



Technical Advisory Group

Issue Paper

AGENDA ITEM: TAFG03-08

26/27 September 2024 – Hybrid

Grant Expenses – Response to ED2 and Final Guidance

Summary	This paper provides a summary of the responses to the specific matters to comment (SMCs) for issues relating to Section 24 Part I <i>Grant Expenses</i> that were included in Exposure Draft 2 (ED2). It sets out the approaches and responses from the Secretariat and seeks TAG member's advice on issues raised in the feedback.
Purpose/Objective of the paper	The purpose of this paper is to provide a detailed analysis of the responses to the SMCs on ED2 of Section 24 Part I. It seeks the views of TAG members on suggested approaches, to the final guidance building on the TAG's previous discussion of the common model and based on respondents' views and feedback on specific proposals. This paper seeks to finalise the content of this INPAG Section.
Other supporting items	TAGFG02-01, Drafts of Final Guidance on Section 24
Prepared by	Sarah Sheen
Actions for this meeting	<u>Advise on:</u> <ul style="list-style-type: none">• The approach in Section 24 to the common grant model and the changes in terminology.• Regulatory oversight and customary practices and enforcement to establish enforceable grant obligations.• Reflecting the substance of transactions for the reporting of grants over multiple reporting periods, capital grants and where constraints do not give rise to enforceable grant obligations.

Technical Advisory Group

Grant Expenses - Response to ED2 and Final Guidance

1. Introduction

- 1.1 This paper:
- provides a summary and high level analysis of the consultation responses to the specific matters for comment (SMCs) relating to Section 24, Part I *Grant Expenses* (see Appendix A), excluding those in SMC5(a) and 5(b)
 - sets out the approaches and responses from the Secretariat
 - seeks TAG member's advice on issues raised in the feedback
 - provides amendments to Section 24 Part 1, its Implementation Guidance and Basis for Conclusions attached to this report and included in TAGFG03-Annex.

2. Background

- 2.1 Section 24, Part I is a new section in INPAG establishing the accounting for expenses on grants, donations and similar transfers (described in INPAG as grant expenses) by grant-providing NPOs. Section 24 Part 1 is informed by IPSAS 48 *Transfer Expenses* taking a similar conceptual approach for NPO circumstances.
- 2.2 Section 24, Part I uses the same model of grant accounting model as Section 23 Part I *Revenue from grants and donations* albeit from the grant-providing NPO perspective, but the scope is clear that grant expenses are separate from grant revenue. This Section in Exposure Draft 2 (ED2) used the concepts of enforceable grant arrangements, enforceable grant obligations and other funding arrangements included in Section 23 Part I.
- 2.3 A survey was also carried out that addresses some of the accounting issues raised by both sections 23 and 24 Part I. These have been incorporated into the analysis of responses where relevant.
- 2.4 The relevant extracts of current drafts of final guidance are attached as appendices to this report. The full text for this Section can be found in TAGFG03-Annex. Following discussions on the structure of INPAG, the core guidance will now include application guidance, rather than application guidance being separate. Where relevant application guidance has also been moved to the Implementation Guidance.
- 2.5 This report also considers the views of PAG who received a report on the overview, enforceability and grants provided over multiple reporting periods for grant expenses at its 12 September 2024 meeting.

- 2.6 SMCs 5(a) and 5(b) have already been considered by TAG members at their July 2024 meeting. This report does not seek to replicate the analysis but will focus on areas where drafting amendments are required for Section 24 Part 1.

3. Common Grant Model – Changes to Section 24 Part 1 (SMC’s 5(a) and 5(b))

- 3.1 TAG considered issues emanating from the common grant model which applies to both grant revenue and grant expenses. In its analysis of responses for SMCs 4(a), 5(a) and 5(b) TAGFG02-01 identified challenges with the understanding of the model and its key terms for classification and recognition of both revenue and grant expenses. Revenue is covered in more detail at TAGFG03-03 on the agenda.
- 3.2 Considering all the feedback received, the Secretariat has reviewed the common grant model and is of the view that it is conceptually sound and consistent with the approaches in IPSAS 47 *Revenue* and IPSAS 48 *Transfer Expenses* as applied to NPO circumstances. However, the relative complexity of the model means that more explanation of each of the terms is needed to help users understand the model and identify the obligations within individual grant agreements. This will also help ensure accounts preparers understand the unit of account.
- 3.3 The Secretariat has not therefore made substantial changes to the model in Section 24 Part 1 but as reported in TAGFG03-03 has instead sought to clarify the terminology describing parts of a grant agreement as components. References to enforceable grant arrangements have been changed to enforceable grant components (EGCs) and other funding arrangements changed to other funding components (OFCs). A new overview also notes that OFCs can either be with or without restrictions in accordance with the specifications of Section 36 *Fund accounting*.
- 3.4 To assist INPAG users with their understanding of the overall approach to grant expense recognition and measurement the new overview section summarises the recognition and measurement requirements for the different components of a grant agreement moving away from the term “grant arrangement” to avoid confusion with the separate units of account. This overview (extracted in Appendix A) is supported with a flow chart which presents the different components of a grant agreement and their accounting treatments. In addition, throughout Section 24 Part 1 and its Implementation Guidance references to EGAs have been replaced with EGCs, OFAs with OFCs and grant arrangements replaced with grant agreements as appropriate.
- 3.5 Most PAG members at their meeting on 12 September 2024 supported this approach to the grant model and the overview indicating that it provided a clarity for the treatment of grant expenses. One PAG member was of the view that this approach was now too granular and more complex. The Secretariat is of the view that the grant model as it applies to grant expenses is not more complex than shared in Exposure Draft 2. The Secretariat is also of the view that the requirements are now clearer and explain the substance of grant agreements and their individual components.



- 3.6 TAGFG02-01 reported that one of the respondents did not consider that a donor's right to the recipient's future performance would give rise to an asset ie a grant prepayment asset when a grant-providing NPO transferred resources prior to the grant recipient meeting its EGO. Some PAG members agreed. The Secretariat has therefore explained why it meets the definition of an asset (see paragraph BC24.52 included in Appendix D). This is also consistent with the rationale in IPSAS 48.

Question 1: Do TAG Members agree with the inclusion of an overview section to explain the grant expenses side of the common grant model (see G24.1 to G24.6)?

Question 2: Do TAG Members agree with the approach to the changes in terminology for grant expenses in terms of enforceable grant components, other grant components and grant agreements throughout section 24 and its Implementation Guidance?

Question 3: Do TAG Members agree that the explanation of the treatment of the prepayment asset should be included in the basis for conclusions (see BC24.52)?

4. Can regulatory oversight and customary practices create an enforceable grant arrangement?

- 4.1 For SMC5(c) seventy-seven percent (twenty-seven respondents) agreed that regulatory oversight and customary practices can be sufficient to create an enforceable grant with seventeen percent (six respondents) disagreeing and six percent (two respondents) neither agreeing nor disagreeing. Twelve respondents did not answer this SMC.
- 4.2 Respondents that agreed with the SMC commented that the "practices of the mechanisms of state" could be an equally effective mechanism and that this is particularly relevant in jurisdictions where formal legal processes are less prevalent or accessible. The Secretariat would also highlight that over sixty five percent of 114 respondents to a survey question on ED2 were of the view that it was very important that grants are enforceable through mechanisms other than legal rights.
- 4.3 A respondent that agreed, however, commented that it was important that INPAG is clear about what these equivalent means might be. Another respondent was of the view that these might be subsets of legal and contractual rights. While another respondent commented that such means should have equal weighting to legal enforcement.
- 4.4 A further respondent was of the view that clarification should be included to the effect that enforceability is subject to there being a clear legal basis to believe that these mechanisms can be sufficient to create an enforceable grant arrangement. The weight applied to these mechanisms should be based on the predictability and

consistency of enforcement outcomes they provide, which might vary significantly across different contexts.

- 4.5 PAG members generally agreed with the approach to enforceability with regards to regularity oversight and customary practices. One PAG member believed that this was insufficient because this enforceability must be capable of ready application at the component level. The Secretariat concurs that enforceability must be at the component level but may be a part of an overarching agreement. However, the Secretariat has made amendments to paragraphs G24.15 and G24.16 to be clear that enforceability can be a part of a wider agreement but must be able to be applied at the component level.
- 4.6 A PAG member was also of the view that there should be exemplification of customary practices. The Secretariat is of the view that this is exemplified, and that further exemplification or overly specific examples risks the specifications becoming rules based.
- 4.7 The Secretariat has now integrated the application guidance on enforceability into the Core Guidance. Paragraphs G24.13 to G24.18 set out that enforceability must:
- provide the parties to the grant agreement with the ability to enforce the enforceable grant components;
 - hold the parties accountable for the satisfaction of the agreed obligations.
- These paragraphs also include relevant examples to illustrate enforceability.
- 4.8 Paragraph G24.14 sets out that the alternative means will have an equivalent effect (and be based on the assessment of enforceability). The Secretariat has included a minor clarification so that the alternative mechanisms are via equivalent means but having the same effect (Appendix C includes the relevant extracts of Section 24 on enforceability).
- 4.9 Respondents that agreed considered that enforceability through regulatory means might be different in different jurisdictions. It was suggested that reference to "regulatory oversight" be removed as the regulatory bodies' role is not enforcement and they do not have the means to enforce grant agreements. While another respondent noted that in many jurisdictions, regulatory oversight frameworks establish legal requirements and standards for grant agreements.
- 4.10 The Secretariat agrees that the form of enforceability will differ in different jurisdictions and will depend on whether oversight frameworks and arrangements include requirements to act in accordance with defined rules and directives. A grant-providing NPO will need to assess all the relevant factors to decide whether a grant component is enforceable. Relevant commentary is already included in the Implementation Guidance (see paragraph IG24.9) but the Secretariat is of the view

that it may be useful to include summary commentary in the Core Guidance as proposed at paragraph G24.14.

- 4.11 A respondent that disagreed was of the view that a grant can only be performance related if it is an explicit feature of the grant conditions. A further respondent that disagreed commented that “implied agreements” are based on assumptions and that any customary practices should be included in the grant agreement. A respondent that neither agreed nor disagreed was of the view that legal opinion should be sought on the enforceability of these mechanisms. The Secretariat remains of the view that enforceability of grant rights and commitments will not solely arise from legal systems and the grant agreement itself. Other means might include regulatory action or some customary practices which have the equivalent effect of legal mechanisms, though the grant-providing NPO will need to satisfy itself that the obligations and rights within these equivalent means are enforceable.
- 4.12 A respondent indicated that INPAG needs to describe how enforceability relates to revenue categorisation between restricted and unrestricted funds. Revenue categorisation between funds with and without categorisation is addressed in Section 36 *Fund accounting*. This will be further considered when the responses to ED3 have been analysed.

Question 4: Do TAG Members agree with the approach to enforceability as it relates to regulatory and customary practices (see G24.13 to G24.23 and IG24.7 to IG24.11)?

5. Accounting for grants awarded for multiple reporting periods

- 5.1 Eighty-four percent (thirty-one respondents) agreed with SMC5(d) that the full amount of the grant should be recognised as an expense if the grant-provider has no realistic means to avoid the expense (where grants cover multiple reporting periods). Thirteen percent (five respondents) disagreed and three percent (one respondent) neither agreed nor disagreed. Ten respondents did not answer this SMC.
- 5.2 The respondents that agreed indicated that this approach ensures that financial statements reflect the economic reality of the organisation's obligations.
- 5.3 Four respondents (three that did not agree with recognising the full amount of a grant as an expense because the grant provider does not have realistic means to avoid the expense subsequently and one that did), were of the view that where resources have not been fully transferred to the grant recipient, the grant provider would not recognise an expense as it still controlled the resources in the transaction . A respondent also commented that grants can be cancelled for various reasons, including, for example, delays and lack of delivery.

- 5.4 Two respondents expressed views that grant expense should be recognised on a progressive basis or to coincide with the timing of the delivery of programmatic activities and expenses phased accordingly. PAG members raised the issue of whether cost incurred can be used as a proxy for measuring performance against EGOs.
- 5.5 The Secretariat is of the view that matching the recognition of the expense to cashflows or activities does not accord with the concepts and pervasive principles in INPAG Section 2. Where the grant agreement is not clear on the measurement of performance obligations cost may be a means of measuring performance, but the NPO will need to be satisfied that it is a reliable and effective measure of performance against the obligation and that it reflects the rights being extinguished for the grant-providing NPO.
- 5.6 When the grant recipient fulfils the grant fulfilment right (enforceable grant component) the grant-providing NPO has an obligation to transfer the total amount of resources to the grant recipient. Although the grant-providing NPO has not yet transferred resources to the grant recipient, the grant providing NPO has incurred a liability where a grant recipient has met the obligation and has no realistic means of avoiding the expense and control of the resource.
- 5.7 The Secretariat notes the comments about the potential for grants to be cancelled or where there is non-delivery. NPOs will need to consider the grant agreement. If the grant-providing NPO has a right to cancel, then it has a means to avoid future payments, and the grant expense may not need to be recognised in full. If the grant-providing NPO does not have a right to cancel and cancellation is unusual then a separate transaction will need to be recognised to reflect such events.
- 5.8 A respondent commented that this involved complexity that, while conceptually sound, is practically fraught and likely to be difficult for stakeholders to understand and administer. The Secretariat notes the potential for practical issues. Further work is planned to look at clauses in grant arrangements that could lead to greater consistency and simplification.
- 5.9 A respondent agreed except in the case where the maintenance/renewal of the grant for several years depends on an external factor that is not controlled by the parties. The Secretariat concurs that if an external factor impacts on the grant recipient's ability to meet its obligation – this will affect the recognition of the expense depending on the nature of the impact. A PAG Member commented that a separate paragraph setting out common reasons for not recognising in full would be helpful. The Secretariat agrees that examples might be useful and has included additional text at paragraph G24.47 rather than in the Implementation Guidance. This is because the Secretariat are of the view that this sits better with the authoritative text.

- 5.10 A respondent sought more general guidance as to what constitutes a constructive obligation. The Secretariat would note that the Implementation Guidance includes a paragraph (IG24.15) on constructive obligations (this was previously AG24.5). The Illustrative Examples also include illustrations of what a constructive obligation might be. The Secretariat does not suggest making further amendments to the Guidance.
- 5.11 The Secretariat has augmented the drafting in this part of Section 24 and the Implementation Guidance and changed references from years or multi-year arrangements to reporting periods consistent with other sections of INPAG and the *IFRS for SMEs Accounting Standard*.
- 5.12 Although not an issue for these paragraphs, the Secretariat has received numerous queries relating to grant awards over multiple reporting periods where there is no obligation, but the grant recipient has not met anticipated expense targets in particular time periods. The Secretariat has therefore introduced a further illustration to exemplify the accounting treatment at example number 7.

Question 5: Do TAG Members have any further views on the recognition of grant expenses over multiple-reporting periods (see paragraphs G24.45 to G24.48 and IG24.36 to IG24.38)? Do members consider that any further guidance is required?

Question 6: Do TAG Members agree with the addition of a new illustration of grant expenses recognised where the grant recipient had not met their targets for expenses in a particular time period (see example 7)?

6. Grants for capital purposes

- 6.1 Ninety-seven percent (thirty-two respondents) agreed with SMC5(e) that grants for capital purposes are expensed by the grantor using the same principles as other grants. Three percent (one respondent) disagreed. Fourteen respondents did not answer this SMC.
- 6.2 A respondent noted that applying the same principles to capital purpose grants as other grants ensures consistency in accounting practices. It recognises the economic reality that the grant providing NPO obligation does not change based on the use of the funds.
- 6.3 A respondent questioned the impact depending on whether there is an enforceable obligation, noting that without an enforceable obligation the NPO will immediately recognise revenue and the grant-providing NPO will fully expense the grants for capital purposes.
- 6.4 The Secretariat concurs with the comments of the respondents and notes that these issues reflect the economic substance of the grant expenses recognised. It does not

suggest any further changes to the relevant paragraphs in the core guidance (see paragraphs G24.51 to G24.56).

7. Sensitive Information and Grant Expenses

- 7.1 Ninety-four percent (thirty-three respondents) agreed with SMC5(f) that the proposals for disclosure of grant expenses, which include a sensitive information exemption, provide an appropriate level of transparency, six percent (two respondents) disagreed. Twelve respondents did not answer this SMC.
- 7.2 Respondents that agreed with the sensitive information exemption commented that it is appropriately balanced and is sensible to protect individuals but also to comply with privacy legislation and is a practical solution to the risks.
- 7.3 Respondents were, however, concerned that the exemption may be used inappropriately or be misused. This might be for example, to avoid disclosures that might identify failures within the organisational governance, performance or financial management that could have a negative impact on the NPO's fundraising since the guidance does not limit what is considered as sensitive
- 7.4 Respondents that were supportive were also concerned about the impact on transparency and accountability. A respondent believed the Authoritative Guidance and the Basis for Conclusions should set a clear expectation that such an exemption would only be appropriate in very limited circumstances. Another respondent commented that a statement should be included to indicate that there is information that has not been disclosed and provide the reason(s) for this.
- 7.5 Two respondents sought more explanation on the concept of sensitive information, indicating that it needs to be more precise to facilitate implementation. Comments included that guidelines or examples of what constitutes sensitive information could be included to ensure consistent application of the exemption.
- 7.6 Respondents were also concerned that the exemption does not contravene the laws and regulations of the relevant jurisdictions one citing the example, of an anti-money laundering act. The Secretariat has confirmed in paragraph G24.69 that the specifications relating to sensitive information do not prevent an NPO from contravening relevant national and jurisdictional legislation. This is extracted below:

A grant-providing NPO shall present information related to grant expenses that does not result in sensitive information. A grant-providing NPO shall not use the exception to avoid disclosures that might identify failures in organisational governance, performance or financial management that could, for example, have a negative impact on its ability to fundraise its operations. Nothing in paragraphs G24.67–G24.68 shall prevent an NPO from complying with national/international or other jurisdictional legislative requirements.

- 7.7 A respondent that agreed was concerned that in an era of growing legislation around anti-money laundering and countering terrorist financing and of NPOs or their funders being accused of supporting 'subversive activities' this guidance will be considered non-effectual.
- 7.8 The Secretariat notes that the same reporting risks and issues apply to the sensitive information exemption included in the narrative reporting requirements of Section 35. There is a tension between the need for transparent, accountable reporting which serves the needs of the users of general purpose financial reports and the risks that some disclosures could lead to harm or seriously prejudice the work of the NPO (particularly where a statement is included that such an exemption has been used).
- 7.9 The Secretariat is currently working on developing a case study to test the proposals in Section 35 and its associated Implementation Guidance and will report to TAG on its conclusions in due course.
- 7.10 The Secretariat has made changes to paragraphs G24.67 and IG24.39 to provide clearer lists of who the exemption might apply to. Amendments have also been made to be consistent with other changes (ie change in terms for EGC and OFCs) and drafting augmentations. The Secretariat suggests that further amendments to paragraphs G24.67 to G24.70 and IG24.39 to IG24.41 are made following the outcomes of the case study exercise so that a consistent approach is used for both.

8. Asset recognition in an OFC where a grant recipient has not complied with a constraint

- 8.1 Ninety-seven percent (thirty respondents) agreed with SMC5(g) 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. Three percent (one respondent) disagreed. Sixteen respondents did not answer this SMC.
- 8.2 One respondent agreed but noted that this was set against the principle that the recognition of an asset by the grant-providing NPO requires there to be a present economic resource controlled by the NPO as a result of past events (so as to meet the definition of an asset). They were therefore of the view that the proposed paragraph G24.11 was overly simplistic and may potentially be misleading as it appears to be limited to failure to satisfy the requirements creates a present obligation for the grant recipient.
- 8.3 The respondent continued that the grant-providing NPO should consider all the facts and circumstances, including whether the grant recipient can make the repayment of any clawback of funding. Paragraph G24.11 fails to consider the circumstances in which it may be appropriate for the grant-providing NPO to disclose a contingent

asset rather than recognise an asset. They suggested that Section 24 is expanded and that a cross reference to paragraph G21.14 is made to provide guidance on when a grant-providing NPO may need to disclose a contingent asset.

- 8.4 The Secretariat agrees with the respondent and has included:
- confirmation that asset recognition will need to meet the definition of an asset
 - added in the need to consider whether there is a contingent asset, and
 - augmented the example in the paragraph to also include a contingent asset.

This paragraph, now paragraph G24.28 is extracted below.

Where an OFC constrains the use of the resources provided to the grant recipient, if at a future date the grant recipient does not satisfy those requirements, this may give rise to an asset for the grant providing NPO. This is subject to any repayment or refund meeting the definition of an asset in Section 2 Concepts and pervasive principles. A grant-providing NPO shall consider whether there is a possible asset whose existence is yet to be confirmed in accordance with paragraph G21.14. For example, if a grant recipient fails to use a grant within the timeframe specified in the OFC, an obligation to refund all or part of the grant may arise at the end of the specified time period. The grant-providing NPO will only recognise an asset where the failure to satisfy the requirements creates a present obligation for the grant recipient. Where the refund is dependent on confirmation of the grant-recipient's ability to pay, an NPO may need to disclose a contingent asset.

- 8.5 A further respondent commented on the terminology used in ED2, suggesting that the asset be described as a debtor related to an expected grant repayment. The Secretariat is of the view that the paragraph does not require such specificity.

Question 7: Do TAG Members agree with the proposals for amendments in paragraph G24.28 in relation to asset recognition where a grant recipient has not complied with a constraint in an OFC?

9. General comments and the impact of administrative tasks

- 9.1 SMC5(h) sought general comments and views on whether administrative tasks do not represent an EGO in an EGA. Largely respondents that commented on this issue agreed that these are administrative tools to identify and monitor grant resources in a grant agreement. Two respondents were of the view that they can be or were enforceable grant obligations as a part of governance structures etc, noting their importance to grant agreements. Over seventy-five percent of 114 respondents to a survey question were of the view that it was important that there was a distinction between administrative tasks and EGOs.
- 9.2 The Secretariat is of the view that administrative tasks, though often an integral part of grant agreements are not obligations to transfer resources in a specified manner. The Secretariat notes that Implementation Guidance confirms that administrative tasks are not generally EGOs (see paragraph IG24.28).

- 9.3 The remaining comments provided by respondents on section 24 are included in Appendix E and TAG's views are sought on the Secretariat responses to the comments made.

Question 8: Do TAG Members agree that the Implementation Guidance is sufficient to confirm that administrative tasks are not EGOs (see IG24.28)?

10. Extinguishing the grant fulfilment rights

- 10.1 The Secretariat is considering the drafting approach to Section 24 particularly to make the text easier to understand. This includes moving away from using the 'passive voice', which is prevalent in the text. This has caused the Secretariat to consider how the extinguishing of grant fulfilment rights are described.
- 10.2 ED1 describes grant fulfilment rights as being "met" or "satisfied". These terms are appropriate from the grant recipient's perspective as they are meeting the enforceable grant obligations. However, these terms do not technically describe the event from the grant-providing NPO perspective, which considers the treatment of the grant fulfilment rights rather than the enforceable grant obligations.
- 10.3 This has been considered previously. IPSAS 48 describes the derecognition of the asset when or as the transfer right is extinguished when referring to transfer expenses (the equivalent of grant expenses in IPSAS). The use of the term "extinguish(ed)" is correct but was previously considered more technically complex and challenging for translation. Section 24 therefore describes the grant fulfilment right as being 'met' or 'satisfied'. To avoid the 'passive voice' the Secretariat is of the view that the use of 'met and satisfied' need to be considered, and at least explained. It suggests two alternatives:
- retain the current approach but include a paragraph to explain that 'met' or 'satisfies' means that the grant fulfilment right is extinguished;
 - change the description of the event to extinguishing the grant fulfilment right and provide an explanation of what this means.
- 10.4 Two PAG members supported the first option on the grounds of understandability.

Question 9: What are TAG member's views on whether the existing terms should be retained or changed so that the description of the event is to extinguish the grant fulfilment?

11. Drafting Augmentations

- 11.1 Drafting amendments and augmentations have been made to Section 24, the Implementation Guidance and the Basis for Conclusions following the Secretariat's

review. The lists of amendments to Section 24 and its Implementation Guidance are included in Appendices F and G respectively. The drafting augmentations have been made for readability, conciseness and clarity including the use of the passive voice. The drafting augmentations will also include minor corrections.

- 11.2 The Secretariat has also reviewed Application Guidance for the most appropriate location (ie either within core guidance or within Implementation Guidance). The Secretariat's suggestions are listed in Appendix H. Drafting augmentations for the Application Guidance where the moves appear as tracked changes have been highlighted in grey to identify where these have been made.
- 11.3 Following the drafting amendments and the relocation of some of the application guidance to the Implementation Guidance the Secretariat is of the view that although the technical issues have been addressed (subject to TAG's advice) the structure of the material needs to be revisited. The Secretariat will therefore present a restructured Section 24 Implementation Guidance at TAG's next meeting.

12. Basis for Conclusions

- 12.1 The Basis for Conclusions is updated to summarise the significant issues raised and decisions taken in response to the SMCs in ED2. It has therefore been amended to include confirmation that:
- the common grant model is conceptually sound, but also to cover the clarifications and changes in impact on the terminology
 - regulatory oversight mechanisms and common practices can establish enforceable grant obligations
 - the timing of the recognition of grant expenses is consistent over multiple reporting periods and for the recognition of capital grants
 - a prepayment asset exists in an EGC when the grant-providing NPO transfers resources to the recipient (and an explanation has been added as to why it meets the definition of an asset).
- Relevant extracts of the Basis for Conclusions have been included in Appendix C. Note these extracts do not contain the amendments related to sensitive information.

- 12.2 Note that a respondent commented that Section 24 did not include the definition of grant expenses. A definition of grant expenses is included at paragraph G24.8 in the scope section. This will be added to the glossary. This is extracted below:

A grant expense is an expense arising from a transaction in which a grant-providing NPO provides, or is obliged to provide, assistance to a grant recipient (which may be an entity or individual) by transferring cash or a service, good or other asset to that grant recipient without directly receiving any cash, service, good or other asset in return.

Relevant commentary is included in BC24.10 (see Appendix C).

13. Next steps



- 13.1 The Secretariat will include any updates arising from the feedback on the drafts discussed in this paper in a final draft to be circulated in 2025. It will only bring back for TAG discussion ahead of this any significant issues raised. This will include consideration of sensitive information that is being progressed in relation to narrative reporting. It will also include any consequential impacts arising from the development of other INPAG sections.

September 2024

Appendix A Summary of Feedback Responses to SMCs for Grant Expenses

SMC 5(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?	Response	Number	% of those who responded
	Agree	27	77%
	Disagree	6	17%
	Neither agree nor disagree	2	6%
	No Response	12	-
		47	100 %

SMC 5(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?	Response	Number	% of those who responded
	Agree	31	84%
	Disagree	5	13%
	Neither agree nor disagree	1	3%
	No Response	10	-
		47	100 %



SMC 5(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?	Response	Number	% of those who responded
	Agree	32	97%
	Disagree	1	3%
	Neither agree nor disagree	0	-
	No Response	14	-
		47	100 %

SMC 5(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?	Response	Number	% of those who responded
	Agree	33	94%
	Disagree	2	6%
	Neither agree nor disagree	0	-
	No Response	12	-
		47	100 %

SMC 5(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?	Response	Number	% of those who responded
	Agree	30	97%
	Disagree	1	3%
	Neither agree nor disagree	0	-
	No response	16	-
		47	100 %

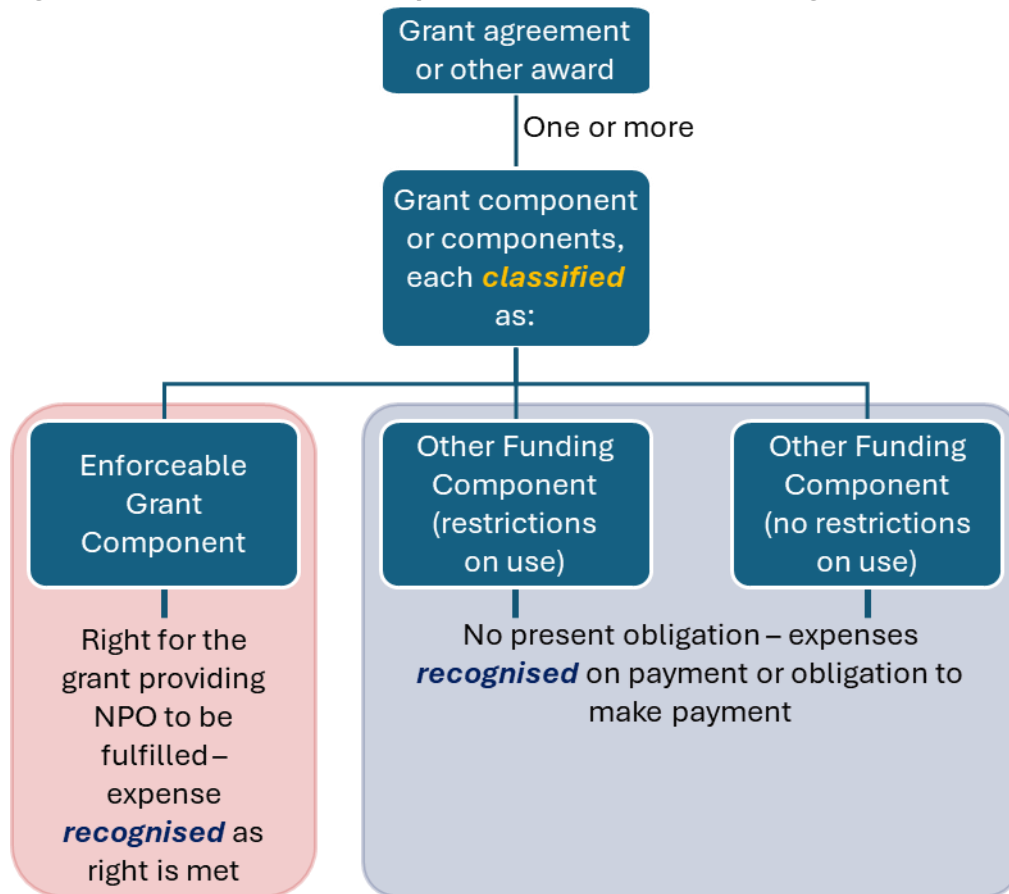
Appendix B Section 24 Grant Expenses – New Overview Section

Overview of grant expense classification and recognition

- G24.1 A **grant expense** is an expense arising from a transaction in which a grant-providing NPO assists a grant recipient by transferring cash or a service, good or other asset to that grant recipient without directly receiving any cash, service, good or other asset in return.
- G24.2 A grant expense for a grant-providing NPO may arise not only from grants but also items described as donations, gifts, and similar transfers of resources.
- G24.3 A typical grant agreement (or other similar agreement for the transfer of resources) may contain one or more grant components. An NPO classifies these components as either an enforceable grant component (EGC) or an other funding component (OFC). The recognition and measurement principles for grant expenses are based on whether a transaction is from an EGC or an OFC. OFCs may include restrictions on their use, for example, restricting their purpose or time periods, or not. Section 36 *Fund accounting* provides the definitions for when funds are subject to restrictions.
- G24.4 An EGC exists where a grant agreement contains written, oral, or similar specifications that establish both rights and obligations for the grant-providing NPO and the grant recipient. A grant providing NPO recognises a grant expense when the grant recipient satisfies or meets the right (a grant fulfilment right).
- G24.5 An OFC exists for all other grant components. In an OFC a grant-providing NPO recognises expenses when it transfers resources and makes a payment or when it establishes a present obligation to make payment through legal or similar means.
- G24.6 Figure 24.1 below provides an overview of grant expense classification and recognition.



Figure 24.1: Overview Grant Expense Classification and Recognition



Appendix C Section 24 – Extract on Enforceability

Enforceable grant component

- G24.9 An **enforceable grant component (EGC)** is a grant component that confers both rights and obligations, enforceable through legal or equivalent means, on both the parties to the grant component. This could be through a written grant agreement but could also be through an oral agreement or implied by a grant-providing NPO's or a sector's customary practices. In determining whether a grant component is enforceable, a grant-providing NPO must consider the substance rather than the legal form of the grant agreement and its grant components. This will require the consideration of the grant providing NPO's, the grant recipient's and the sector's customary practices.
- G24.10 An EGC must specify the outcome that the grant recipient undertakes to achieve with the transferred resources, the activities that the grant recipient undertakes to carry out with the transferred resources, or the distinct services, goods and other assets the grant recipient undertakes to use, either internally or to transfer externally. Such requirements on the use of the resources create an **enforceable grant obligation (EGO)**. See paragraphs [G23.48](#) and [G23.49](#) for further information about EGOs.
- G24.11 An **other funding component (OFC)** is a grant component with a grant providing NPO and a grant recipient that is not enforceable through legal or equivalent means and does not give both parties rights. An other funding component may be a written grant agreement, an oral agreement or implied by customary practices. An OFC also includes those situations where a grant-providing NPO transfers resources to a grant recipient without there being any agreed or implied arrangement in place. An OFC may constrain the grant recipient's use of the resources, but this will not be sufficient to create an EGO. This is because an OFC does not confer both rights and obligations, enforceable through legal or equivalent means, on both the parties to the grant agreement.
- G24.12 Grant expenses may therefore arise from transactions involving:
- OFCs; and
 - EGCs.

Issues related to enforceable grant component

Enforceability in an enforceable grant component

- G24.13 To be an **EGC**, the interdependent rights and obligations in the grant component must be enforceable. This means that the grant-providing NPO **can** require the grant recipient to complete the agreed obligations or be subject to remedies for not doing so, and the grant recipient is able to require the grant-providing NPO to transfer the amount agreed. A grant component will be an EGC if there is the ability to exercise these rights, even if in practice they are never or rarely utilised.



- G24.14 Enforceability can arise from various mechanisms. A grant providing NPO should assess all the relevant factors when deciding whether a grant component is enforceable. While these mechanisms may be through legal systems, there may also be alternative processes that are equivalent means and have the same effect as a legal mechanism. What constitutes equivalent means depends on the parties involved in the EGC and the jurisdictions in which they are based. Enforceability may arise from the overall grant agreement or may relate to an individual component or components, but it must be able to be achieved at the component level.
- G24.15 For example, in some jurisdictions, NPOs may be subject to a form of regulatory oversight which, regardless of the legal basis of an individual agreement, requires NPOs to act in accordance with defined rules and directives or potentially face censure. This form of regulatory oversight means that the parties to a grant agreement have an additional mechanism available to enforce the grant component, even if the specific agreement is not legally enforceable.
- G24.16 It is also the case that in some jurisdictions, public sector entities are not permitted to contract in their own name, but alternative processes with equivalent effect to legal arrangements such as executive orders or ministerial directives are in place to ensure that agreed-upon obligations in a grant agreement are enforceable.
- G24.17 A key issue for a grant-providing NPO is whether it can consider the ability to reduce or withhold future funding from a grant recipient as an enforcement mechanism. Generally, this ability will not on its own be a valid enforcement mechanism because there is no present obligation on the grant-providing NPO to provide this future funding.
- G24.18 However, if there is interdependency with other grant agreements that are in place with the grant recipient, the potential to reduce future funding could be an enforcement mechanism. For example, a grant agreement may presently entitle a grant recipient to funding in the future because of another grant agreement between the parties. This could be an enforcement mechanism if the terms of the other grant agreement specifically allow for a reduction in funding if the terms of the first agreement are breached. This will require the grant providing NPO to apply judgement based on the facts and circumstances, including any history of reducing funding.

Customary practices

- G24.19 Enforceability may arise due to customary practices of the grant-providing NPO or grant recipient.
- G24.20 Where a grant-providing NPO makes grants to a public sector body, enforceability may exist because public bodies, have long-established policies and practices that create a legitimate expectation of how they will behave. However, these legitimate expectations will usually be enforceable through legal mechanisms such as a court ruling that mean a public body will be required to act in a certain way.

G24.21 Customary practices may be that all parties to the agreement will abide by the obligations in the agreement. However, these expectations may not be legally enforceable, as the parties may not be subject to court rulings to uphold such expectations. Enforceability in such circumstances will be dependent on the existence of equivalent means such as an appeal to a regulator or withholding or reducing future funding through a linked EGC.

General statements of intent and oral agreements

G24.22 A general statement of intent by a grant-providing NPO that it may transfer cash or deliver goods, services or other assets in a certain way is not usually an EGC under which both parties have rights and obligations. It may, however, give rise to a constructive obligation in accordance with paragraph G21.4 of Section 21 *Provisions and contingencies*.

G24.23 A general statement of intent differs from an oral agreement. Oral agreements will arise from discussions between the parties where the grant-providing NPO has made an offer to transfer cash, goods, services, or another asset to a grant recipient, who has accepted the requirement to meet an obligation. An oral agreement may be sufficient to create an EGC, particularly in those jurisdictions where oral agreements can be legally binding.

IMPLEMENTATION GUIDANCE EXTRACTS

Enforceability

What should an NPO consider in assessing enforceability?

IG24.7 Determining whether a grant agreement, and each party's rights and obligations in that agreement, are enforceable may be complex and require professional judgement. This assessment is integral to identifying whether the grant agreement contains components that have enforceable rights and obligations, only enforceable rights or only enforceable obligations. In cases where an NPO does not have an EGC, it may still have an enforceable right or an enforceable obligation.

IG24.8 In developing grant agreements, the grant-providing NPO should consider its overall objectives and the risk of the grant recipient not meeting its requirements. Where the grant-providing NPO is intending to create an EGC, the grant-providing NPO should consider appropriate EGOs that it requires the grant recipient to satisfy, as these will create its grant fulfilment rights. The grant-providing NPO should consider its ability to monitor if, and when the grant recipient meets EGOs and its ability to enforce them. While enforceability may arise from various mechanisms it is important that the mechanism(s) provide a grant-providing NPO with the ability to enforce the terms of the grant agreement and hold the parties accountable for meeting their obligations in accordance with the terms of the agreement.

IG24.9 At the inception of the grant agreement, a grant-providing NPO will need to use professional judgement and objectively assess all relevant factors and details to determine if it has enforceable rights and/or obligations (ie what is enforced), and the implicit or explicit consequences of not satisfying those rights and/or meeting those

obligations (ie how it is enforced). As noted, this will be easier if the grant-providing NPO has considered the enforceable rights and obligations and associated consequences of not meeting them in developing the grant agreement.

IG24.10 Relevant factors include, but are not limited to:

- (a) the economic substance, rather than the legal form, of the components in a grant agreement;
- (b) written, oral or implied grant agreement terms (implied grant agreement terms are those implied by an NPO's customary practices);
- (c) whether it is capable of being enforced through legal means (eg by the legal system, enforced through the courts, judicial rulings, and case law precedence), or through equivalent means (eg if a party to the grant agreement can draw on any regulatory or executive authority or directives);
- (d) consequences of not fulfilling the obligations in each of the components of the grant agreement;
- (e) other grant agreements with the grant recipient;
- (f) the specific jurisdiction, sector, and operating environment; and
- (g) past experience with the other parties in the grant agreement.

IG24.11 Certain mechanisms (for example, reductions of future funding, where they relate to other grant agreements already in existence between the two parties) may constitute a valid mechanism of enforcement. An NPO should consider all facts and circumstances objectively, within the context of their jurisdiction, sector, and operating environment, in making this assessment. Paragraphs [G24.13-AG24.23](#) provide guidance on assessing enforceability through legal or equivalent means and how oral agreements and customary norms and practices impact on these assessments.

Appendix D – Section 24 – Extracts from the Basis for Conclusions

EXTRACTS RELATION TO THE DEFINITION OF AN ASSET

BC24.10 A respondent to ED2 noted the Guidance did not include a definition of grant expenses in the Glossary. The Secretariat has added the definition to the Glossary based on the discussion in paragraphs BC24.7 to BC24.9.

EXTRACTS FOR THE APPROACH TO THE GRANT MODEL

BC24.17 Respondents to ED2 supported the grant model with two separate classifications of grant and accounting outcomes. The primary issue identified is that the distinguishing feature for the correct accounting treatment is whether there is an EGO. A single grant agreement may contain elements which contain an EGO and elements where no EGO exists. These different parts of a grant agreement require different accounting treatments.

BC24.18 The Technical Advisory Group and the Practitioner Advisory Group discussed this issue. Members considered that referring to enforceable grant arrangements and other funding arrangements could be misleading. This is because the terminology implies that the grant-providing NPO would account for all the components of an arrangement using a single approach. However, the grant-providing NPO needs to consider the substance of the grant agreement. It needs to identify whether in substance there is more than one component of in the agreement and determine the correct accounting treatment for each component. This also led to confusion relating to the unit of account.

BC24.19 The Secretariat is content that the accounting treatment of the different elements of a grant agreement is correct and that the distinguishing factor from a revenue recognition/grant expense perspective is whether a requirement or an obligation in a grant arrangement creates a present obligation on the grant recipient.

BC24.20 The Secretariat has therefore clarified that a grant agreement may include one or more component. The grant-providing NPO classifies these components depending on whether an EGO exists. Where a grant agreement contains an EGO, a grant providing NPO classifies that component as an EGC. Where EGOs do not exist, the grant providing NPO classifies them as an OFC.

EXTRACTS FOR THE APPROACH TO ENFORCEABILITY

BC24.25 Respondents to Exposure Draft 2 agreed that regulatory oversight and customary practices can be sufficient to create an EGC. However, respondents considered that:

- it was important that INPAG is clear about what these equivalent means might be
- these practices might be subsets of legal and contractual rights
- they should have equal weighting to legal enforcement.
- there needed to be a clear legal basis to the use of these means.

BC24.26 Section 24 is clear that the alternative means will have an equivalent effect (and will be based on the assessment of enforceability). The Secretariat added minor clarifications to reinforce these messages.

BC24.27 Respondents made the point that enforceability might be different in different jurisdictions. For example, regulatory oversight in certain jurisdictions does not include mechanisms to enforce rights and obligations. The Secretariat concurs that the form of enforceability will depend on whether oversight frameworks and arrangements include requirements to act in accordance with defined rules and directives. A grant-providing NPO will need to assess all the relevant factors to decide whether a grant component is enforceable and this is explicitly required in core guidance.

EXTRACTS RELATING TO ASSET RECOGNITION IN AN OFC WHERE A GRANT RECIPIENT HAS NOT COMPLIED WITH A CONSTRAINT

BC24.39 Respondents agreed with the proposals. However, several respondents expressed the view that the grant-providing NPO would still control the resources in the transaction where it had not fully transferred them to the grant recipient. The Secretariat is of the view that non-recognition of the expense and liability does not accord with the substance of the transaction. The Secretariat remains of the view that when the grant recipient satisfies the grant fulfilment right in the EGC the grant-providing NPO has an obligation to transfer the total amount of resources to the grant recipient.

BC24.40 Other comments included that the grant-providing NPOs should recognise grant expenses on a progressive basis or to coincide with the timing of the delivery of programmatic activities. Suggestions of matching recognition on a progressive basis does not accord with the substance of the transaction. The Secretariat is aware that in the absence of specific milestones recognising the expense based on progress made could be appropriate subject to this being a reliable measurement of performance and a demonstration that the right has been met. An illustrative example has been added. The Secretariat has not, however, changed the overall approach to grant recognition over multiple reporting periods.

EXTRACT RELATING TO THE GRANT PREPAYMENT ASSET MEETING THE DEFINITION OF AN ASSET

BC24.52 A respondent did not consider that a donor's right to the recipient's future performance would give rise to an asset (although the obligation to perform would be a liability for the grant recipient). Some PAG members expressed support for this view.

BC24.53 The Secretariat is of the view that there is an asset. This is because the features are consistent with the definition of an asset in Section 2 *Concepts and pervasive principles* exist ie:

- The grant fulfilment right represents a resource (the right to direct how the grant recipient uses the resources);
- The EGC provides the grant-providing NPO with the control on the grant fulfilment right; and



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- This control emanates from a past event (the transfer of resources in the EGC).

Appendix E – Responses to SMC 5(h) – Other Comments on Section 24

Comment	Secretariat Response
<p>A respondent commented on the impact of the monitoring arrangements for grant-providing NPOs and intermediary entities where these are regularly consolidated into the financial statements (including relevant consolidation exercises). The INPAG requirements for accounting for grant expense will mean that this will not accord with financial reporting requirements which will mean an additional administrative burden.</p>	<p>The Secretariat acknowledges that this might be the case but would note that this is unlikely to represent the economic substance of grant expenses. Potential increases in resources required may be mitigated by the Supplementary Statements included in INPAG Practice Guide 1.</p>
<p>A request for an illustration where the grant provider has the option of stepping in and assuming direct responsibility for the required activities. Could the IG provide guidance on how to account for this?</p>	<p>This would be a complex set of transactions not solely involving grant expenses though it is likely that this would require derecognition of the current transactions and it is not clear that this would be a useful illustration.</p>
<p>A typo in the last Illustrative Example. In the 4th paragraph, “their” should be “there”.</p>	<p>Agreed – corrected.</p>
<p>A query on the remaining Parts in Section 24 and the removal of <i>IFRS for SMES</i> Accounting Standard Section 24 Government Grants.</p>	<p>An introductory section explains that Section 24 of the <i>IFRS for SMEs</i> Accounting Standard has been removed, with the equivalent guidance in Section 23, Part 1 Revenue from grants and donations.</p>
<p>Clarification should be included that a provision is only established when there is an obligation, stipulated by a clause or condition of the enforceable grant to return the funds received. However, it is not necessary to create a provision given when there is merely a single sanction or fine that relates to NPOs not being selected to receive a grant (see paragraphs G24.8, G24.23 and G24.24.</p>	<p>Paragraphs G24.8 and G24.24 include the relevant cross references to Section 21 Provisions and Contingencies while paragraph G24.23 does not directly require reference to the section. It is the equivalent of paragraph 35 in IPSAS 48 <i>Transfer Expenses</i> or paragraph 51 IFRS 15 <i>Revenue from Contracts with Customers</i>, which does not include direct reference to the standards on provisions, contingent liabilities and contingent assets.</p>



Appendix F– List of Amendments to Section 24

References to replacement of terminology in the Appendices F and G below relate to replacement of “enforceable grant arrangement” with “enforceable grant component” (and equivalent abbreviations), replacement of “other funding arrangement” and “other funding component” (and equivalent abbreviations) and replacement of “arrangement” or “grant arrangement” with “grant component” or “grant agreement” as appropriate.

Paragraph	Amendment
G24.1–G24.6	New paragraphs and figure setting out an overview of the recognition and measurement of grant expenses.
G24.7	Drafting augmentation for clarity.
G24.9	Replacements of terminology and drafting augmentations for clarity.
G24.10	Replacement terminology reference to section 23 for description on “enforceable grant obligations”.
G24.11	Replacement of terminology and drafting augmentation for clarity.
G24.12	Replacement of terminology.
G24.13–G24.18	Replacement of terminology and augmentation for clarity.
G24.24–G24.29	Replacement of terminology and augmentation for clarity. Paragraph G24.28 includes a clarification that refunds will be recognised as an asset or a contingent asset in accordance with other sections of INPAG. Example expanded to include a contingent asset.
G24.30–G24.43	Replacement of terminology and augmentation for clarity.
G24.44	Replacement of terminology and augmentation for clarity.
G24.45–G24.48	Replacement of terminology – minor drafting augmentations to refer to reporting periods rather than years or financial years.
G24.49	Replacement of terminology, replacement of “whether or not” with “whether” and replace “should” to “shall”.
G24.50	Replacement of terminology and drafting augmentation for clarity.
G24.51–G24.56	Replacement of terminology and drafting augmentations for clarity.
G24.57–G24.58	Replacement of terminology and drafting augmentations for clarity.



Paragraph	Amendment
G24.59–G24.62	Drafting augmentations for clarity and changes of the word “measured” and “restated/restatement” to “translated” following the requirements of paragraph G30.9–G30.13.
G24.63-G24.65	Replacement of terminology and drafting augmentations for clarity. G24.64. Addition of the word “economic” to “resources” for consistency with other paragraphs in this part of section 24.
G24.66-G24.77	Replacement of terminology and drafting augmentations for clarity. G24.67 – information which might be subject to the sensitive information exemption augmented and expressed as a list. G24.69 – confirmation that the use of the sensitive information exemption will not prevent NPOs with compliance with legislative requirements. G24.75 – correction, replaced “prostraint” with “provision”.

Appendix G – List of Amendments to Section 24 - Implementation Guidance

Paragraph	Amendment
IG24.1–IG24.3	Drafting augmentations for clarity. IG24.1 changed “commonly referred” to “referred and “as a result of” to “because of” for conciseness. IG23.2 changed “as a consequence of” to “because of” for conciseness.
IG24.4	Replacement of terminology, drafting augmentations for clarity and changed numbering of Figure 24.1 to Figure 24.2 Figure 24.2 added “does it” to first box, changed “absent” to “in the absence of” and replaced “as a result” of with “because of” for conciseness.
Heading above old IG24.1	Replaced question to reflect grant expenses transactions.
Old IG24.1	Removed first sentence as its purpose is not clear. Moved second sentence to paragraph number IG24.5
IG24.5	Additional sentence per previous row. Replacement of terminology. Reduced length of paragraph.
IG24.6	Replacement of terminology and drafting augmentations for clarity.
IG24.7– IG24.13	Replacement of terminology and drafting augmentations for clarity. IG24.7 confirmation that the accounting for enforceable grant obligations and rights should follow the relevant requirements in section 24 and other sections of INPAG. IG24.11 Replaced “some mechanisms” with “certain” mechanisms”. IG24.13. Split the first sentence for readability and to add reference to “material changes”. Sentence before bullets referred to “assessment” to be consistent with earlier sentences. Removal of “but is not limited to” as the list presents examples.



Paragraph	Amendment
IG24.16– IG24.17	Replacement of terminology and drafting augmentations for clarity. IG24.16 replacement of “some” with “certain” constraints.
IG24.18 and Figure 24.3	Replacement of terminology and drafting augmentations for clarity. Updated number Figure 24.2 to Figure 24.3.
IG24.19– IG24.25	Replacement of terminology and drafting augmentations for clarity. IG24.22 removed “of” from “all of”.
IG24.26– IG24.35	Replacement of terminology and drafting augmentations for clarity. Paragraph IG24.29 removal of “or not” from “whether or not”.
IG24.36– IG24.38	Replacement of terminology and drafting augmentations for clarity. IG24.36 and IG24.38 replacement of “year(s)” with “reporting period(s). IG24.37 replace “multi-year arrangement” with “grant agreement which cross(es) multiple reporting periods”.
IG24.39	Replacement of terminology and drafting augmentations for clarity. Created a list of where sensitive information may impact on individuals and entities that might be at risk of harm or serious prejudice. Added “ <i>a grant recipient, either an individual or another entity (including their staff and volunteers) and other entities and individuals who engage with the grant recipient</i> ” to the list.
IG24.40– IG24.41	Replacement of terminology and drafting augmentations for clarity.
IG24.45	Remove “in order” from “in order to” for conciseness.
Illustrative examples	Replacement of terminology and drafting augmentations for clarity.
IE – First Page	First paragraph inserted “grant” before “payments”. Third paragraph “removed” “the amount of” for conciseness. Fourth paragraph replaced “are dispersed” with “live” for clarity.



Paragraph	Amendment
	Last paragraph on first page – removed “are intrinsically” for conciseness.
IE–Second Page	First paragraph – restructured for clarity. Fourth paragraph removed “number of times” for conciseness.
IE – Third Page	First paragraph removed “number of times” for conciseness. Second paragraph replaced “a number of” with “several” and removed “the area of” for conciseness.
IE – Fourth Page	First paragraph replaced “a number of” with “several” for conciseness. Second paragraph “provided that” replaced with “if” for conciseness.
IE – Fifth Page	Last paragraph removed “be deemed” for conciseness.

Appendix H – Application Guidance Relocation

Paragraph	Location and Rationale
AG24.1–A24.3 – Grant expenses and procurement of services, goods, and other assets	IG24.1–IG24.3 – These paragraphs are not authoritative but provide explanation and illustration of what grant expenses are and the difference between grant expense transactions and procurement.
AG24.4 and Figure 24.1 – Recognition and measurement of grant expenses	IG24.4 and Figure 24.2 – This paragraph and figure illustrate the tests for recognition and measurement of grant expenses.
AG24.5 – Constructive obligations	IG24.15 – This paragraph provides explanation and context relating to key issues for other funding components.
AG24.6 – Constraints	IG24.16 – This paragraph provides explanation and context relating to key issues for other funding components.
AG24.7–AG24.17 – Issues related to enforceable grant components	G24.13–G24.23 – These paragraphs are important to the decisions relating to the classification of enforceable grant components. Note that similar paragraphs in IPSAS are a part of the authoritative guidance.
AG24.18 – Grant fulfilment rights and enforceable grant obligations in enforceable grant arrangements and Figure 24.2 The recognition and measurement of grant expenses from transactions with enforceable grant components	IG24.18 and Figure 24.3 – This paragraph and figure provide an explanation and overview of the processes and steps for recognition and the measurement of grant expenses with enforceable grant components
AG24.19–AG24.23 – Grant fulfilment rights, enforceable grant obligations and other constraints	IG24.19– IG24.20– These paragraphs provide explanation of the recognition and measurement of enforceable grant components and have been combined with current IG text. AG24.20 (last part) to AG24.23 removed for duplication.



Paragraph	Location and Rationale
AG24.24–AG24.27 – Payment of grants over more than one financial year	G24.45–G24.48 – These paragraphs discuss one of the issues commonly faced by grant-providing NPOs that was raised in the consultation paper. The equivalent paragraphs are also included in the authoritative guidance in IPSAS 48 <i>Transfer Expenses</i> .
AG24.28 – Grant recipient obligations	G24.49 – This paragraph focuses on transactions commonly faced by NPOs. It will assist accounts preparers in understanding the circumstances where an obligation exists, but it is not an EGO.
AG24.29 – Performance-related rights and obligations	G24.50 – Performance related rights and obligations are frequent transactions for NPOs. This paragraph will assist accounts preparers with transactions where there are performance related obligations.
AG24.30–AG24.35 – Capital grants	G24.51–G24.56 – This section features common material transactions for NPOs. The equivalent paragraphs are also included in the authoritative guidance in IPSAS 48 <i>Transfer Expenses</i> .
AG24.36 – Modifications to an enforceable grant arrangement	G24.44 – This paragraph focuses on a material transaction (a modification that is so significant that it may give rise to a separate EGO) so the Secretariat has included it in the authoritative guidance.
AG24.37–AG24.40 – Foreign exchange gains or losses	G24.59–G24.62 – the presentation and disclosure, particularly for foreign currency gains and losses associated with grant funding, is a significant issue. The Secretariat has therefore included this paragraph in the authoritative guidance.
AG24.41–AG24.44 – Principal versus agent considerations	IG24.42–IG24.45– These paragraphs focus on typical entities that may be involved in principal/agent transactions and therefore have been included in Implementation Guidance.