



**INTERNATIONAL FINANCIAL REPORTING**  
FOR NON PROFIT ORGANISATIONS

## **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>	Nigel	<b>Country:</b> (this should be the country in which you are based)	United Kingdom
<b>Last name:</b>	Davies	<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>	Other- UK PAG member
<b>Email:</b>			
<b>Position:</b>	UK PAG Member		
<b>Organisation:</b> (who do you work for)	-		
<b>Response submitted:</b>	<ul style="list-style-type: none"> <li>• as an individual</li> </ul> [Choose one]		
Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.			Agree

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).

1. [Question 1: Fund accounting](#)
2. [Question 2: Presentation of expenses, fundraising costs and related disclosures](#)
3. [Question 3: Supplementary information and INPAG Practice Guide 1 – Supplementary statements](#)
4. [Question 4: Illustrative financial statements](#)
5. [Question 5: Equity](#)
6. [Question 6: Transition to INPAG](#)
7. [Question 7: Application of fair value](#)
8. [Question 8: Impairments](#)
9. [Question 9: Combinations of entities](#)
10. [Question 10: Other topics in Exposure Draft 3](#)
11. [Question 11: IFRS for SMEs Addendum](#)
12. [General Feedback](#)

## 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	<b>Yes- this is a helpful simplification that will benefit most users of the financial reporting; it will lead to NPOs having to explain apparent surpluses/ deficits in narrative and notes. Good to have the option though to show the two types with a total.</b>
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	<b>Paragraph G36.23 is fine in its approach to grouping similar immaterial funds.</b>
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	<b>Yes this is important for accountability to donors.</b>
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	<b>No. The first criterion is too ambiguous ‘use of the resources in the fund is limited to a specific purpose or activity as a consequence of externally imposed legal or equivalent arrangements’ which seems to have been written with grants and appeals in mind but arguably trading income (exchange transactions) have associated with them particular activities and so it could be argued that all/ part of income from trading (and related profits) are therefore</b>

1 Fund accounting	References	Response
		<b>restricted funds- not sure you intend this to be the case. (It is a debatable matter- see UK Charities SORP paragraph 5.7.)</b>
e) In order to provide transparency about the finances of an individual fund, do you agree that all the 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	<b>Yes except where such recharging is in whole or part barred for legal reasons for example in the UK endowed funds cannot be charged general overheads (see UK Charities SORP paragraph 2.21).</b>
f) Do you agree with the NPO funds disclosures requirements? If not, what would you change and why?	G36.21–G36.23	<b>Yes</b>
g) Do the Illustrative examples demonstrate the key concepts in fund accounting? If not, what would you change and why?	Implementation Guidance – Section 36	<b>No- it omits the classification of trading income from exchange transactions.</b>

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

INPAG Section 24 Part II provides guidance on the presentation of expenses. It permits 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
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	<b>It makes sense to have a standard format with the option of alternate presentations permitted. INPAG is more permissive than the UK Charities SORP which only permits an alternate approach for smaller charities (see paragraph 4.22).</b>
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	<b>Yes</b>
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	<b>No- without quantification such additional text disclosures add length but not insight. The UK SORP takes a different approach by requiring certain expenses where the public interest is there to be disclosed in the notes. This is in respect of salaries and employee related costs eg pensions and redundancies (see paragraph 9.26).</b>
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	<b>Yes but consider if specific attention should also be drawn to losses due to fraud and theft- see UK Charities SORP paragraph 4.15- in order to provide transparent and balanced reporting.</b>
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	<b>Yes</b>
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	<b>Yes</b>
g) Do you agree with the pragmatic	G24.72	<b>Yes but consider changing 'undue cost or effort' to immaterial instead</b>

2 Presentation of expenses	References	Response
exception that fundraising costs do not need to be split from other costs where the cost of doing so would exceed the information benefit to stakeholders? If not, what would you change and why?		<b>otherwise there is a risk to transparency in financial reporting. Evidence from charity regulator public polling is that the public as donors want to know about fundraising costs and ethical behavior in fundraising.</b>
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	<b>Yes unless immaterial in which case combine into one or more headings.</b>
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)	<b>Yes since the gifts made are not conditional and any benefits received are not on advantageous terms. The UK Charities SORP takes a similar approach – see paragraph 9.18.</b>

### 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,	G37.1–G37.2	<b>The wording is a little unclear if the intention is to limit the application to donor related statements per Practice Guide 1 only. I suggest you consider changing G37.2 to read: ‘Supplementary information is the additional information not presented elsewhere in the general purpose financial statements prepared under INPAG that is required to enable the preparation of a whole of NPO</b>

3 INPAG Practice Guide 1	References	Response
why not?		<b>Supplementary statement. The information in respect of <u>donor reporting</u> shall conform to the format of INPAG Practice Guide 1 – Supplementary statement’. <u>In jurisdictions that require forms of statutory reporting to be made that differs in format from INPAG this is permitted provided the notes to the financial statements advise the basis of their preparation.</u></b>
b) Do you agree that a whole of NPO supplementary statement need not 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	<b>Yes- if the particular stakeholder need is met then there is no added value in additional reporting .</b>
c) Do you agree with the format of the Supplementary statement? If not, what would you change and why?	SS.5	<b>Yes because the format has been developed in partnership with the IFR4NPO Donor Reference Group.</b>
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	<b>Yes as this helps in handling items not consumed in the reporting year.</b>
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	<b>Yes because it might otherwise confuse the general reader of the financial statements by introducing variation between NPOs in their reporting.</b>

#### 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	Illustrative financial statements	<b>It is helpful to have these- no single example can cover everything though. Good to have the two types of cash-flow statement illustrated.</b>

covered?		
----------	--	--

### 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	<b>Yes- equity is a very for-profit term with connotations whereas net assets is more neutral.</b>
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	<b>Yes as equity such as shares are a subset of NPOs but where these rights exist disclosing them is important to transparency and it may be a local jurisdiction's legal requirement - see UK Charities SORP paragraph 15.19.</b>
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 capitalisation 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	<b>The solution is pragmatic and follows the for-profit method of imputing a financing charge as an interest expense where the maturity value differs from the imputed liability component. I think there is a bigger question as to identifying the character of the equity claim first by differentiating between equity funding advanced by supporters where it is redeemable only on winding up of the NPO and equity claims issued to either settle a transaction or equity that has a redemption date and so represents a form of financing. For the latter adopting the for-profit effective interest method makes sense but the former is best left undiscounted at face (par) value.</b>

### Question 6: Transition to INPAG



INPAG Section 38 describes the requirements for recognising and measuring assets and liabilities to create a Statement of Financial Position when INPAG is adopted for the first time. Accumulated funds that contain historic surpluses and deficits must be split 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	<b>These are pragmatic, especially allowing fair value to be considered as the deemed cost.</b>
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	<b>Yes this is a pragmatic approach to ease the adoption of INPAG in jurisdictions with little or no history of financial reporting to stakeholders but it should not be permitted where equivalent statutory reporting has already been in place.</b>

### 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 capitalisation 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	<b>INPAG, in common with other adaptive approaches, when it uses fair value it also imports the underlying conceptual thinking. How alien this can be is reflected in the terminology used: 'The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs)'. An alternative approach would be to re-express these terms in a manner arguably more fitting for the NPO context. Market price- the price the NPO has recently</b>

7 Application of fair value	References	Responses
		<p>paid or would have paid for the item, Similar market price- the price of an item that is similar or closely resembles the item and which is a price that has been recently paid or would have paid for the similar item, Non-market valuation- where the item is not actively traded the value that the NPO considers best reflects the value of the item using readily available information such as the costs incurred by a donor, the costs of creating a similar item, an insurance valuation or a judgment by an experienced valuer, or the application of a measure widely adopted in the jurisdiction such as a minimum wage.</p> <p>The logic of valuing things is a commercial for-profit one since for a commercial undertaking a gifted item saves on cost and so enhances the capability to pay dividends- considerations irrelevant to many NPOs. Arguably this for-profit approach fails to really reflect the business model of NPO's reliant on volunteers and gifts. In the UK the adaptive approach to for-profit accounting permits heritage assets not to be valued- see UK Charities SORP paragraph 18.17. The premise being whether it is possible for a reliable valuation to be obtained but arguably even this view is flawed since it fails to consider the real worth of the item lies not in realising its cash potential but enjoying its existence for example an artwork, a landscape or a natural habitat. In truth most things can be sold since the market price is simply what someone is willing to pay for it at the time but this may not really reflect its true worth ie service potential.</p>
<p>b) Do you agree with the additional guidance provided for donated:</p> <ul style="list-style-type: none"> <li>i) investment property (Section 16)?</li> <li>ii) property, plant and equipment (Section 17)?</li> <li>iii) intangible assets (Section 18)?</li> </ul> <p>If not, why not?</p>	<p>G16.7 G17.10 G18.14</p>	<p><b>Yes in respect of investment property because it is held for the purpose of raising funds (generating cash-flows and a return).</b></p> <p><b>Yes for PPE because this is the for-profit logic that underpins the adaptive approach to derive a deemed cost but does it really reflect the operating model of all NPO's? By character heritage assets and cultural artifacts may not be easily valued in this way and they are not held for financial gain. If true for these assets is not equally true for other kinds of PPE asset? A better approach would be to include intention as an aspect of the accounting treatment and allowing the option not to value where the motive of the donor and the intention of the NPO is to simply either hold the gifts for others to enjoy or to onward gift the items to beneficiaries; instead a narrative disclosure would be more appropriate than valuation of such gifted items.</b></p> <p><b>Intangible assets- the inclusion of service potential in the recognition process is</b></p>

7 Application of fair value	References	Responses
		welcome and the use of the fair value approach to identify a deemed cost is understandable because of the premise on which IFRS for SMEs is based but (as noted above) it is debatable that this approach is a fair representation for some kinds of gifted intangible asset, for example heritage musical artistic recordings, films or digital libraries intended for free public use as a cultural asset.

### 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	<b>The theory is good since such inventory is not held to generate cash-flows but to further the NPO's purpose. The conceptual framework for properly defining service potential though is not there. Arguably service potential is contextual to each NPO reflecting its purposes, operating model, forms of delivery to beneficiaries, how it assesses its own effectiveness and performance and aspects of obsolescence. (In fairness the UK Charities SORP in applying local GAAP (FRS102) only has a high level GAAP definition to draw upon (glossary appendix 1 to FRS102) and so the SORP is also broadly framed too- see paragraph 12.13.)</b>
b) Do you agree that the term operating unit better reflects the nature of an NPO's operations and with its proposed definition? If not, what alternative term would you use and why?	G27.8	<b>The definition given appears to be a variation on the IFRS approach of cash generating units which is all about cash-flows and implicitly the capability to generate a return to the providers of capital. INPAG frames it as: 'This may be the case because measuring recoverable amount requires forecasting cash flows and sometimes individual assets do not generate cash flows by themselves'. The context is important here because an NPO's operational activities might not be always intended to generate cash-flows. To fully reflect all NPOs a reference to service potential should be added as an alternative approach or one blended with cash-flows in order to identify any impairment.</b>
c) Do you agree that impairments to assets that form an operating unit can take	G27.15	<b>It is odd to apply net present value calculations as an aspect of value in use to service potential where there is an absence of cash-flows- a different NPO</b>

8 Impairments	References	Responses
account of other economic benefits and service potential? If not, what would you change and why?		<b>specific measure is required in respect of service potential. Otherwise the reference to service potential as a consideration is welcome and appropriate. The reference to economic benefits is right where assets are held to generate cash-flows (a return).</b>

### 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 amendments proposed, (including the expansion of examples of control)? If not, why not? What practical issues are experienced?	G19.4, G19.5, AG19.1-AG19.2	<b>The term business is unhelpful as it is closely associated with generating a return to the providers of capital. A better term might be operational combination or combined operation/ activity. The for-profit thinking carries through the section with the concept of acquisition and bargain purchase. It is true there may be acquisitions where equity can be traded but more often these combinations will be rescues (a struggling NPO combines with a more resilient NPO), mergers (two NPO's with a common mission decide to combine to reap gains in efficiency and effectiveness) or by legal requirement (Government influenced NPO's combine to comply with a political directive) rather than commercial acquisitions, whether contested or uncontested. In many instances an NPO does not buy another rather the operating Board of the combining NPO is dissolved in favour of new governance arrangements. In the UK, the Charities SORP permits an alternative of merger accounting for many combinations- see paragraph 24.30.</b>
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	<b>Reflecting a gain (on a 'bargain purchase') is pragmatic since this would represent a gift of resources but perhaps merger accounting which portrays the two entities as simply aggregated in a new operational model might be a fairer representation.</b>

### 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 specialised 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: i) Section 14 Investment in associates? ii) Section 15 Joint arrangements? iii) Section 20 Leases? If not, why not?	Section 14 Section 15 Section 20	<b>Associates- where the associate itself is an NPO and the interest is to further an investing NPO's mission rather than to generate a financial return perhaps these interests should be separately shown.</b> <b>Joint arrangements- where the joint arrangement comprises an NPO joint venture to which participating NPOs appoint the Board and the interest is to further the mission of participating NPOs rather than to generate a financial return perhaps these interests should be separately shown- this is the approach of the UK Charities SORP- see paragraph 29.11.</b> <b>Leases - fine whilst the operating and financing lease options are available to lessees.</b>
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	<b>Yes- in the UK charities have been known to undertake agricultural activities and operate service concessions.</b>

### 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,	<b>Such retail financing arrangements might be rare but since INPAG covers a diverse NPO sector retaining this guidance may be helpful.</b>
b) Do you agree that the guidance on lack	G30.5A, G30-	<b>This would seem very appropriate given limitations on movements of currency</b>

of exchangeability is useful and relevant to NPOs? If not, what would you change and why?	31–32, AG30.26– AG30.43	<b>and similar foreign currency restrictions and the advice on identifying the problem is comprehensive but the guidance on resolving it by estimation is minimalistic- paragraph AG30.43. Assuming that unofficial exchange rates are not acceptable foreign currency conversions may prove hard to estimate and a separate workshop with affected NPOs to talk about the solutions that they found to this problem might help broaden this helpful guidance.</b>
---	-------------------------------	--

### 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
Section 33- related parties	<b>The INPAG definition is quite narrowly drawn- paragraph G33.2. In the UK due to the need for public confidence and transparency the definition is more broadly drawn to include close family and close business relationships- see UK Charities SORP appendix 1 glossary of terms.</b>