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Technical Advisory Group
Issue Paper

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Section 26 Share-based payments and Section 28 Employee benefits – Response to ED2

Summary	This paper provides a summary and high level analysis of the consultation responses to the Specific Matters for Comment (SMCs) relating to Section 26 *Share-based payments* and Section 28 *Employee benefits* and sets out initial approaches and responses from the Secretariat.
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 Sections 26 and 28. It seeks the views of TAG members on the final guidance based on respondents' views and feedback on specific proposals.
Other supporting items	N/A
Prepared by	Karen Sanderson
Actions for this meeting	**<u>Advise on</u>**: i. whether Section 26 should be removed in its entirety; ii. whether any guidance on share-based payments should be included in INPAG and if so, where it should be located; iii. whether Section 28 should provide address share-based payments and profit sharing; and iv. whether the option to recognise changes in the value of defined benefit plans in either the Statement of Income and Expenses or Statement of Changes in Net Assets should be retained.

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Section 26 Share-based payments and Section 28 Employee benefits – Response to ED2

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 26 *Shar-based payments* and Section 28 *Employee benefits* – see also Appendix A.
- sets out the responses from the Secretariat.
- seeks TAG members' advice on the issues raised in the feedback in order to finalise these sections.

1.2 This paper is split into two parts, Part A relates to share-based payments and Part B relates to employee benefits.

Part A Share-based payments

2. Background – Section 26 Share-based payments

2.1 Section 26 specifies the accounting for share-based payments. This includes transactions that are equity- or cash-settled or those in which the terms of the arrangement provide a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.

2.2 Section 26 was not a prioritised topic for review for the first edition of INPAG. However, given the significant modifications made to Section 1 *NPOs* that is focused on which entities might be an NPO, there were consequential considerations for this Section.

2.3 Section 1 characterises NPOs as entities that operate for the public benefit and that utilise any surpluses for the public. Surpluses are not intended to be distributed for private benefit. Further, in Exposure Draft 3 amendments were proposed to the financial statement elements such that equity is no longer an element and is replaced by net assets. Equity claims are expected to be rare and are proposed to be a subset of net assets. If the proposals in ED3 for equity are supported by respondents to this exposure draft, this strengthens the overall position that shares are not held for investment purposes and are not expected to have commercial value.

3. Approach to Section 26

3.1 All of those that responded to SMC7(a) (72% of the total number of respondents to ED2) agreed that given the characteristics of NPOs, Section 26 is not required by NPOs. A question on this topic was also asked in a separate survey. The response to this was less conclusive. Of 95 respondents to this survey question, 63% either agreed or conditionally agreed that the section should be removed. 20% did not agree and the remaining 17% were unsure. There was no geographic concentration in the responses that did not agree or comments to support the response. As a consequence, it is not clear why this was not supported.

3.2 Given the strong support for the removal of Section 26 in the response to ED2, the Secretariat proposes that Section 26 as drafted in the *IFRS for SMEs* Accounting Standard is removed from INPAG.

3.3 Four of the respondents that agreed were of the view that NPOs should be directed to use Section 26 of the *IFRS for SMEs* Accounting Standard if they do have share-based payments. One respondent noted that this would ensure consistency of approach where such transactions exist.

3.4 The Preface to INPAG contains general guidance about what to do if INPAG does not include specific guidance relating to a transaction. The Secretariat is, however, of the view that a specific requirement to use the *IFRS for SMEs* Accounting Standard in the expected rare cases where these transactions exist would be beneficial. This may go some way to addressing the undocumented concerns of the survey respondents who did not agree to the removal of Section 26.

3.5 Guidance on share-based payments could continue to be contained as Section 26. Alternatively, this Section could be completely removed and the guidance located in another INPAG section. The INPAG Secretariat has drafted paragraphs that it currently plans to retain as Section 26 (see Appendix D). The Secretariat is open to this being located elsewhere in INPAG.

Question 1: Do TAG members agree that Section 26 as drafted in the *IFRS for SMEs* Accounting Standard should not be included in INPAG?

Question 2: If TAG members agree that Section 26 should be removed as drafted in the *IFRS for SMEs* Accounting Standard do TAG members consider that the paragraphs as drafted are useful (see Appendix D)? Do TAG member have a view on where should this guidance be located?

Part B Section 28 – Employee benefits

4. Background – Section 28 Employee benefits

4.1 Section 28 covers INPAG Section 28 covers all forms of consideration given by an employing NPO to its employees. Changes have been made to this Section to remove references to share-based payments and to profit-sharing arrangements as these are not expected to be part of NPO remunerations structures. Amendments describe how a controlling NPO providing benefits to employees of controlled entities in the group can apply its provisions.

4.2 Further amendments were proposed in Exposure Draft 3. These amendments extend the disclosures to include short-term benefits that relate to expenses on employee benefits in the financial reporting period. These proposals will be finalised once the responses to ED3 have been considered.

5. Removal of share-based payments and profit sharing

5.1 Ninety-four percent (thirty-two) respondents to SMC 8 a) agreed that profit sharing and share-based payments should not be included in INPAG Section 28 *Employee benefits*. Six percent (two respondents) disagreed citing the context of specific organisation structures. Thirteen respondents did not answer this question.

5.2 Three respondents that agreed noted that it is possible that an NPO could have profit sharing or share-based payment arrangements. One noted that employees of commercial subsidiaries of NPOs may sometimes receive remuneration linked to income from a particular activity even if not linked the surplus of an NPO as a whole. INPAG allows for the use of bonuses and would permit a bonus to be linked to revenue.

5.3 Consistent with the characteristics of an NPO, the Secretariat is of the view that any surpluses generated are for the public that benefit from the missional purposes of the NPO not for its employees. The Secretariat is not minded to specifically include profit sharing even for commercial entities that support the NPOs mission. The Secretariat has updated the Basis for Conclusions (see Appendix E) to explain the remuneration linked to performance is a bonus rather than profit sharing.

5.4 Two respondents specifically mentioned that including a cross reference to the relevant provisions of the *IFRS for SMEs* Accounting Standard for share-based payments and profit sharing would be helpful. The Secretariat agrees that this would be useful for the rare occasions where share-based payments are made. An amendment has been made to G28.1 to include this guidance (see Appendix E). Another respondent raised a point about profit sharing arrangements and this feedback is collectively addressed in paragraph 5.7 below.

5.5 One respondent recommended that examples should be provided to assist NPOs with liability recognition, noting that this was an area in which NPOs in their jurisdiction struggled. The Secretariat agrees that these types of examples are helpful. However, as employee benefits was not prioritised for review in this edition of INPAG, and this is not an NPO-specific issue, it is not proposed to add illustrative examples. The Secretariat proposes that these are developed for education materials post publication of INPAG.

5.6 One respondent who disagreed raised a point about whether the proposed definition of NPOs includes societies that share benefits with members, eg co-operatives. The point being that employees of an NPO could be members of the NPO and share in surpluses. The characteristics of NPOs are being considered in TAGFG03 - 07. Notwithstanding these considerations, the Secretariat is of the view that distributions arising from membership are different from those arising from employment and that no further guidance is needed in this Section.

5.7 One respondent noted that in their jurisdiction there can be two types of differences between income and expenses recognised in an accounting period. Regulatory entities may establish profit sharing for "non-compliance" with the corporate purpose, either partially or in full. These arrangements allow for employee profit sharing in labour matters, or income tax in tax matters. The IFRS for SMEs Accounting Standard has specific requirements that covers both profit sharing arrangements and bonus plans. As a consequence, the provisions of G28.7 can be used for profit sharing arrangements. This has been clarified in G28.7 (See Appendix E)

6. Presentation of losses and gains on long-term employee benefits

6.1 The *IFRS for SMEs* Accounting Standard generally requires that a net change in a defined benefit liability during the period is recognised either entirely in profit or loss as an expense or partly in profit or loss and partly as an item of other comprehensive income. INPAG requires that the this transaction is recognised either entirely in surplus or deficit as an expense or partly in surplus or deficit and partly as an item of income and expense recognised directly in changes in net assets.

6.2 The *IFRS for SMEs* Accounting Standard also requires that actuarial gains and losses are recognised either in profit or loss or in other comprehensive income. This is an accounting policy choice. As INPAG does not have other comprehensive income as part of the Statement of Income and Expenses, INPAG allows actuarial gains and losses to be recognised in the in the Statement of Changes in Net Assets as an accounting policy choice.

6.3 Respondent to ED2 were asked if they agreed that changes to the valuation of post-employment benefits can be presented on either the Statement of Income or Expenses of the Statement of Changes in Net Assets. Eighty percent (twenty-four) respondents agreed, with seventeen percent (five respondents) disagreeing and one respondent neither agreeing not disagreeing. Seventeen respondents did not answer this question.

6.4 One respondent who agreed noted that participants who contributed to their consultation response were of the view that including defined benefit plans in the Statement of Changes in Net Assets, aligns with other standards. Equally some argued that to get a complete financial picture, expenses related to defined benefit plans should be included in the Statement of Income and Expenses.

6.5 Three of the respondents that disagreed and the respondent that neither agreed nor disagreed were of the view that there should be a single option to show the gains and losses only on the Statement of Income and Expenses. The feedback was that both options were not necessary and having only one option would reduce complexity.

6.6 The respondents to ED2 did not identify any NPO-specific issues relating to the location of such gains and losses. Although, the Secretariat agrees that having a single option would simplify the requirements for NPOs, given that this topic was not prioritised in this edition of INPAG, the Secretariat does not propose to make any amendments.

6.7 It should be noted that given it is the Secretariat's intent that unrealised gains and losses are shown in the Statement of Changes in Net Assets, this would be its preference if there was a single option. Given respondents preference for the Statement of Income and Expenses if there was a single option, there is further work to be carried out in future in relation to this topic.

6.8 One respondent who appeared to support valuation changes being shown on the Statement of Income and Expenses was of the view that changes should be reflected in a reconciliation rather than on the face of the financial statements. The Secretariat is of the view that a change would be shown where it is material. Reconciliations are required by paragraph G28.41 in Section 28 and no further guidance is proposed.

Question 2: Do TAG members agree that NPOs can recognise changes in a defined benefit liability in either the Statement of Income and Expenses or the Statement of Changes in Net Assets?

Question 3: Do TAG members agree that no other drafting changes are required?

7. Next steps

7.1 The draft text including the Basis for Conclusions has been updated to reflect this feedback (see extracts in Annex D) and will be further updated to reflect any TAG member feedback . The text will be updated to reflect any changes to the Third edition of the *IFRS for SMEs* standard which is currently being finalised. The full draft text can be found in TAGFG03-Annex.

7.2 If these amendments are not substantial in nature and do not raise issues that have previously considered by TAG members, the resulting updated version will be considered the draft final. Even if there are no substantial issues, TAG members will have another opportunity to comment on the drafts of Section 31 and Section 32 when all sections of INPAG have been updated.

September 2024

Appendix A Summary of Feedback Responses to SMCs for Share-based payments and Employee benefits

SMC 7 a) Given the characteristics of NPOs, do you agree that guidance on share-based payments is not required? If not, provide examples of share-based payments and explain how they are used.	**Response**	**Number**	**% of those who responded**
	Agree	34	100%
	Disagree	0	-
	Neither agree nor disagree	0	-
	No Response	13	-
		47	100%

SMC 8 a) Do you agree that profit sharing and share-based payments are removed from Section 28 *Employee benefits* to reflect that employees of NPOs are very unlikely to be incentivised by sharing in the surpluses made by an NPO? If not, provide examples of such arrangements used by NPOs.	**Response**	**Number**	**% of those who responded**
	Agree	32	94%
	Disagree	2	6%
	Neither agree nor disagree	0	-
	No Response	13	-
		47	100%

NSMC 8 b) Do you agree that in-year changes to the value of post-employment benefits can be shown on either the Statement of Income and Expenses or Statement of Changes in Net Assets? If not, why not?	**Response**	**Number**	**% of those who responded**
	Agree	24	80%
	Disagree	5	17%
	Neither agree nor disagree	1	3%
	No Response	19	-
		47	100%

Appendix B – Extracts from feedback on share based payments

SMC 7a) Removal of Section 26	
Comments from those that agreed	**Response**
Including it will result in a boiler plate type of reporting. It is advisable for NPOs not to included guidance for transactions that are not found in a particular NPO as it distract the user of the financial statement due to information overload.	Noted
I agree it is highly unlikely that share-based payments will be relevant to NPOs. However, it is possible that an NPO could have such payments and I therefore recommend we include a statement that, if share-based payments are made, the relevant provisions of the IFRS for SMEs Accounting Standard shall apply.	The Preface to INPAG includes guidance about the use of alternative frameworks if INPAG does not provide specific guidance. The Secretariat agrees that specifically referencing the *IFRS for SMEs* Accounting Standard for share based payment transactions would be useful.
We agree that the guidance for share-based payments may not be required for NPOs. Our justification for this position rests on the fact that: (a) Section 26 of the IFRS for SMEs is intended for accounting for all share-based payment transactions….. (b) NPOs are never legally set up as entities limited by share capital and as such they cannot have or effect share-based payments…. (c) NPOs are rarely part of other group entities for provisions of para 26.1A of the IFRS for SMEs … However, in jurisdictions where NPOs can be part of a group structure, provisions may be made to incorporate guidance on how transactions settled by way of shares on behalf of an NPO part of that group may be accounted for.	The Secretariat notes this feedback. It is not yet clear how prevalent this kind of transaction may be. The Secretariat proposes to reference the share-based payment guidance in the *IFRS for SMEs* Accounting Standard until there is greater evidence about this potential issue.
An alternative approach, if in your view share-based payments would be used by some, but only a small minority of, NPOs could be to refer directly to Section 26 of the *IFRS for SMEs* Accounting Standard…..this means that entities that are affected will prepare financial statements in accordance with the requirements of a specific standard, rather than perhaps choosing different accounting policies.	The Secretariat agrees that this would be beneficial and proposes to include additional guidance.
GLASS agrees with the Exposure Draft that guidance on share-based payments is not required given the characteristics of NPOs and that the existence of a surplus is used to benefit the recipients of the services provided by the NPO. It is noteworthy that the guidance does not refer to any accounting framework in the event of a share-based payment situation.	The Secretariat is of the view that a specific requirement to use the *IFRS for SMEs* Accounting Standard in the expected rare cases where these transactions exist would be beneficial.

Appendix C – Extracts from feedback on employee benefits

SMC 8a) Removal of share-based payments and profit sharing	
Comments from those that agreed	**Response**
I agree it is highly unlikely that profit sharing and share-based payments will be relevant to NPOs. However, it is possible that an NPO could have such arrangements and I therefore recommend we include a statement that, if profit sharing or share-based payments are made, the relevant provisions of the IFRS for SMEs Accounting Standard shall apply.	The Secretariat will discuss with TAG members whether allowing profit sharing or share-based payments is consistent with being an NPO.
We recommend that in developing the employee entitlement requirements, clear examples are provided to assist NFPs with various matters associated with liability recognition, such as timing of relevant events, employee costs in addition to salaries (such as workers compensation or superannuation) and current/non-current classification as such topics have proved challenging in our jurisdictions.	The Secretariat agrees that these types of examples are helpful. However, employee benefits was not prioritised for review in this edition of INPAG. It is therefore proposed that these are developed for education materials post publication of INPAG.
It is right to remove share-based payments. But profit-based payments do occasionally arise, especially in commercial subsidiaries of NPOs. So, employees may sometimes receive remuneration linked to income from a particular activity even if not linked the surplus of an NPO as a whole. So a brief mention of this would be helpful – but probably just a cross-ref to the IFRS for SMEs.	INPAG allows for the use of bonuses and would permit a bonus to be paid linked to income. The Secretariat will review the wording to ensure that this is clear. The Secretariat is not minded to specifically include profit sharing even for commercial entities that support the NPOs mission. This will be discussed with TAG members.
Agree G28.21. An example in future may be: With squeezed funding the need for more income generation entrepreneurial models needing to be adapted putting additional strain on NPO staff. Some boards may choose to recognize additional efforts around financial sustainability linked to income generation efforts through financial reward or bonus	INPAG allows for the use of bonuses and would permit a bonus to be paid linked to income. The Secretariat will review the wording to ensure that this is clear.
Comments from those that disagreed	**Response**
If the definition of 'NPO' is intended to include societies that share benefits with members, for example co-operatives, there does not seem to be anything preventing employees of an NPO being members of the NPO and sharing in those surpluses (also see question 7).	This is linked to the response to the scope of NPOs considered in the responses to Section 21 *Provisions and contingencies*. However, the Secretariat is of the view that distributions arising from membership and different from those arising from employment.

In some jurisdictions, as in the case of Ecuador, two types of differences between income and expenses are recognized within accounting periods: 1.- Profit: Difference between income and expenses originated with third parties, and, 2.- Surplus: Difference between income and expenses with respect to subsidies. In some cases, the regulatory entities may establish profit sharing for non-compliance with the corporate purpose, either partially or in full. This would allow for calculating the 15% employee profit sharing in labor matters, or income tax in tax matters.	The Secretariat is not minded to specifically include profit sharing, as this is only an example of a short term benefit in the *IFRS for SMEs* Accounting Standard, and does not have specific accounting requirements. An explanation is proposed to be added to the Basis for Conclusions.
SMC 8b) Changes to the value of post-employment benefits can be shown on either the Statement of Income and Expenses of Statement of Changes in Net Assets	
Comments from those that agreed	**Response**
Some participants proposed that defined benefit plans be included in the statements of changes in net assets, aligning with other standards." Advocates for their inclusion in the income and expense statement argue that the annual report should reflect the expenses related to defined benefit plans so that the report user gets the complete picture.	The Secretariat notes the support for both options depending on the circumstances.
Comments from those that disagreed	**Response**
Disagree Options complicate reporting and impact comparability. My suggestion is to have this shown on the Statement of Income and Expenses only.	The Secretariat notes the concerns about complexity, but also the strong support for the proposals. The Secretariat will consider this for future editions of INPAG.
We don't understand why there would be an option or choice in this case, but we think it would be better for there to be clear guidance about it going in either one place or the other. The Statement of Income and Expenses would seem more applicable than the Statement of Changes in Net Assets.	The Secretariat notes the concerns about complexity, but also the strong support for the proposals. The Secretariat will consider this for future editions of INPAG.
The change during the year should be shown on the income statement and changes reflected in a reconciliation other than on the face of the financial statements	The Secretariat notes this feedback. Paragraph G28.41 provides for a reconciliation of the movements over the period and considers that no further guidance is needed.
I do not agree that the inter-annual variations in the value of post-employment benefits can be reflected in the Statement of Income and Expenses or in the Statement of Changes in Net Assets, because this is not part of the development of the corporate purpose or for what the NPOs were created, the same word says it is not for profit, it is a recommendation at the time of hiring the officers that will develop their roles and responsibilities.	The Secretariat notes the concerns, but if an NPO provides post-employment benefits then changes in their value between financial reporting periods needs to be recognised. It is recognised that many NPOs may not provide post-employment benefits aligned with their operating models.

We do not agree because, as we said in our response to ED1, we do not agree with the proposal to remove the concept of Other Comprehensive Income (OCI), with items that would have been OCI recognised directly in the Statement of Changes in Net Assets. That proposal mixes items of performance with equity transactions. The two statement (Statement of Other Comprehensive Income and Income Statement) approach is an established solution to dealing with the presentation of unrealised gains and losses.	The Secretariat notes this view. The majority of respondents supported the separation of income and expenses from other changes in net assets, to simplify the presentation of information for general purpose users of NPO financial statements.
Comments from those that neither agreed not disagreed	**Response**
Currently not relevant to our country (Georgia). However single accounting policy will be beneficial and simple (probably to recognize all actuarial gains and losses in surplus or deficit)	The Secretariat notes the concerns about complexity, but also the strong support for the proposals. The Secretariat will consider this for future editions of INPAG.

Appendix D – Extracts from Section 26 and Section 26 Basis for Conclusions

Section 26 Share-based payments

Scope of this section

G26.1 This Section specifies the guidance to be used in the exceptional circumstances that an NPO has **share-based payment** transactions. NPOs are not expected to have share-based payments. The broad characteristics of an NPO require it to be working for public benefit and not to generate returns for holders of equity claims. The existence of share-based payments may raise questions as to whether an entity is an NPO.

G26.2 Share-based payment transactions include those that are equity or cash-settled or those in which the terms of the arrangement provide a choice of whether the NPO settles the transaction in **cash** (or other **assets**) or by issuing **equity** instruments.

G26.3 As the existence of share-based payments is considered to be rare, guidance is not included as part of INPAG. In the exceptional circumstances where an NPO has share-based payments it shall follow Section 26 of the *IFRS for SMEs* Accounting Standard.

Comparison of Section 26 with the *IFRS for SMEs* Accounting Standard

Section 26 of INPAG requires that where exceptionally an NPO has share-based payments, it follows Section 26 of the *IFRS for SMEs* Accounting Standard. This Section has effectively been removed from INPAG as it is not expected to be relevant to NPOs.

Basis for Conclusions

Amendments to existing paragraphs

Paragraph	Change
BC26.2	Minor amendments to improve clarity of understanding
BC26.3	Removal of reference to the provision of guidance being in theory beneficial
BC26.4	Minor amendments to improve clarity

New paragraphs

BC26.7 Respondents to ED2 agreed with the TAG that Section 26 as drafted in the *IFRS for SMEs* Accounting Standard should be removed. Half of the respondents that provided feedback were, however, of the view that an alternative source of guidance should be included in INPAG to provide consistency. Specifically, there was a suggestion that

NPOs be required to follow Section 26 of the *IFRS for SMEs* Accounting Standard where an NPO needs guidance on share-based payments.

BC26.8 The INPAG Secretariat agreed that this could be useful. Other than the opening paragraph that explains the scope of the Section, the INPAG Secretariat has removed the guidance that was in Section 26 of the *IFRS for SMEs* Accounting Standard. This has been replaced with an explanation as to why full guidance is not provided and requires NPOs to follow Section 26 of the *IFRS for SMEs* Accounting Standard where it has such transactions.

Appendix E – Extracts from Section 28 and Section 28 Basis for Conclusions

Section 28 Employee benefits

G28.1 **Employee benefits** are all forms of consideration given by an NPO in exchange for service rendered by employees, including directors and management. Employee benefits covered by this section will be one of the following four types:

(a) short-term employee benefits, which are employee benefits (other than **termination benefits**) that are wholly due within twelve months after the end of the period in which the employees render the related service;

(b) **post-employment benefits**, which are employee benefits (other than termination benefits) that are payable after the completion of employment;

(c) other long-term employee benefits, which are employee benefits (other than post-employment benefits and termination benefits) that are not wholly due within twelve months after the end of the period in which the employees render the related service; and

(d) termination benefits, which are employee benefits payable as a result of either:

(i) an NPO's decision to terminate an employee's employment before the normal retirement date; or

(ii) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Exceptionally, where an NPO makes share-based payments to its employees, it shall follow the requirements of Section 26 *Share-based payments* of the *IFRS for SMEs* Accounting Standard.

Recognition – bonus plans

G28.7 An NPO shall recognise the expected cost of bonus payments only when:

(a) the NPO has a present legal or **constructive obligation** to make such payments as a result of past events (this means that the NPO has no realistic alternative but to make the payments); and

(b) a reliable estimate of the obligation can be made.

NPOs are not expected to have profit sharing arrangements. Exceptionally, where such arrangements exist, the requirements of this paragraph shall be followed.

Basis for Conclusions

Amendments to existing paragraphs

Paragraph	Change
BC28.2	Minor change to improve ease of understanding
BC28.4	Minor change to improve ease of understanding
BC28.12	New paragraph arising from ED3 proposals for the disclosure of short-term benefits

BC28.13	New paragraph arising from ED3 proposals for the disclosure of short-term benefits
BC28.14	New paragraph arising from ED3 proposals for the disclosure of short-term benefits

BC28.5 Respondents to ED2 were concerned that the removal of profit-sharing arrangements from INPAG, particularly for commercial subsidiaries would mean that remuneration linked to revenue from a particular activity would not be permitted. The INPAG Secretariat views such arrangements as bonus arrangements and not profit sharing.

BC28.6 Respondents also requested that arrangement for profit sharing be cross referenced to the *IFRS for SMEs* Accounting Standard. The specific requirements in this Standard apply equally to profit sharing and bonus plans. The guidance in G28.7 can also be used for profit-sharing arrangements.

....

BC28.10 As a consequence, the draft INPAG allows a choice between changes being recognised in the Statement of Income and Expenses or Statement of Changes in Net Assets. Respondents to ED2 strongly supported this proposal, although there was some support for a single choice to simplify the requirements. Those that expressed a preference supported the Statement of Income and Expenses. Respondents did not identify any NPO-specific considerations relating to a policy choice and the Secretariat therefore proposes to retain the choice. This will be reconsidered when a full review of this Section is carried out.