



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 or through the website at www.ifr4npo.org/have-your-say

Respondent information:

First name:	Bages	Country: (this should be the country in which you are based)	Palestine /Israel Ramallah ,Jerusalem.
Last name:	Petro	Professional interest: please choose from: <ul style="list-style-type: none"> • NPO, ie preparer of financial statements, • auditor, • accounting standard setter, • professional accounting organisation, • regulator of NPOs, • donor, • academic, • civil society, • user of NPO services, • other (please state) 	
Email:			
Position:	Partner & PAG member		
Organisation: (who do you work for)	Petro and Partners audit company representing Morson global		
Response submitted:	Individual		
Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.			Agree Disagree

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.

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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 disagree with the removal of the requirement because it is essential for maintaining transparency and ensuring compliance with donor and regulatory requirements. However, I am worry from the administrative burden. I am still confused how the double entry system will handle it ??do we need a special trail balance for each fund as per Fund accounting ? what about the interfund transactions? Or it is only representation and disclosure ?
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	Yes, I agree that the guidance in Section 36 provides an effective approach to ensure that material funds are identified. The sections G36.3 and G36.4 lay out clear principles for tracking funds based on legal or equivalent requirements, stakeholder expectations, and other relevant factors. This ensures that NPOs can accurately identify and distinguish material funds with and without restrictions. Yes, there are many risk especially in the definition of material funds. do we need a special trail balance for each fund as per Fund accounting ? what about the interfund transactions? Or it is only representation and disclosure ?
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	Organizations need to allocate sufficient resources, both financial and human, to implement and maintain these tracking systems. The real practical consideration are the Accounting Software and the double entry system and the interfund transactions ?!

1 Fund accounting	References	Response
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	While the criteria are clear, I would suggest providing additional practical guidance on identifying situations where public commitments might not be formal but still create a valid stakeholder expectation. This would help NPOs avoid ambiguity in borderline cases where stakeholders might reasonably expect certain funds to be restricted, even if no explicit public commitment was made.
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	While charging all expenses to the restricted fund ensures financial transparency, it is also crucial to provide additional context through disclosures when resources are insufficient. This provides a more complete picture to stakeholders and ensures accountability in fund management. However, I see many challenges regarding the difference of currency and the explanation of the deficits in the fund? Yes, I agree that all expenses should be charged against a restricted fund, even if there are currently insufficient resources to cover these costs. This practice is essential to maintaining transparency and showing a clear link between the restricted income and the related expenses. Matching
f) Do you agree with the NPO funds disclosures requirements? If not, what would you change and why?	G36.21–G36.23	Yes, I agree with the NPO funds disclosure requirements as they are essential for ensuring transparency and accountability in fund management. But about negative balances as an example If any fund has a negative balance at the reporting date, the disclosure requirements likely call for an explanation to be provided but also it has limitations for non accountants.
g) Do the Illustrative examples demonstrate the key concepts in fund accounting? If not, what would you change and why?	Implementation Guidance – Section 36	Yes, the Illustrative examples in the Implementation Guidance for Section 36 effectively demonstrate the key concepts in fund accounting. While the examples are helpful, more complex scenarios involving smaller funds or funds with overlapping restrictions could be included to provide additional clarity

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	Yes, I agree with the rebuttable presumption that a "by nature" classification of expenses is used unless it can be demonstrated that another classification (such as by function) provides more relevant and reliable information to users of the financial statements. However, it should ensure consistency in reporting while allowing NPOs to depart from this approach when it improves the relevance and reliability of the information provided to stakeholders.
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 rationale for using a classification of expenses other than by nature should be disclosed. Disclosing the rationale provides important transparency, ensuring that stakeholders understand why the NPO chose a different method and how it better reflects the organization's financial situation.
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	Yes, I agree that a narrative description of the types of expenses incurred on each function line item is sufficient when a functional or mixed presentation of expenses is used. The guidance provided in G24.46 and AG24.48 likely supports this by emphasizing the importance of providing relevant information in a clear and understandable format without overwhelming the users of the financial statements with unnecessary details.
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 expense disclosure requirements as outlined .
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 with the description of direct costs, shared costs, and support costs. Also, I prefer to use the term overheads as part of the indirect costs.

2 Presentation of expenses	References	Response
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 for fundraising purposes, as well as investment management costs associated with funds aimed at generating future returns, should be included as fundraising activities. This classification aligns with the broader goal of fundraising, which is to secure resources for the organization’s mission, whether through donations, grants, or income generated through commercial ventures.
g) Do you agree with the pragmatic 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?	G24.72	Yes, I agree with the pragmatic exception that fundraising costs do not need to be split from other costs when the cost of separating these expenses exceeds the benefit of the information provided to stakeholders. This approach is consistent with the principle of cost-benefit analysis in financial reporting, The pragmatic exception strikes an appropriate balance between transparency and administrative efficiency. It ensures that NPOs are not overburdened with excessive reporting requirements when the benefits of doing so are minimal
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	Separately disclosing and presenting the costs for each of the three fundraising categories on a gross basis promotes transparency. Yes, I agree
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)	Yes, I agree. This treatment aligns with the principle that arm’s-length transactions do not carry the same risk of conflict of interest or undue influence as non-arm’s-length transactions, and therefore, do not need the same level of scrutiny or disclosure.

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	Yes, I agree that the requirements of Section 37 do not need to be met unless supplementary statements are prepared in accordance with INPAG Practice Guide 1. The purpose of Section 37 is to ensure transparency and consistency when supplementary statements are produced, but it is not necessary to impose these requirements on all NPOs unless they choose to prepare such statements. This allows for flexibility and avoids placing an unnecessary burden on organizations that do not need to provide supplementary information.
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	Yes, I agree that a whole of NPO supplementary statement need not be presented if the necessary additional information is already included in the financial statements and/or notes. This approach promotes efficiency and avoids duplication of information disclosures.
c) Do you agree with the format of the Supplementary statement? If not, what would you change and why?	SS.5	Yes, I agree with the format of the Supplementary statement as outlined in SS.5. It is well-designed for clarity, consistency, and flexibility. It allows NPOs to present their financial information in a way that meets stakeholder needs while ensuring that the reporting remains adaptable to various contexts.
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 for the disclosure of capital and inventory-related costs. This could help NPOs that engage in large-scale capital-intensive activities better align their disclosures with the long-term nature of their operations.
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	Yes, The approach of treating supplementary statements as separate from the GPFR and publishing them as an annex strikes a good balance between comprehensive reporting and focused financial disclosure. This method allows NPOs to provide detailed information while maintaining clarity and relevance in the general-purpose financial 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 Overall, the illustrative financial statements effectively cover the prevalent transactions for most NPOs. Including additional examples on volunteer services and complex grant arrangements could further improve their applicability.

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 with the revised description of net assets and its inclusion as an element in the financial statements. The revised description of net assets as an element adds value to NPO financial reporting by improving clarity, transparency, and comparability.
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 with the use of the term "equity claims" in Sections 2 and 22 and the classification of equity claims as a subset of net assets. The use of "equity claims" as a subset of net assets is appropriate for NPO financial reporting. It accurately reflects the rights of stakeholders while maintaining clarity in the presentation of an organization's financial position.
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	G22.12–G22.15	Yes, removing the sections related to options, warrants, and treasury shares while retaining those on capitalization, share splits, and convertible debt ensures that the guidance remains relevant and focused on the specific financial realities of NPOs. This approach simplifies reporting while retaining the necessary elements for more complex financial structures

5 Equity	References	Response
similar compound financial instruments are retained? If not, why not?		

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	Yes, I agree with the pragmatic approaches proposed for the first-time adoption of INPAG. The pragmatic approaches for the first-time adoption of INPAG offer a balanced and flexible solution for easing the transition process, particularly for smaller NPOs.
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 that compliance with INPAG can be expressed in relation to the financial statements only for a two-year transitional period. Allowing compliance with INPAG to be expressed in relation to financial statements for a two-year transitional period is a practical and balanced approach.

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	Yes, the application guidance in Section 12 that outlines how the fair value hierarchy applies to NPO assets and liabilities, along with the illustrative examples for valuing donations in-kind, is very useful.
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	Yes, I agree with the additional guidance provided for donated investment property, property, plant, and equipment (PPE), and intangible assets in Sections 16, 17, and 18. The guidance ensures that NPOs can appropriately recognize and measure donated assets, which is crucial for accurate financial reporting and transparency

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 that inventory held for distribution should be measured for impairment using the cost adjusted for any loss of service potential. It ensures that the financial statements reflect the true value of the inventory in line with the service potential it provides to the NPO. No further changes are necessary to this method.
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	Yes, I agree that the term "operating unit" better reflects the nature of an NPO's operations. The term is both broad and flexible, allowing it to apply to different types of organizational structures and activities commonly found in NPOs
c) Do you agree that impairments to assets that form an operating unit can take	G27.15	Yes, I agree that impairments to assets that form an operating unit can take place. This approach ensures that NPOs can accurately reflect the value of their

8 Impairments	References	Responses
account of other economic benefits and service potential? If not, what would you change and why?		assets in financial reports, particularly when the service potential of these assets has diminished

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	Yes, I agree that the term "business" can be applied by NPOs when considered alongside the proposed amendments and the expanded examples of control. This approach provides a practical framework for NPOs to define their operational structures in a way that aligns with their mission-driven activities while also ensuring consistency with general accounting principles.
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	Yes, I agree with the proposed exemption for two NPOs that have net assets and the stipulation that it should not apply where one NPO has net liabilities. The proposed exemption should only apply when both NPOs have net assets, as this maintains financial transparency and stability.

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	Yes, I agree that no further alignment changes are needed to Section 14 (Investment in Associates), Section 15 (Joint Arrangements), and Section 20 (Leases). These sections already provide a comprehensive framework that aligns with international standards and is well-suited for the financial reporting needs of NPOs.
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	Yes, some elements of the guidance in Section 34 are needed by NPOs, as they provide essential information for managing and reporting specialized financial activities that are relevant to many NPOs.

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 that the guidance for supplier finance arrangements is useful and relevant to NPOs. Many NPOs engage in contracts for goods and services that involve complex payment structures, and supplier finance arrangements can provide flexibility in managing cash flow and supplier relationships.
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	The guidance on lack of exchangeability is crucial for NPOs operating in regions with restricted currency markets. It helps NPOs ensure transparent and accurate reporting under challenging conditions. Adding more practical examples and contingency planning advice could further strengthen the guidance.

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
G5.3, AG5.4	Fund accounting. I am aware about the presentation disclosures. However, I wonder about the bookkeeping and the double entry system and how much it is practical to have sperate trail balance for each fund.