

# International Non-profit Accounting Guidance (INPAG) Exposure Draft 3

## Response template

Please use this form to record your responses to the Specific Matters for Comment relating to [INPAG Exposure Draft 3](#)

Comments are most helpful if they:

- a) Address the question asked;
- b) Contain a clear explanation to support the response provided, whether this is agreeing or otherwise with any proposals made;
- c) Propose alternatives for consideration, where responses are not in agreement with the proposal made;
- d) Specify the INPAG paragraphs to which any comments relate; and
- e) Identify any wording in the proposals that might not be clear because of how they translate.

The text boxes will expand as required. There is no size limit. There are 11 question areas, according to the various sections in INPAG. You do not need to answer all questions and can choose to answer as many or as few as you wish. You may comment on any aspect of Exposure Draft, not just the specific matters identified. General comments should be added at the end of this document.

Responses must be received by **16 September 2024 and must be in English** .

Responses can be submitted to [ifr4npo@cipfa.org](mailto:ifr4npo@cipfa.org) or through the website at [www.ifr4npo.org/have-your-say](http://www.ifr4npo.org/have-your-say)

**Respondent information:**

<b>First name:</b>	Percy	<b>Country:</b> (this should be the country in which you are based)	Peru
<b>Last name:</b>	Vilchez Olivares	<b>Professional interest:</b> please choose from: <ul style="list-style-type: none"> <li>• NPO, ie preparer of financial statements,</li> <li>• auditor,</li> <li>• accounting standard setter,</li> <li>• professional accounting organisation,</li> <li>• regulator of NPOs,</li> <li>• donor,</li> <li>• academic,</li> <li>• civil society,</li> <li>• user of NPO services,</li> <li>• other (please state)</li> </ul>	Academic
<b>E-mail:</b>			
<b>Position:</b>	Academic		
<b>Organization:</b> (who do you work for)	UNMSM		
<b>Response submitted:</b>	Individual		
Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.			Yeah

This document has been designed purely to enable feedback to Exposure Draft 3. Participation is undertaken on an entirely voluntary basis. The responses will be used to shape the development of INPAG and not for any other purpose. We ask for your name and contact information to enable us to contact you if we should have any clarifications regarding your responses. Responses will be public, but personal contact information will not be disclosed. Personal information will only be held for the purposes of developing INPAG. You may withdraw your consent for us to hold any of your personal information at any time by contacting us at [ifr4npo@cipfa.org](mailto:ifr4npo@cipfa.org).

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## Specific Matters for Comment

### Question 1: Fund accounting

INPAG Section 36 sets out the characteristics of a fund for the purposes of INPAG and whether a fund is presented in the financial statements as being with or without restrictions. A fund is presented as with restrictions where the use of resources is limited to a specific purpose or activity as a consequence of externally imposed legal or equivalent arrangements or where a fund is established for a fundraising campaign with an externally communicated commitment on the specific use for the funds. The guidance requires that the income, expenses, assets and liabilities associated with a fund are recorded. New disclosures are required for fund balances and movements in the year. INPAG Section 5 has been amended to remove the requirement to disclose funds with and without restrictions on the face of the Statement of Income and Expenses.

1 Fund accounting	References	Response
a) Do you agree that the ED1 requirement to present funds with restrictions and funds without restrictions on the face of the Statement of Income and Expenses should be removed? If not, why not?	G5.3, AG5.4	I do not agree with the elimination of the requirement to present restricted and unrestricted funds in separate columns on the Income and Expense Statement. While it may be unnecessary for organizations that manage only one type of fund, this separation provides clarity for those that They manage both types. Restricted funds do not impact all items of the state, such as financial expenses, so their distinction may not be relevant in all lines. I propose that detailed information on restricted funds be included in the notes to the financial statements, to maintain simplicity in the main statement without losing transparency.
b) Do you agree that the guidance in Section 36 will ensure that material funds can be identified? If not, what changes would you propose? Is there a risk that funds are not identified?	G36.3–G36.4, Figure AG36.1	I do not fully agree that the Section 36 guidance ensures that all material funds are identified. Although the guidance seeks to simplify reporting and reduce the administrative burden, there is a risk that some relevant funds will not be identified. adequately, compromising transparency. To mitigate this risk, I propose that the definition of materiality be clarified and that additional information be provided in the notes to the financial statements on significant funds. This will allow for greater transparency without imposing a disproportionate administrative burden.
c) Do you agree that income, expenses, assets and liabilities are tracked for each fund? What are the costs and benefits? What, if anything, would you change and why? What are the practical considerations?	G36.5, G36.7, AG36.3	I don't fully agree with keeping detailed track of each fund's income, expenses, assets, and liabilities. While this approach offers greater transparency and better allocation of resources, it can incur significant administrative costs, especially for larger nonprofits. small. Costs include administrative complexity and additional time to manage information. I propose that detailed monitoring be limited to significant funds or those with specific restrictions, while common transactions be consolidated. Notes to the financial statements may provide additional information. without overloading the daily accounting process.
d) Do you agree with the two criteria for a fund to be a fund with restrictions? If not, what would you change and why?	G36.9	I do not fully agree with the two proposed criteria for classifying a fund as a restricted fund. Although the current criteria cover many situations, they might not capture all relevant cases, such as implicit agreements or conditions not explicitly documented. I suggest expanding the criteria to include all forms of restrictions and provide additional details in the notes to the financial statements. This

		would improve the accuracy and transparency in the presentation of funds, more faithfully reflecting their actual nature and use.
e) In order to provide transparency about the finances of an individual fund, do you agree that all expenses should be charged against a fund with restrictions even if there are currently insufficient resources to cover these, or specific costs are not eligible under a grant arrangement? If not, what alternative would you propose and why?	G36.11–G36.12	I do not agree that all expenses should be charged to a restricted fund if there are insufficient resources or if the costs are not eligible under the agreement. This could distort the financial presentation by showing a deficit that does not accurately reflect the actual financial capacity or the terms of the agreement. I propose that expenses that are not eligible or that exceed available resources should be charged to the general or unrestricted fund. In addition, a detailed explanation of these adjustments should be provided in the notes to the financial statements to maintain transparency and comply with grant agreements.
f) Do you agree with the NPO funds disclosures requirements? If not, what would you change and why?	G36.21–G36.23	I do not fully agree with the disclosure requirements on NPO funds, as they could impose an excessive administrative burden. I propose the following changes: <ol style="list-style-type: none"> <li>1. Allow aggregation of small funds with similar purposes to simplify presentation.</li> <li>2. Reduce the level of detail on movements and balances for minor funds, focusing on significant funds.</li> <li>3. Clarify transfers between funds only when they are materially significant.</li> </ol> These adjustments would help reduce the administrative burden without compromising the necessary transparency.
g) Do the Illustrative examples demonstrate the key concepts in fund accounting? If not, what would you change and why?	Implementation Guidance – Section 36	Agreed, but I suggest that educational material or a technical group be implemented where a lot of practical guidance is developed for the variety of types of entities that group together the Non-Profit Entities.

## Question 2: Presentation of expenses, fundraising costs and related disclosures

INPAG Section 24 Part II provides guidance on the presentation of expenses. It allows an expense analysis by nature, by function, or a mixture of the two. It includes a rebuttable presumption that an analysis by nature is used unless another analysis provides information that is more relevant and reliable. Guidance is provided on the allocation and aggregation of costs where a functional or mixed presentation is used, which will be useful for calculating support costs. INPAG Section 24 Part III provides a definition of fundraising activities and identifies three categories to be disclosed: activities to generate donations, gifts and similar transfers; commercial and trading activities; and investment management. There is a pragmatic exception where costs need to be split between fundraising and other activities.

INPAG Section 33 on related party disclosures draws attention to the possibility that an NPO's financial position and/or its surplus or deficit have been affected by the existence of related parties. Disclosure is required of personnel compensation made to governing body members as well as key management personnel. INPAG Section 28 has been updated to include the disclosure of short term employee related benefits.

2 Presentation of expenses	References	Response
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a) Do you agree that there is a rebuttable presumption that a by nature classification of expenses is used unless this doesn't provide the most relevant and reliable information to the users of the financial statements? If not, why not?	G24.43–G24.47, AG24.45–AG24.47	Yes, I agree that the classification of expenses by nature should be used, as it generally provides a clearer and more useful view of the entity's expenses. However, if in specific cases this classification does not provide the most relevant or reliable information, another option could be considered.
b) Do you agree that the rationale for using a classification of expenses other than by nature should be disclosed? If not, why not?	G24.44	Yes, I agree that the reason for using a different classification of expenses should be indicated. This ensures transparency and allows users of financial statements to understand why a different approach has been chosen and how it aligns with the relevance and reliability of the information presented.
c) Do you agree that where a functional or mixed presentation of expenses is used, a narrative description of the types of expenses incurred on each function line item is sufficient and that a requirement for these to be quantified is not necessary? If not, why not?	G24.46, AG24.48	I do not agree with a functional or mixed presentation of expenses and prefer classification by nature. The presentation by nature provides a clearer and more direct view of the actual costs and expenses, which makes it easier to understand the cost structure of the company. organization. In addition, by classifying expenses by nature, the complexity of assigning expenses to different functions, which can be subjective and vary between organizations, is avoided. Classification by nature is more transparent and consistent, allowing for more accurate comparison and better accountability.
d) Do you agree with the expense disclosure requirements? If not, what would you change and why?	G24.50–G24.57, G33.7–G33.11, G28.38	Yes, I agree with the requirements for disclosure of expenditures as per the reviewed documents. Disclosing details about expenditures provides transparency and makes it easier to understand how resources are used.
e) Do you agree with the description of direct costs, shared costs and support costs and that these allow the full cost of an activity to be identified? If not, why not?	G24.48–G24.49	Yes, I agree. Describing direct, shared and support costs allows the total cost of each activity to be clearly identified. Quantifying these costs helps improve transparency and accuracy in financial presentation.
f) Do you agree that commercial and trading activities that are for the purposes of fundraising and investment management costs associated with a fund whose purpose is to generate future returns are included as fundraising activities? If not, why not?	G24.64–G24.66	Yes, I agree that commercial and trading activities aimed at fundraising, as well as investment management expenses associated with funds to generate future returns, should be included as fundraising activities. These activities contribute directly to the generation of resources necessary to fulfill the mission purposes of the OSFL, so its inclusion is consistent with the objectives of transparency and adequate cost allocation.
g) Do you agree with the pragmatic exception that fundraising costs do not need to be divided from other costs where the cost of doing so would exceed the information benefit	G24.72	Yes, I agree with the pragmatic exception that allows not separating fundraising costs from other costs if the cost of doing so outweighs the informational benefit to stakeholders. In cases where expenditures serve multiple purposes, such as fundraising and To raise awareness, cost allocation should be based on reasonable and practical methods to avoid disproportionate administrative burden.

to stakeholders? If not, what would you change and why?		
h) Do you agree that the costs for each of the three categories of fundraising activity should be separately disclosed and presented gross? If not, what should be disclosed and why?	G24.74	Yes, I agree that the costs of each of the three categories of fundraising activities should be reported separately and presented on a gross basis. This allows for greater transparency and clarity in financial reporting, making it easier for users of financial statements to understand how expenses are distributed across different fundraising activities.
i) Do you agree that grants or donations made in arm's-length transactions with governing body members and any services they receive on the same terms as other eligible service recipients need not be disclosed as a related party transaction? If not, why not?	G33.18 a)– G33.18 b)	I do not agree that donations made by senior management should not be disclosed as related party transactions. Even if these transactions are made on an arm's length basis and do not disrupt the normal activities of the organization, it is crucial to maintain transparency. Disclosing these donations as related party transactions provides a complete and clear view of the relationship between the organization and its senior management.

### Question 3: Supplementary information and INPAG Practice Guide 1 – Supplementary statements

INPAG Section 37 requires additional information to be disclosed when an NPO produces one or more supplementary statements using INPAG Practice Guide 1. NPOs may choose to prepare a single note to meet the requirements or disclose only the additional information. INPAG Practice Guide 1 – Supplementary Statements enables the presentation of key financial information about a specified activity, project or grant, in a prescribed statement format, which can be included as an Annex to the financial statements. The Practice Guide provides templates for different variants of reporting that includes comparison to budget, multiple grants, multiple time periods and different currencies.

3 INPAG Practice Guide 1	References	Response
a) Do you agree that the requirements of Section 37 do not have to be met unless Supplementary statements are prepared in accordance with INPAG Practice Guide 1– Supplementary statements? If not, why not?	G37.1–G37.2	I do not agree that the format of the supplementary information is strictly defined by INPAG Practice Guide 1. Each entity should have the flexibility to adapt its reporting format to its specific information needs and to the expectations of the users of the information. financial statements. Supplementary information is essential to provide a complete and relevant view of the organization, and limiting the way it is presented could restrict the clarity and usefulness of the report to interested parties.
b) Do you agree that a whole of NPO supplementary statement needs not to be presented if the additional information is already in the financial statements and/or notes? If not, why not?	G37.3, G37.10– G37.12	I do not agree that it is not necessary to present a supplementary statement of INPAG if the additional information is already contained in the financial statements and/or in the notes. Although the disclosures are already present in other parts of the financial statements, the presentation of the additional information is not necessary. A supplementary statement in accordance with INPAG Practice Guide 1 provides a standardized structure that facilitates comparability and transparency.

c) Do you agree with the format of the Supplementary statement? If not, what would you change and why?	SS.5	Yes I agree. But I suggest that the list of games shown be reviewed.
d) Do you agree with the options for the disclosure of capital and inventory related costs? If not, what would you change and why?	SS.18–SS.21	Yes, I agree with the options to disclose capital investment and inventory costs.
e) Do you agree that the Supplementary statements are not part of the general purpose financial report but can be published as an annex? If not, why not?	SS.25–SS.26	I agree that supplementary statements should be published as annexes rather than as an integral part of the overall financial report. This separation allows the main financial report to remain focused and clear, while annexes can contain additional detailed information without overloading the main report.

#### Question 4: Illustrative financial statements

INPAG Implementation Guidance Annex A includes Illustrative financial statements. The templates have been populated with data to cover the most common NPO transactions. The illustrative financial statements focus on new INPAG requirements.

4 Illustrative financial statements	References	Response
a) Do you agree that the illustrative financial statements cover the transactions that are prevalent for NPOs? If not, which prevalent transactions are missing and why do these need to be covered?	Illustrative financial statements	Yes, I agree, but some terms need to be revised, such as having an item called “donations in kind”, perhaps if it is in kind or what kind or in cash, I will leave that to explain in a note to the financial statements. The item “other expenses” is also used as a component of operating expenses and as a grouping of interest expenses, etc.

#### Question 5: Equity

INPAG Section 2 provides the concepts and principles on which INPAG is based. Amendments are proposed to equity and net assets as a result of feedback. Net assets is a new element defined as the residual amount of an NPO's assets and liabilities available to achieve its objectives. The term equity claim is introduced to describe equity type instruments, which is a subset of net assets. INPAG Section 22 has the principles for classifying financial instruments as either liabilities or equity claims. As INPAG does not use the term equity, consequential amendments reflect the expected nature of NPO equity claims.

5 Equity	References	Response
a) Do you agree with the revised description of net assets and its inclusion as an element? If not, what would you change and why?	G2.73	Yes I agree

b) Do you agree with the use of the term equity claims in Sections 2 and 22 and that equity claims are a subset of net assets? If not, what would you change and why?	G2.74, AG2.6, AG2.7, Section 22	Yes, I agree because in some countries that situation may exist.
c) Do you agree that the paragraphs relating to the sale of options, rights and warrants, extinguishing financial liabilities with equity claim instruments and treasury shares are removed from and that the paragraphs relating to capitalization or bonus issues of shares and share splits and convertible debt or similar compound financial instruments are retained? If not, why not?	G22.12–G22.15	I agree that the sections relating to the sale of options, rights and guarantees, the extinguishment of financial liabilities with equity instruments and treasury stock can be removed from the main financial report and disclosed in the notes.

### Question 6: Transition to INPAG

INPAG Section 38 describes the requirements for recognizing and measuring assets and liabilities to create a Statement of Financial Position when INPAG is adopted for the first time. Accumulated funds that contain historical surpluses and deficits must be divided between funds with restrictions and funds without restrictions. Compliance with just the financial statements can be asserted ahead of full compliance. The narrative reporting requirements must be completed within a two-year period to be able to continue to express compliance with INPAG.

6 Transition to INPAG	References	Response
a) Do you agree with the pragmatic approaches proposed for the first time adoption of INPAG? If not, what are the practical challenges that are likely to be experienced?	G38.11–G38.12	Yes I agree
b) Do you agree that compliance with INPAG can be expressed in relation to the financial statements only for a two-year transitional period? If not, why not?	G38.5–G38.6	Yes I agree

### Question 7: Application of fair value



INPAG Section 12 describes how to measure assets and liabilities using fair value. The use of fair value to determine the deemed cost of donated assets is reflected in INPAG Section 16, for investments in land or buildings that are held to earn rentals or for their capital appreciation, INPAG Section 17, for property, plant and equipment, including capitalization and depreciation and INPAG Section 18, for identifiable non-monetary assets that does not have a physical substance (eg licenses). The cost model in Section 17 applies to all tangible assets that are held for use in the activities of the NPO and are expected to be used during more than one period as well as to property held to deliver an NPO's missional objectives, eg social housing. There are no exceptions for assets that are funded by grants or donations.

7 Application of fair value	References	Responses
a) Is the Section 12 application guidance that sets out how the fair value hierarchy applies to NPO assets and liabilities and the illustrative examples of fair valuing donations in-kind useful? If not, how could it be improved?	AG12.1– AG12.11	I agree that the sections relating to the sale of options, rights and guarantees, the extinguishment of financial liabilities with equity instruments and treasury stock can be removed from the main financial report and disclosed in the notes.
b) Do you agree with the additional guidance provided for donated: i) investment property (Section 16)? ii) property, plant and equipment (Section 17)? iii) intangible assets (Section 18)? If not, why not?	G16.7 G17.10 G18.14	Investment Properties Yes Agree Property, plant and equipment Yes, I agree, but the case of the initial measurement of subsidies received in the form of goods must be specified, since donations are not only received in the form of goods. Intangible Assets Yes I agree

### Question 8: Impairments

INPAG Section 27 requires that the carrying amount of an asset is reduced to the recoverable amount, where its carrying amount is higher than its recoverable amount. The new measurement base for inventories held for distribution at no or nominal cost has been added. The Section refers to an NPO's 'operating units' to encompass assets that are held for missional purposes rather than purely cash-generation.

8 Impairments	References	Responses
a) Do you agree that inventory held for distribution is measured for impairment using cost adjusted for any loss of service potential? If not, what would you change and why?	G27.2–G27.4	Yes I agree
b) Do you agree that the term operating unit better reflects the nature of an NPO's operations and with its	G27.8	Yes I agree

proposed definition? If not, what alternative term would you use and why?		
c) Do you agree that impairments to assets that form an operating unit can take account of other economic benefits and service potential? If not, what would you change and why?	G27.15	Yes I agree

### Question 9: Combinations of entities

INPAG Section 19 applies to the combining of entities, (including NPOs) that meet the definition of a business. The term business has been broadened to include the types of activities carried out by NPOs. It provides guidance on the recognition and measurement of the assets and liabilities acquired in a combination and includes a simplification where there is a combination of two NPOs that both have positive net assets.

9 Combinations of entities	References	Responses
a) Do you agree that the term 'business' can be applied by NPOs when taken alongside the proposed amendments, (including the expansion of examples of control)? If not, why not? What practical issues are experienced?	G19.4, G19.5, AG19.1–AG19.2	I do not agree. I prefer that it be called an entity and that the meaning and examples of economic and social control be specified.
b) Do you agree with the proposed exemption for two NPOs that have net assets and that it should not apply where one NPO has net liabilities? If not, describe the practical and accounting issues that arise?	G19.24	I agree

### Question 10: Other topics in Exposure Draft 3

INPAG Section 14 and INPAG Section 15 provide guidance on accounting for associates and joint arrangements in consolidated and separate financial statements respectively. INPAG Section 20 covers the accounting for all leases and INPAG Section 34 provides guidance on three types of specialized activities: agriculture, extractive activities and service concessions. None of these Sections have been amended other than for terminology changes.

10 Other topics in ED3	References	Response
a) Do you agree that no further alignment changes are needed to:	Section 14	I agree

i) Section 14 Investment in associates? ii) Section 15 Joint arrangements? iii) Section 20 Leases? If not, why not?	Section 15 Section 20	
b) Is any of the guidance in Section 34 needed by NPOs? If yes, which elements of the section are needed and why?	Section 34	

### Question 11: IFRS for SMEs Addendum

INPAG Section 7 and INPAG Section 30 (published in ED1 and ED2 respectively) have been updated as a consequence of additional text proposed in the Addendum to the draft Third edition of the IFRS for SMEs Accounting Standard issued by the International Accounting Standards Board on 28 March 2024. There is additional text on supplier finance arrangements in Section 7 and lack of exchangeability in Section 30.

11 Addendum	References	Responses
a) Do you agree that the guidance for supplier finance arrangements is useful and relevant to NPOs? If not, what would you change and why?	G7.20A– G7.20B,	Yes, I agree. There should even be some guiding examples.
b) Do you agree that the guidance on lack of exchangeability is useful and relevant to NPOs? If not, what would you change and why?	G30.5A, G30- 31–32, AG30.26– AG30.43	Yes I agree

### General Feedback

Please share any other comments that you wish to raise on Exposure Draft 3. When providing additional feedback please reference the paragraph numbers, where possible and provide a short explanation to support your comments.

Reference	Comment