAG have equal authority. However, ED1.GP24 explains that INPAG includes authoritative core text (referred to as 'Core Guidance' in the Invitation to Comment), supported by the authoritative Application Guidance and non-authoritative Implementation Guidance</i></p>	<p>The Secretariat notes the point an0d will address in final drafting.</p>
<p><i>in certain areas the Guidance, Application Guidance, Basis for Conclusions, Implementation Guidance, and implementation examples all refer to similar concepts but in slightly different language. We recommend consistency wherever possible, to maximise clarity</i></p>	<p>The use of different volumes is being considered in this TAG paper. The Secretariat will seek to address inconsistencies.</p>

Comment	Response
<p><i>We consider that the status of INPAG needs clarification as to whether it is guidance or a standalone standard. In its current form, INPAG appears to be branded as guidance but has been drafted as a standard.</i></p> <p><i>The term 'guidance' is typically associated with reference materials provided to assist understanding in implementing requirements set out in a standard. INPAG's use of the term 'guidance' with different levels of authority creates confusion about how these different parts of INPAG should interact with one another.</i></p>	<p>The Secretariat will consider this further.</p>
<p><i>Up-to-date: The INPAG structure should be updated periodically to reflect changes in the accounting and auditing standards. This would ensure the continued relevance and effectiveness of the guidelines.</i></p>	<p>The Secretariat notes the point about the need for ongoing maintenance. This is under consideration.</p>

Annex E – General feedback

Structure and volumes

Comment
<i>One main issue is to see how existing regulations can fit within the structure of the guidance so that jurisdictions can all benefit from it. The structure must be able to accommodate existing regulations and provide a platform where most if not all NPOs/Charities can sit and operate comfortably.</i>
<i>Overall, the document is well prepared and (considering the traditional lack of accounting guidance for Non-Profit Organisations- NPOs-) it is a big step in the right direction for enhancing transparency, accountability and decision making, without overcomplicating the adoption of these standards. Nevertheless, clearly there is an important trade-off between simplification and missing some elements that could be relevant for the purposes of the INPAG. Thus, I believe some additional guidance in a few areas could help to enhance the impact of these guidance.</i>
<i>We are confused by the comment in paragraph GP23 that “as INPAG is being developed in stages, not all sections of INPAG have been updated to take account of NPO-specific issues”. Given INPAG is aimed at NPOs, it is not clear why some sections of INPAG have not been updated to take account of NPO-specific issues and yet, as noted in GP23 INPAG has been updated “for changes to terminology”. An appropriate explanation—that is, whether it is because such sections are to be updated during the development of Exposure Drafts 2 and 3, or they are already considered suitable in addressing NPO-specific issues—should be reflected in the commentary.</i>
<i>• Paragraph GP24 states that the Application Guidance that is part of INPAG and provides additional support, is provided for both preparers and users of general purpose financial reports (GPFR). Generally, users of financial reports are not expected to refer to underlying accounting requirements or guidance since the primary purpose of such guidance is to support preparers. As such, it needs to be written at a level that reflects their accounting expertise. However, we agree that there is a need to assist users to better understand financial reports prepared using INPAG and so we recommend that separate guidance is developed for users on how to read and understand financial reports prepared in accordance with INPAG</i>

Surplus/deficit

Comment
<i>Many users expect to see a near zero ‘bottom line’ on NPO income statements. NPOs that show large positive or negative bottom line figures may be penalized in terms of taxes, privileges associated with ‘non-profit’ status, reduced donations or perception of mismanagement or poor financial health. This expectation of users is not realistic, as the economic reality of NPOs is that the timings of income and expenditure do not always match, due to the non-exchange nature of many transactions, i.e donations given in one year could be carried forward to the next year or reallocated to other votes with high consumption beyond budget. The terms ‘surplus’ and ‘deficit’ are ambiguous as so the financial statements need to be structured and presented in a way to minimize this risk of misinterpretation.</i>
<i>It seems that income recognition proposals (yet to come in ED2), based on conceptual principles in INPAG ED1 Section 2, could result in fluctuating surplus / deficits, and the possibility of different financial results on different funds (eg a surplus on funds without restrictions and a deficit on funds with restrictions). One key way to mitigate the risk of misinterpretation is explanation in the narrative report.</i>
<i>Attempting to regulate or reflect truer statements for non-profits based on their mission driven objectives as opposed to a profit performance based financial story, is as much needed development. Currently non-profit statements in terms of ‘surpluses’ and ‘deficits’ are being misinterpreted without further explanation.</i>

Guidance or standard

Comment
<i>The overall name of the Project Is this an Accounting Guideline or Reporting Guideline?</i>
<i>It needs to give a quantitative threshold of those who are recommended to use these Guidance.</i>
<i>Regulatory considerations include compliance with relevant laws and regulations, adherence to established accounting principles, and ensuring that the guidance is consistent with international best practices. Assurance considerations include ensuring that appropriate auditing and assurance procedures are in place for financial reporting by non-profit organizations to help ensure the accuracy of reported information.</i>
<i>We believe that INPAG in its current ambiguous form raises doubts on whether it meets the preconditions for an audit, and hence, may not provide a suitable basis for auditors to determine compliance. ...</i>
<i>... While in many cases the auditor may presume its acceptability, this is provided that the standards were established by an authorised or recognised standard setting organisation following an established and transparent process involving deliberation and consideration of the views of a wide range of stakeholders. Other factors relevant to the auditor's determination of the acceptability of the financial reporting framework include whether law or regulation prescribes the applicable financial reporting framework.</i>
<i>We note from ED1.GP21 that decisions on which entities are required or permitted to use INPAG rest with legislative and regulatory authorities and standard setters in individual jurisdictions. In this respect, more clarity is needed about current and/or planned efforts towards advocating and supporting adoption of INPAG in more jurisdictions. the absence of endorsement for adoption of INPAG in national or regional jurisdictions will add a compliance burden to NPOs and their auditors as the latter will need to perform rigorous assessments on the acceptability of INPAG in satisfying the preconditions for an audit. This may discourage the application of INPAG.</i>
<i>We propose the convenience that the regulatory entities of the NPOs and these themselves become involved in the process of prior review of the INPAG; according to each country and its local legislation. Likewise, that they document and report: on the regulatory framework, the accounting system, the expected operation of NPOs and, in general, and all its implications.....Therefore, we draw attention to this point of prior review, to establish the necessary requirements, to adapt and be able to adhere to INPAG, benefiting among other things from the advantages of having a common accounting regulatory framework, to standardize and give uniformity to the financial processes of NPOs.</i>

Donors

Comment
<i>...While establishing a guideline to NPOs for standardize GPRS, much of the burden to NPOs come from special purpose reports demanded by donors and regulators. An international effort needs to be made to create awareness with the donor environment and national regulatory bodies about this standard so that they can harmonize their reporting requirements with INPAG; It will be a burden for NPOs to produce reports in two bases of accounting when their donors are expecting them to produce a cash basis of accounting and the standard for accrual.</i>
<i>It has been explicitly indicated that donors and regulators are not primary users of GPRS. However, the can reduce the reporting burden of NPOs by demanding less as far as the GPRS contain the information they are looking for, and only to limit the content of special purpose financial statements, i,e without duplicating information available on GPRS.</i>
<i>The project (IFR4NPO) didn't indicate its role on promoting of INPAG with the donors and regulatory bodies so that these users can harmonize their reporting requirements NPOs in developing</i>

countries are receiving small funds from multiple donors which impose their own reporting requirements. INPAG come up with more reporting requirement and worsen the already unbearable burden. I strongly recommend establishing a sort of forum to create awareness about INPAG to the donor environment and advocate for "use of INPAG based NPOs' reports, and only exceptional reports not available from INPAG to be issued as special purpose report.

Depending on the performance history of an entity, donor demands should be equally matched based on existing economic situation and expectations based more on humanity than principle

Costs/benefits

Comment

It is essential that the final document is available to purchase in hard copy at a reasonable price.... Expecting people to use a document of this size in purely electronic form will be a disaster.

Cost/benefit considerations are also important, particularly for non-profit organizations that may have limited financial resources. Our guidance developed should take into account the costs associated with implementing the guidance and ensure that the benefits of doing so outweigh those costs.

In presenting these comments below from a non-profit practitioner perspective infrastructure nonprofit organisation to the sector, there are considerations around the implications for non-profits themselves to institute such additional measures being presented in terms of the time, additional funding and expertise this will require. Although a good move, this will need a reasonable transition time. While countries will need to consider adoption of this, international donors may adopt this sooner meaning some non-profit entities may not be ready. This is just a consideration.

Ongoing maintenance

Comment

GP 25-26, on the maintenance of INPAG, appear to impose a commitment to maintain INPAG so that it remains updated and relevant. This is extremely desirable, but it is not clear how it will be funded or organized.

It is unclear how the INPAG will be maintained after development. We note that standard setting boards maintain standards through:

A) Post-implementation reviews which are conducted to assess whether the Standard is achieving its objective and, amendments should be considered; or

B) The establishment of an interpretations if not, whether any committee to advise stakeholders on any implementation or application problems that may arise.

C) Also, there is usually a maintenance project during the transition period intended to guide on minor misconceptions with the application of the standard. We wonder whether this will be part of the project activities

INPAG names

Comment

Instead of "Non-Profit", we propose that the INPAG Secretariat adopts a name that is more reflective of either the stakeholders that entities in this sector serve, or the services that they offer. Moreover, we find that the name "Non-Profit" covers public sector entities as well, which would be misleading to stakeholders. While we would have proposed adoption of the name "Civil Society organizations (CSOs)", we find that this may not fully cover the entire spectrum of entities in this sector. Accordingly, we propose adoption of one of the following names: A) "Social Benefit organizations (SBOs)" or B) "Philanthropic organizations (POs)"

Since the INPAG Secretariat intends to meet the needs and expectations of users through the inclusion of narrative reporting as part of the general-purpose financial statements, we believe that naming the INPAG as "Accounting Guidance" would be inadequate. We find the phrase "Reporting Guidance" to be more representative of this objective.

Disagreement with the name-Not for Profit Organizations (NPOs) i) Shouldn't we define them by what they do, their characteristics, by how they are financed, by who owns them or who benefits from them?

ii) Why do we call them what they are not for (NPO) rather than what they are for? Why would one call a woman a non-man or women non-men? • Suggestion1-Profit oriented businesses are called for Profit organizations (NPOs) because their objective is profit. Public sector entities are called public sector because they serve the public sector offering a public service. Why shouldn't Social Benefit or Philanthropic organizations be called a similar name based on whom they serve or the service they offer rather than what they are not for?

- *Suggestion2-Why don't we call them 'Social Benefit organizations (SBOs), 'Civil Society organizations (CSOs), or Philanthropic organizations (POs)*

- *Suggestion3-Public sector financial reporting standards are called IPSAs even when they are not for profit. The word NPOs would therefore be confusing since it does not exclude public entities*

- *Suggestion4-Non-Profit is a bit negative. Are they Not-for-Profit Organizations (NFPs) or Non-Profit Organizations (NPOs)? These organizations are actually profit depending on how you define profit. From a commercial sense it may mean money, from a social sense it may mean benefit, value addition. Even from a commercial sense, some NPOs engage in businesses for profit to sustain them. Are they non-profit? They are merely non-profit distributing entities.*

Similarity with IFRS for SMEs

Comment

I disagreed with using IFRS for SMEs as the basis for this Guideline although it was mentioned that; "although it would have been the best option, it was not pursued because of time and expense." Shall we ever develop one from scratch? Shouldn't we have gone slow but sure? IFRS for SMEs is just IFRS-full but for small entities, hence the shortcomings that we are trying to run away from may not fully be avoided.

The international frameworks especially the IFRS (full & 4SMEs) were primarily designed to address profit-oriented entities and did not have NPOs in mind when they were being formulated.

In drafting the INPAG guidance, we are unsure whether the proposed changes to the IFRS for SMEs standard in the September 2022 exposure draft has been taken into account. If this is not the case, there is a risk that when the INPAG standards are issued, there is divergence from the IFRS for SMEs standard applicable which may cause confusion in the application of INPAG.

Exposure Draft of INPAG Part-1 (ED) states that the foundational framework of INPAG is the IFRS for SMEs Accounting Standard and all the references to the IFRS for SMEs Accounting Standard in this ED are to the Third edition of the IFRS for SMEs Accounting Standard exposed in September 2022 unless otherwise stated.

In this regard, we are of the view that since the third edition of the IFRS for SMEs Accounting Standard is an attempt to move closer to IFRS, some of the provisions of the third edition of the IFRS for SMEs Accounting Standard may be onerous and complex for NPOs. Since the IFRS for SMEs Accounting Standard is applicable to for-profit organisations, it may be appropriate to make suitable simplifications from the perspective of NPOs in the forthcoming Exposure Drafts which would prescribe the accounting of various transactions (Part 2 & Part 3) and the final INPAG. Refer responses to Questions 3(c) & (d), Question 5 and Question 12 for the simplifications sought in the ED Part 1. Further, since smaller NPOs are large in number, additional exemptions and relaxations as may be considered appropriate may be provided to them.

Section 2

Comment

In Section 2, paragraph G2.87 appears to belong in the section on Recognition Criteria (paragraphs G2.81-82), rather than Measurement Uncertainty.

Section 3-10

Comment
<i>In Section 4, I agree with the treatment of reserves for those organisations that do not have equity. However, when an organisation does have equity, should it be made compulsory to disclose this on the face of the Statement of Financial Position?</i>
<i>We believe it would be better to present the surplus or deficit (or our preferred term 'financial result') in the context of fund balances, by merging the Statement of Income and Expenses with the Statement of Changes in Net Assets. This approach is permissible under IFRS for SME and is the approach taken in the UK SORP, which has been found beneficial.</i>
<i>Total 202X Income Expenses Realised Gains/losses Transfers between funds Financial result (inc - exp +/- gains +/- trfs) Unrealised Gains/losses Movement in funds Opening fund balance Closing fund balance</i>
<i>Lack of a model for presenting financial statements for NPOs not supported by donations from third parties as the main source of income such as sports or educational ones.</i>

Section 35

Comment
<i>Shouldn't the performance measures include 4-way comparisons between budget, workplan, financial results and operational results?</i>
<i>In the first sentence, it stated that the "performance measures and descriptions that an NPO selects will depend on [...] whether it wants to focus on inputs, outputs, outcomes and/or impact". Inputs, outputs and outcomes are then discussed separately; shouldn't there also be a section on impact?</i>

Glossary

Comment
<i>In the glossary of terms, is it possible to be more specific in the definition of "highly probable" and "probable"? These qualitative terms can be interpreted in very different ways. If the definitions could include a percentage (or percentage range), that would be very helpful.</i>

Other

Comment
<i>I also hope the final document will be available in several languages – though care will be needed to translate both ways so the authors can check that the translated versions give a faithful explanation of the original text.</i>
<i>NPOs invest a lot when it was mandatory to switch from local GAAP to IPSAS. Now, INPAG is about to come. NPOs are worried about the cost of conversion from IPSAS to INPAG.</i>
<i>The existence mandate of the entity should be clear to avoid political entanglement however it's difficult to separate an NPO from government intervention.</i>
<i>I recommend that for the future technical accounting education material should be prepared to teach in universities, which should be similar to the training material on IFRS for SMEs, explaining each section of the INPAG Standards.</i>
<i>we believe that INPAG should clearly set out the scope of the entities to which it is targeted. This will allow regulators to determine how these requirements should fit into national reporting frameworks and will assist in better uptake of INPAG globally</i>