



Technical Advisory Group Issue Paper

AGENDA ITEM: TAGFG05-07

21 January 2025 – Virtual

Drafting changes following TAG FG03 (part 2)

Summary	This paper summarises the key changes being made to the Guidance in the Sections presented in draft to the September 2024 TAG meeting.
Purpose/Objective of the paper	<p>At the TAG meeting at the end of September 2024, drafts of the final guidance were provided for certain sections of INPAG. There were a number of discussion points for consideration. This paper sets out the key actions that have been taken or are proposed to be taken to address the discussion points raised.</p> <p>This paper gives early sight of proposed amendments and therefore is intended for information only. TAG members are encouraged to raise any points of principle for discussion and to provide the Secretariat with detailed drafting comments.</p>
Other supporting items	n/a
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Actions for this meeting	<u>Provide feedback on any matters of principle.</u>

Technical Advisory Group

Drafting changes following TAG FG03 (part 2)

1. Introduction

- 1.1 At the TAG meeting at the end of September 2024, drafts were provided with updated drafts of the following sections:
- Section 1 *NPOs*
 - Section 2 *Concepts and pervasive principles*
 - Section 9 *Consolidated and separate financial statements*
 - Section 11 *Financial instruments*
 - Section 13 *Inventories*
 - Section 21 *Provisions and contingencies*
 - Section 25 *Borrowing costs*
 - Section 26 *Share based payments*
 - Section 28 *Employee benefits*
 - Section 29 *Income Tax*
 - Section 31 *Hyperinflation*
 - Section 32 *Events after the end of the reporting period*
- 1.2 There were a number of discussion points for consideration, which have either now been addressed (Annex A) or are in the process of being addressed (Annex B).
- 1.3 This paper provides an update to the papers presented at the TAG's September meeting.

2. Changes to the guidance

- 2.1 Changes are proposed to either the core text, Implementation Guidance or the Basis for Conclusions, as a consequence of the feedback from the TAG at its September and December 2024 meetings. The sections that have not been prioritised for review, may also have Application Guidance to assist in the understanding of the application of the core text for NPOs. Specific Implementation Guidance has not been developed for any of these sections, but where it exists in the *IFRS for SMEs* Accounting Standard, it has been updated as appropriate to align with other content in INPAG.

- 2.2 Annex A provides updated drafts or additional text following the feedback from TAG members. Annex B provides a list of the updates that are yet to be made. The paragraphs below set out any key points that the TAG should be aware of in the updates to the drafting. These are provided on an exceptional basis only.

Preface

- 2.3 The paragraphs in the Preface have been reordered to improve the flow of this section. Reordered paragraphs are shown in green in the revised draft in Annex C. At the same time the opportunity has been taken to clarify headings and other minor changes. These are highlighted in red.
- 2.4 A new paragraph has been included at GP15 to explain what is meant by review for those sections that do not include material relevant to the prioritised topics. A new paragraph has also been added to the Basis for Conclusions.
- 2.5 Updates to the text clarify that the *IFRS for SMEs* Accounting Standard shall be the first reference point when INPAG does not address a transaction. No amendments have been made to the references to use of the other standards (now GP26).

Section 1 NPOs

- 2.6 Paragraph G1.12 has been amended to clarify that membership organisations must provide a significant public benefit, either to society as a whole or to a specific section of society, and contribute to societal interests beyond those of their members, in order to be considered as NPOs.
- 2.7 TAG provided advice at its September meeting that indicators to assist with decisions about whether an entity should apply INPAG are concepts and should therefore be included in the core guidance, rather than the Implementation Guidance. The indicators have been moved from the Implementation Guidance to the core guidance following TAG's advice.
- 2.8 The Implementation Guidance (paragraph IG1.13) has been revised to highlight that it is the level of control exercised by the public sector, rather than the extent of government funding, that determines an entity's classification.

- 2.9 Content that is not used in the analysis in Example 5 has been removed from the Implementation Guidance.

Section 2 Concepts and pervasive principles

- 2.10 The Secretariat has proposed enhanced guidance on materiality for Section 2 based on the IASB's Practice Statement 2 *Making materiality judgements*. This is included in a separate TAG paper TAGFG05-04.

Consolidated and separate financial statements and inventories

- 2.11 These Sections will be updated once other related sections have been finalises.

3. Next steps

- 3.1 TAG members are encouraged to raise any matters of principle for discussion with other TAG members. Detailed feedback on the drafting is to be provided separately to the Secretariat and will be used to produce a final draft of each Section.
- 3.2 TAG members will next see the updated paragraphs in the full draft of the document that is planned to be circulated in April 2025. This draft will be used to collect final feedback ahead of the version that will be put forward for approval around the end of May, beginning of June 2025.

January 2025

Annex A - Amendments drafted

Nature of amendment	Previous drafting	Updated drafting
<p>Preface - Review the ordering of the paragraphs, rather than amend the content to improve the flow of the Section.</p>	<p>See Annex C for authoritative guidance</p> <p>BC P.3 The IFR4NPO Consultation Paper proposed that only prioritised topics would be fully reviewed for the first issue of INPAG. A list of 10 topics was prioritised for inclusion, with the remaining to be updated only for terminology changes, alignment with other sections or consequential changes arising from amendments to the other sections. This Basis for Conclusions identifies which sections have not been fully reviewed and the extent to which they have been updated.</p> <p>BC P.31 Not all of the sections that are in the <i>IFRS for SMEs</i> Accounting Standard have been fully reviewed by the INPAG Secretariat make modifications to address NPO-specific issues. Only those sections prioritised in response to the IFR4NPO Consultation Paper have been fully reviewed. While not all sections have been fully reviewed, the INPAG has made other amendments. Other INPAG sections have been reviewed to ensure alignment with reviewed or new INPAG</p>	<p>See Annex C – The green text shows the text that has been moved. The red text shows changes to the original text through addition or deletion</p> <p>BC P.3 The IFR4NPO Consultation Paper proposed that only prioritised topics would be fully reviewed for the first issue of INPAG. A list of 10 topics was prioritised for inclusion, with the remaining topics to be updated or edited only for terminology changes, alignment with other sections or consequential changes arising from amendments–modifications to the other sections. This Basis for Conclusions identifies which sections have not been fully reviewed and the extent to which they have been updated.</p> <p>BC P.31 Not all of the sections that are in the <i>IFRS for SMEs</i> Accounting Standard have been fully reviewed by the INPAG Secretariat make in order to make modifications to address NPO-specific issues. Only those sections prioritised in response to the IFR4NPO Consultation Paper have been fully reviewed modified. While not all sections have been fully reviewed, the INPAG has made other amendments. Other INPAG sections have been reviewed to ensure alignment with</p>



	Sections, with editorial changes or updates made. This relates primarily to terminology. The changes made are limited to those that are necessary to ensure that INPAG is internally consistent.	reviewed modified or new INPAG Sections, with editorial changes or updates made. This relates primarily to terminology. The editorial changes and updates made are limited to those that are necessary to ensure that INPAG is internally consistent.
Preface - approach to the structure of INPAG and its navigation (what is meant by 'review' of each section).	GP16 INPAG does not yet address all NPO-specific financial reporting issues, as the initial focus has been on those issues identified as priorities following the Consultation Paper. INPAG will address the remaining NPO-specific financial reporting issues in subsequent editions. The sections that the INPAG Secretariat has not modified other than for changes to terminology or consistency are identified in Annex A.	GP14 INPAG does not yet address all NPO-specific financial reporting issues, as the initial focus has been on those issues identified as priorities following the Consultation Paper. INPAG will address the remaining NPO-specific financial reporting issues in subsequent editions. The sections that the INPAG Secretariat has not modified other than for changes to terminology or consistency are identified in Annex A. GP15 The sections that do not include the topics prioritised for inclusion in the first edition of INPAG have been reviewed to ensure consistency with other INPAG sections. This review has resulted in editorial changes or updates to those sections. Annex A identifies the sections that have been amended for editorial changes and updates, as well as those sections that have been modified to address NPO specific issues and new sections.
Preface - Make <i>IFRS for SMEs</i> the first reference point	GP25 Any changes made to the <i>IFRS for SMEs</i> Accounting Standard, full IFRS Accounting Standards, IPSAS and jurisdictional-level	GP25 Any changes made to the <i>IFRS for SMEs</i> Accounting Standard, full IFRS Accounting Standards, IPSAS and jurisdictional-level



<p>when INPAG does not address a transaction.</p>	<p>standards will not automatically apply to INPAG. NPOs shall not anticipate or apply changes made to the <i>IFRS for SMEs</i> Accounting Standard, IFRS Accounting Standards, IPSAS and jurisdictional-level standards. The INPAG Secretariat will consider these changes for subsequent editions of INPAG. If there is an absence of specific guidance in INPAG, NPOs may use guidance and principles from IFRS Accounting Standards and its conceptual framework. If this does not address the issue, IPSAS, and its conceptual frameworks can then be used. If neither of these provides specific guidance, NPO-specific jurisdictional-level standards can be considered. Guidance from these sources can be used provided those principles do not conflict with the requirements in the hierarchy of sources used to make accounting policy decisions in paragraphs G10.4-G10.5.</p>	<p>standards will not automatically apply to INPAG. NPOs shall not anticipate or apply changes made to the <i>IFRS for SMEs</i> Accounting Standard, IFRS Accounting Standards, IPSAS and jurisdictional-level standards. The INPAG Secretariat will consider these changes for subsequent editions of INPAG. Such developments will be considered to determine whether changes for subsequent editions of INPAG should be proposed. If there is an absence of specific guidance in INPAG, NPOs shall use the <i>IFRS for SMEs Accounting Standard by analogy</i>. NPOs may also use guidance and principles from IFRS Accounting Standards and its conceptual framework. If this does not address the issue, IPSAS, and its conceptual frameworks can then be used. If neither of these provides specific guidance, NPO-specific jurisdictional-level standards can be considered. Guidance from these sources can be used provided those principles do not conflict with the requirements in the hierarchy of sources used to make accounting policy decisions in paragraphs G10.4-G10.5.</p>
<p>Section 1 – Core Guidance - Redraft paragraph G1.12 to clarify that membership organisations must provide a significant public benefit, either to society as a whole</p>	<p>G1.12 NPOs can be membership organisations. Membership organisations that are NPOs shall provide a wider public benefit, either to society as a whole or to a section of society, and serve societal interests, not just their members. Entities that serve the public</p>	<p>G1.12 NPOs can be membership organisations, provided they offer a significant public benefit. Membership organisations that are NPOs shall provide a wider public benefit. This benefit shall be either to society as a whole or to a specific section of society, and serve societal</p>

<p>or to a specific section of society and contribute to societal interests beyond those of their members in order to be considered NPOs.</p>	<p>and societal good are distinct from those that focus on providing economic or financial returns to their members.</p>	<p>interests, not just contributing to broader societal interests beyond those of their members. Entities that serve the public and societal good are distinct from those that focus on providing economic or financial returns to their members.</p>
<p>Section 1 – Core Guidance and Implementation Guidance - Relocate the indicators from the Implementation Guidance to the core guidance, as per the TAG advice these indicators represent new concepts and should not be introduced in the implementation guidance.</p>		<p>Indicators</p> <p>G1.14 Where it is not clear whether an entity is an NPO using the criteria in G1.2, the following indicators shall additionally be used to determine whether an entity meets the broad characteristics of an NPO:</p> <ul style="list-style-type: none"> (a) the existence of individuals (or entities) with rights to financial returns from surpluses. The absence of individuals or entities with such rights is an indicator that the entity is an NPO; (b) a requirement that residual net assets be transferred upon dissolution to an entity with a similar public benefit purpose. The existence of such rights is an indicator that the entity is an NPO; (c) the receipt of, or provision of voluntary funding. The existence of such transactions is an indicator that the entity is an NPO; and (d) assets being held and used for the benefit of the public. The existence of such assets is an indicator that the entity is an NPO.

<p>Section 1 - Implementation Guidance - Amend the Implementation Guidance (paragraph IG1.13) to emphasise that it is the level of control exercised by the public sector, rather than the extent of government funding, that determines an entity's classification.</p>	<p>IG1.13 Despite government and the public sector control, the NPO may still meet both the broad characteristics of an NPO and the relevant indicators. In such cases, it may still be appropriate to apply INPAG. However, the decision on whether to use INPAG or a public sector reporting framework is likely to be determined by the relevant government jurisdiction.</p>	<p>IG1.13 20 A key factor to determine whether an entity is an NPO or public sector entity is the level of control exercised by the public sector, not the extent of government funding. However, despite government and the or public sector control, the NPO-entity may still meet both the broad characteristics of an NPO and the relevant indicators. In such cases these situations, it may still be appropriate to apply INPAG. However, the decision on whether to use INPAG or a public sector reporting framework is likely to be determined by the relevant government jurisdiction.</p>
<p>Section 1 – Implementation Guidance - Example 5 - remove content that is not used in the analysis.</p>		<p>See Annex D</p>
<p>Section 2 – Concepts and pervasive principles - provide additional guidance on materiality</p>		<p>See TAG paper TAGFG05-04</p>

Annex B – Amendments yet to be drafted

Section impacted	Nature of amendment
Section 9 – Consolidated and separate financial statements	Separate the application guidance from the core guidance.
Section 9 – Consolidated and separate financial statements	Update the rebuttable presumption once the text of the <i>IFRS for SMEs</i> Accounting Standard has been finalised.
Section 9 – Consolidated and separate financial statements	Remove the definition of controlling entity.
Section 13 – Inventories	Separate the application guidance from the core guidance.

Annex C – Updates to the Preface

Preface to INPAG

The International Non-Profit Accounting Guidance (INPAG) –history, governance, and objectives

- GP1 The preparation of **financial statements** is crucial for accountability and decision making and for trust and confidence in non-profit organisations (NPOs). INPAG is specifically for NPOs and addresses the unique characteristics of NPOs and the types of transactions they undertake.
- GP2 INPAG is the primary output of the International Financial Reporting for Non-Profit Organisations (IFR4NPO) project. IFR4NPO was established in 2019 to improve the transparency, consistency, comparability, credibility, and reliability of NPO financial statements by developing internationally applicable financial reporting guidance for NPOs.
- GP3 INPAG has been developed to meet the following three objectives:
- (a) To improve the quality, transparency, and credibility of NPO financial reports.
 - (b) To support the provision of NPO financial information that is useful for decision making and accountability, balancing the needs of preparers and users.
 - (c) To address specific NPO issues, which will promote the comparability of NPO financial reports.
- GP4 In fulfilling these objectives, INPAG aims to take account of the needs of a wide range of NPOs. This recognises that NPOs operate in diverse settings and with different levels of financial reporting complexity. INPAG, has an initial focus on those NPOs where accrual-based financial reporting is needed to account for assets and liabilities and a range of more complex transactions and activities.
- GP5 The Technical Advisory Group (TAG)¹ reviews INPAG and related documents such as interpretations of INPAG specifications. The ~~if~~ approval of INPAG is the responsibility of CIPFA, which operates the INPAG secretariat.

Role of International standards in INPAG development

- GP6 INPAG is a standalone and complete set of financial reporting guidance. NPOs can apply INPAG when preparing their general purpose financial reports ~~of NPOs~~ without access to or knowledge of other financial reporting frameworks.

¹ Membership of the TAG can be found at ifr4npo.org. Members of the TAG provide advice in an individual capacity and are not representing the views of their respective organisations.

- GP7 INPAG is based on ~~uses~~ existing international standards that promote the use of **general purpose financial statements** and **other financial reporting**. INPAG meets the three objectives in GP3 by using these standards and making appropriate changes for the NPO context. The three international financial reporting frameworks that have been used in developing INPAG are **full IFRS Accounting Standards**, the Third edition of the **IFRS for SMEs Accounting Standard (the IFRS for SMEs Accounting Standard)**, and **International Public Sector Accounting Standards (IPSAS)**.
- GP8 The International Accounting Standards Board (IASB) develops and maintains full IFRS Accounting Standards. These set out recognition, measurement, presentation, and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. Publicly accountable companies use full IFRS Accounting Standards. These are defined by the IASB as those companies listed on a stock exchange and financial institutions such as banks that hold **financial assets** in a fiduciary capacity.
- GP9 The *IFRS for SMEs Accounting Standard* is a separate standard developed and maintained by the IASB. The *IFRS for SMEs Accounting Standard* is intended to be used by those entities that are often referred to as **small and medium-sized entities (SMEs)**, private entities or non-publicly accountable entities. The IFRS for SMEs Accounting Standard is based on IFRS Accounting Standards, with modifications. This is to reflect the needs of the users of SMEs' financial statements and to reflect cost benefit considerations.
- GP10 IPSAS are set by the International Public Sector Accounting Standards Board (IPSASB). IPSASB's objective is to serve the public interest by developing high-quality accounting standards and other material. This is for use by public sector entities around the world in the preparation of general purpose financial reports. There are IPSAS that address financial reporting issues of relevance to NPOs that are not currently covered by IFRS or the *IFRS for SMEs Accounting Standard*.
- GP11 The foundational framework of INPAG is the *IFRS for SMEs Accounting Standard*. INPAG incorporates this framework without amendment where an NPO-specific reporting solution to an accounting issue is not required, has not been developed, or the financial reporting solution provided by the *IFRS for SMEs Accounting Standard* is comprehensive and provides appropriate guidance for NPOs.
- GP12 Where the *IFRS for SMEs Accounting Standard* does not meet the needs of NPOs, INPAG draws on its own concepts and pervasive principles, full IFRS Accounting Standards, IPSAS and their broader conceptual frameworks to provide sector-specific reporting solutions through modifications to the *IFRS for SMEs Accounting Standard*. Standards that have been developed by jurisdictions to address NPO-specific reporting issues may also be used, particularly where these jurisdictional-level standards have been developed in a manner that is sufficiently consistent with the conceptual frameworks of IFRS Accounting Standards and/or IPSAS.
- GP13 There is a formal process for determining whether an NPO-specific issue warrants a modification to the text of the *IFRS for SMEs Accounting Standard*. This process is available

[here](#) (Process for developing the International Non-Profit Accounting Guidance through changes to the IFRS for SMEs Accounting Standard).

- GP14 INPAG does not yet address all NPO-specific financial reporting issues, as the initial focus has been on those issues identified as priorities following the Consultation Paper. INPAG will address the remaining NPO-specific financial reporting issues in subsequent editions. ~~The sections that the INPAG Secretariat has not modified other than for changes to terminology or consistency are identified in Annex A.~~
- GP15 The sections that do not include the topics prioritised for inclusion in the first edition of INPAG have been reviewed to ensure consistency with other INPAG sections. This review has resulted in editorial changes or updates to those sections. Annex A identifies the sections that have been amended for editorial changes and updates, as well as those sections that have been modified to address NPO specific issues and new sections.

Role of INPAG in general purpose financial reports

- GP15 INPAG applies to the general purpose financial reports and the general purpose financial statements of NPOs. General purpose financial reports comprise the general purpose financial statements alongside management commentary and other narrative reporting. They will address the objectives of financial reporting and matters included within the scope of financial reporting.
- GP16 The objective of general purpose financial statements is to provide financial information about the reporting entity that is useful to a wide range of users who do not have the authority to demand reports tailored to meet their information needs. In the NPO context, this will include those to whom an NPO provides goods and services, providers of resources, those representing resource providers and the public that depend on the goods and services provided by NPOs. NPOs can present general purpose financial statements separately or within another public document, including general purpose financial reports.

The basis of INPAG

- GP17 ~~INPAG applies to the general purpose financial reports and the general purpose financial statements of NPOs.~~ Section 1 Non-profit organisations describes the broad characteristics of NPOs. These are entities that are not government or public sector entities and that have the primary objective of both providing a benefit to the public, and directing surpluses for the benefit of the public.
- GP18 NPOs may produce financial reports for users, such as donors, tax authorities or other government authorities, who have the authority to require the preparation of reports tailored to meet their specific needs. Financial reports produced solely for these purposes are unlikely to be general purpose financial statements.
- GP19 Furthermore, tax laws are specific to each jurisdiction, and the objectives of general purpose financial reports differ from the objectives of reporting for taxation purposes. Thus, financial statements prepared in conformity with INPAG are unlikely to comply fully with all the measurements required by a jurisdiction's tax laws and regulations. A similar

issue may arise with reporting to donors NPOs may be able to reduce these 'dual reporting burdens' by compiling tax or donor reports as reconciliations from those produced in accordance with INPAG and by other means.

~~GP16— INPAG is a standalone and complete set of financial reporting guidance. NPOs can apply INPAG when preparing their general purpose financial reports without access to or knowledge of other financial reporting frameworks. INPAG does not yet address all NPO-specific financial reporting issues, as the initial focus has been on those issues identified as priorities following the Consultation Paper. INPAG will address the remaining NPO-specific financial reporting issues in subsequent editions. The sections that the INPAG Secretariat has not updated other than for changes to terminology are identified in INPAG.~~

~~GP17— The foundational framework of INPAG is the IFRS for SMEs Accounting Standard. INPAG incorporates this framework without amendment where an NPO-specific reporting solution to an accounting issue is not required, has not been developed, or the financial reporting solution provided by the IFRS for SMEs Accounting Standard is comprehensive and provides appropriate guidance for NPOs.~~

~~GP18— Where the IFRS for SMEs Accounting Standard does not meet the needs of NPOs, INPAG draws on its own concepts and pervasive principles, full IFRS Accounting Standards, IPSAS and their broader conceptual frameworks to provide sector-specific reporting solutions through changes to the IFRS for SMEs Accounting Standard. Standards that have been developed by jurisdictions to address NPO-specific reporting issues may also be used, particularly where these jurisdictional-level standards have been developed in a manner that is sufficiently consistent with the conceptual frameworks of IFRS Accounting Standards and/or IPSAS.~~

~~GP19— There is a formal process for determining whether the NPO-specific issue warrants a change to the text of the IFRS for SMEs Accounting Standard. This process is available [here](#) (*Process for developing the International Non-Profit Accounting Guidance through changes to the IFRS for SMEs Accounting Standard*).~~

Authority of INPAG

GP20 The INPAG Secretariat has no authority to determine whether INPAG, either in whole or part, should or may apply to any entity. Legislative or regulatory authorities and standard setters in individual jurisdictions will decide which entities are required or permitted to use INPAG. Section 1 of INPAG provides a description of the types of entities that are expected to use INPAG so that the legislative or regulatory authorities, standard setters and NPOs and their auditors are informed of the intended scope of applicability of INPAG.

Organisation of INPAG

~~GP21 INPAG is a single set of standalone financial reporting guidance, that can be applied to prepare general purpose financial reports of NPOs without access to or knowledge of other financial reporting frameworks.~~ INPAG is organised by topic, with topics grouped into themes. Each topic is presented in a separate numbered section. INPAG identifies

paragraphs by section number, followed by paragraph number. Paragraph numbers are in the form Gxx.yy, where Gxx is the section number and yy is the sequential paragraph number within that section. In examples that include monetary amounts, the measuring unit is Currency Units (abbreviated as CU).

- GP22 INPAG provides authoritative guidance for NPOs. Authoritative guidance sets the recognition, measurement, presentation, and disclosure requirements that NPOs must follow to comply with INPAG. All the paragraphs in the authoritative guidance have equal authority (except as specified in paragraph G2.2).
- GP23 This edition of INPAG also includes authoritative Application Guidance. ~~The INPAG Secretariat has developed this~~ for sections that ~~it has~~ have not been subject to fully ~~reviewed~~ review for the NPO context, but where there are consequential amendments arising from modified or new sections. Additional support for preparers applying INPAG is provided in non-authoritative Implementation Guidance (including illustrative examples) and a Basis for Conclusions that accompany INPAG. The Basis for Conclusions provides further detail on the technical and practical considerations taken into consideration during the development of INPAG. Non-authoritative guidance is not mandatory. The Implementation Guidance and the Basis for Conclusions are separate to INPAG.

Maintenance of INPAG

- GP24 ~~The INPAG Secretariat will be kept up to date following its initial publication for future amendments to the IFRS for SMEs Accounting Standard, as well as relevant new and amended IFRS Accounting Standards, IPSAS and jurisdictional-level standards. Any proposed amendments to INPAG will be published for stakeholder comments through Exposure Drafts periodically with proposed amendment to INPAG, but issued~~ not more frequently than once every three years. This should ~~to~~ provide a stable and familiar framework for preparers and users. ~~In developing these Exposure Drafts, the INPAG secretariat will consider~~ amendments to the IFRS for SMEs Accounting Standard, as well as ~~new and amended IFRS Accounting Standards, IPSAS and jurisdictional-level standards.~~
- GP25 Any changes made to the *IFRS for SMEs* Accounting Standard, full IFRS Accounting Standards, IPSAS and jurisdictional-level standards will not automatically apply to INPAG. NPOs shall not anticipate or apply changes made to the IFRS for SMEs Accounting Standard, IFRS Accounting Standards, IPSAS and jurisdictional-level standards. ~~The INPAG Secretariat will consider~~ Such developments will be considered to determine whether changes for subsequent editions of INPAG ~~should be proposed~~. If there is an absence of specific guidance in INPAG, NPOs shall use the IFRS for SMEs Accounting Standard by analogy. NPOs may also use guidance and principles from IFRS Accounting Standards and its conceptual framework. If this does not address the issue, IPSAS, and its conceptual frameworks can then be used. If neither of these provides specific guidance, NPO-specific jurisdictional-level standards can be considered. Guidance from these sources can be used provided those principles do not conflict with the requirements in the hierarchy of sources used to make accounting policy decisions in paragraphs G10.4-G10.5.

Annex D – Extract from NPO illustrative examples

Example 5: A Cooperative of small agro-extractivist producers

Entity E is an agricultural cooperative established by 136 small-scale farmers in a rural community. The cooperative arose from the community's need to support economic development in areas of low economic activity and low income families. Its main activities include purchasing agricultural products from its members, such as coconuts, rice, beans, and corn. While rice, beans, and corn are traded in local markets, the cooperative's primary economic activity is extracting oil from the coconuts, which is then sold domestically and internationally.

The cooperative owns farmland where members collectively cultivate crops using agro-ecological methods. ~~These sustainable farming practices not only benefit the environment but also help resolve gender conflicts from cultural practices.~~ Entity E runs a "cantina," where both members and non-members can sell their coconuts and purchase goods at discounted prices. Members enjoy more favourable conditions, including a 20% discount on goods and year-end rebates.

Entity E's marketing strategy emphasises the organic nature of the coconut oil and the cooperative's positive social impact on local communities. This enables the cooperative to sell its products at a premium, generating increased revenue that is distributed among its members.

Entity E received voluntary funding to improve and expand its coconut oil production.

If Entity E were to dissolve, its residual net assets would be transferred to another entity in the community with similar objectives.

Broad characteristics

Primary objective of providing a benefit to the public

Entity E was founded to improve the economic situation of small-scale farmers and address social issues within the community, such as poverty and gender conflicts. These objectives align with the first broad characteristic, which requires the entity's primary purpose to focus on providing public benefit rather than generating profit for private individuals. While members of the co-operative receive discounts and rebates these do not divert resources from its broader mission. Any benefits to members are incidental to the co-operative's main purpose of addressing societal challenges.

Direct surpluses to the benefit of the public

The cooperative distributes surpluses from increased revenue to its members, who previously received much lower prices from larger landlords. This helps alleviate poverty in the community, improving the economic well-being of low-income families and fostering overall economic growth and sustainability. This practice aligns with the NPO characteristic of directing surpluses for public benefit rather than private financial gain.

Additional indicators

Entity E meets most aspects of the broad characteristics associated with NPOs. Its primary purpose is to benefit the local community, and while members receive certain advantages, the cooperative's

activities are aimed towards public benefit. As this maybe more finely balanced, examining the ~~additional~~ indicators will be useful.

Indicator	Factors
Rights to financial returns	<i>While members receive rebates and discounted goods, they do not hold rights to financial returns from surpluses akin to shareholders in a for-profit organisation. The benefits given align with the entity's purpose.</i>
A requirement to transfer of residual net assets upon dissolution	<i>Upon dissolution, Entity E's assets would be transferred to a similarly purposed entity in the community, indicating that the cooperative's resources would continue to serve the public benefit.</i>
Voluntary funding	<i>Entity E received voluntary funding to improve and expand its oil production capacity. This expansion led to increased revenue, which is distributed among the cooperative's members. The higher earnings enhance members' access to essential services such as healthcare and education, thereby improving their quality of life and contributing to broader community development.</i>
Purpose and use of assets	<i>The cooperative holds and uses assets, such as farmland and oil production facilities, to provide sustainable farming solutions and economic support for its members and the broader community.</i>

Assessment

Based on the assessment of the broad characteristics and indicators, Entity E could be a non-profit organisation. Its primary focus on community benefit, the absence of financial return rights for members akin to shareholders, the requirement to transfer assets to a similar entity upon dissolution, and its use of voluntary funding and assets all support its classification as an NPO. However, the final determination of whether Entity E is described as an NPO under INPAG will depend on the financial reporting requirements determined by the individual jurisdiction for cooperatives.