



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:	Md. Masum	Country: (this should be the country in which you are based)	Bangladesh
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Response submitted:	<ul style="list-style-type: none"> • on behalf of my organisation or ✓ • as an individual [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 ✓ 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	Yes, I agree with this removal. The distinction between restricted and unrestricted funds is still essential, but it can be clarified through notes to the financial statements rather than on the face of the Statement of Income and Expenses. This approach simplifies the presentation while maintaining transparency for stakeholders.
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 is adequate for identifying material funds. The clear definitions and criteria provided for restricted and unrestricted funds allow for a structured approach to fund identification. The example in Figure AG36.1 also enhances understanding of fund categorization. However, in large and complex NGOs, there may still be a risk of smaller, immaterial funds being overlooked. Strengthening the internal control processes to regularly review all funds could mitigate this risk.
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	Yes, I agree that income, expenses, assets, and liabilities are effectively tracked for each fund. The benefits include enhanced transparency and accountability, particularly for restricted funds. It also allows stakeholders, especially donors, to see a clear picture of how funds are utilized. The main cost is the administrative burden placed on finance teams to maintain this level of detail, particularly for smaller organizations. Automating fund management within accounting software could help reduce this burden.
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	Yes, I agree with the two criteria for identifying a fund as having restrictions. These criteria—externally imposed legal or equivalent arrangements and externally communicated commitments—are clear and practical. They align with donor expectations and are straightforward for NPOs to implement. No changes are necessary.

1 Fund accounting	References	Response
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	Yes, I agree that for transparency purposes, all expenses should be charged against a restricted fund, even in cases where resources are insufficient or specific costs are ineligible under the grant arrangement. This ensures clarity in financial reporting and prevents the mixing of restricted and unrestricted funds. However, NPOs should clearly indicate where fund shortfalls exist and disclose any plans for covering those shortfalls, such as through unrestricted funds or other grants.
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 disclosure requirements. They provide sufficient detail to stakeholders, ensuring transparency in how funds are managed and utilized. I would not propose any changes as the requirements cover key elements such as fund balances, movements, and fund purpose.
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 effectively demonstrate the key concepts in fund accounting. They provide practical scenarios that help users understand how to apply the guidance. These examples could be improved by including more complex scenarios, such as handling multi-year grants or dealing with foreign currency funds, to cover a wider range of NPO activities.

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. The "by nature" classification is often more straightforward and accessible for many NPOs, especially smaller ones, as it allows for easier comparison across periods. However, where presenting expenses by function offers better clarity—particularly in large, complex NGOs—it should be permissible. This flexibility ensures that the most relevant and reliable information is presented 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, disclosing the rationale for using an alternative classification is essential for transparency. It ensures that stakeholders understand the reasoning behind the choice, especially when functional or mixed presentation is deemed more useful for illustrating how funds are used across specific programs or activities.
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 is often sufficient. Quantifying every expense in detail could lead to unnecessary complexity and administrative burden, especially for smaller NGOs. However, detailed quantification should remain an option for those NPOs that feel it would better serve their stakeholders.
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, the disclosure requirements strike a good balance between transparency and practicality. The guidance ensures that material information is shared without overwhelming users with excessive details, especially on related party transactions and personnel compensation.
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 descriptions. They are clear and allow NPOs to allocate costs effectively, ensuring that the full cost of an activity is identified. This classification helps provide a clearer picture of how resources are deployed in pursuit of the NPO's mission.
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 with this inclusion. It ensures that all costs directly associated with generating funds for the NPO's mission, whether through donations or commercial activities, are accounted for under fundraising. This provides a more complete view of the costs involved in sustaining the organization.

2 Presentation of expenses	References	Response
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. In many cases, splitting fundraising costs from other costs can be a time-consuming process with limited added value for stakeholders. This exception allows NPOs to focus on delivering value in their reporting without unnecessary complexity.
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 with the separate disclosure and gross presentation of the three categories. This level of detail allows stakeholders to see how resources are being used across different types of fundraising activities, providing clarity and ensuring that fundraising efficiency can be assessed.
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. Arm's-length transactions with governing body members, when done under the same terms as other recipients, do not present a conflict of interest and therefore do not need to be disclosed as related party transactions. This avoids unnecessary disclosures while maintaining transparency.

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	G37.1–G37.2	Yes, I agree. The flexibility provided by Section 37 ensures that NPOs are not burdened with additional reporting unless they choose to produce Supplementary statements. This is especially important for smaller NPOs that may not have the capacity to prepare these additional statements unless required by donors or stakeholders.

3 INPAG Practice Guide 1	References	Response
1- Supplementary statements? If not, why not?		
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. If the financial statements and notes already include the necessary details, there is no need to duplicate this information in a supplementary statement. This avoids redundancy and ensures that the financial reporting process remains efficient and focused on providing meaningful insights.
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. The structure is clear and allows for flexibility in reporting different types of financial data, such as multi-grant and multi-period reports. It provides a consistent framework for NPOs to present key financial information that aligns with donor expectations.
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. The options for disclosing capital and inventory-related costs provide clarity and transparency without being overly prescriptive. NPOs with significant capital or inventory investments will benefit from these guidelines, which allow them to present these costs in a meaningful way to stakeholders.
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, I agree. Supplementary statements, while useful for specific stakeholders like donors, should remain separate from the general-purpose financial report. Publishing them as an annex allows for detailed financial reporting without overwhelming the main financial statements, which are intended for a broader audience.

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 that the illustrative financial statements cover most of the prevalent transactions for NPOs. The examples provided reflect the common activities and financial reporting needs of many NPOs. However, it would be beneficial to include more complex scenarios such as multi-currency donations or in-kind contributions, which are often encountered by international NPOs. These additions would make the templates more applicable to a wider range of NPOs with diverse funding and operational structures.

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. Defining net assets as the residual of an NPO's assets and liabilities provides clarity in distinguishing between the available resources for fulfilling an NPO's mission. This is an important step in aligning NPO financial reporting with their operational objectives.
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." Equity claims as a subset of net assets reflects the reality for NPOs that typically do not have shareholders but may issue instruments with equity-like characteristics. The distinction helps maintain alignment with financial principles without creating confusion in the NPO context.
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	Yes, I agree. Removing sections on options and treasury shares streamlines the guidance for NPOs, as these issues are rarely relevant. Retaining sections on convertible debt and related instruments ensures that relevant financial instruments are still appropriately covered in the guidance.

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 approach. Allowing organizations to transition gradually and focus on the financial statements first provides the flexibility needed, particularly for smaller NPOs that may not have the immediate capacity to fully adopt INPAG. The gradual transition will reduce disruption and ensure organizations can build their capacity over time.
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. The two-year period provides sufficient time for NPOs to implement the changes required under INPAG, particularly in terms of narrative reporting. This approach acknowledges the resource constraints faced by many NPOs while encouraging full compliance over a reasonable period.

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 guidance on the fair value hierarchy is clear and useful, particularly for donated assets where valuation can be complex. The illustrative examples help to clarify the process for valuing in-kind donations. However, it could be further improved by including more examples specific to international NPOs, such as the valuation of donated services or use of facilities.
b) Do you agree with the additional guidance provided for donated: i) investment property (Section 16)?	G16.7 G17.10 G18.14	Yes, I agree with the additional guidance for all three types of donated assets. These sections provide clear and practical approaches for recognizing and measuring donations of investment property, equipment, and intangible assets. This guidance is

7 Application of fair value	References	Responses
ii) property, plant and equipment (Section 17)? iii) intangible assets (Section 18)? If not, why not?		essential to ensure that NPOs accurately reflect the value of the resources they receive and use for their operations.

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. Measuring inventory for impairment based on service potential aligns with the purpose-driven nature of NPOs, which often distribute goods rather than sell them. This approach reflects the reality that some goods may lose their usefulness over time, even if they haven't been physically damaged .
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 NPOs. It captures the diverse activities and purposes of NPO assets, which are often geared towards delivering services rather than generating profits. The term also helps differentiate between different parts of an NPO's operations, which can have distinct financial implications.
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. Impairments should consider both economic benefits and service potential since NPO assets are typically used for missional purposes. This approach provides a more accurate reflection of the value and utility of an NPO's assets, which may not be purely financial.

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. The expanded definition of "business" is practical for NPOs, as many organizations engage in activities that resemble business operations in their complexity and scale. Including examples of control helps clarify how NPOs should approach combinations, particularly in mergers or acquisitions involving significant assets or operations.
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. When both NPOs have positive net assets, the accounting process is more straightforward. However, when one NPO has net liabilities, the combination becomes more complex, and the exemption should not apply. This ensures transparency and accuracy in accounting for such combinations.

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 necessary for these sections. The guidance provided is comprehensive and applicable to the NPO context, ensuring that financial arrangements are accurately reflected in NPO financial statements.
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 Section 34 are relevant to NPOs, particularly those involved in agriculture or extractive activities. However, for most NPOs, this guidance may not be

10 Other topics in ED3	References	Response
		widely applicable. NPOs engaged in social enterprises or impact investments could benefit from the agricultural activity guidance.

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. Supplier finance arrangements are increasingly relevant to NPOs, especially those operating in multiple countries or handling large-scale procurements. This guidance helps ensure that such arrangements are properly accounted for, enhancing transparency and financial oversight.
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. The guidance on lack of exchangeability is critical for NPOs operating in areas with currency restrictions or volatile exchange rates. It helps NPOs manage financial risks and ensure that their financial statements accurately reflect their financial position in such challenging environments.

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