

Part 2-Overview

IFRS4NFP Project-JMK/Comments no.05-2021

Consultation Paper by the Chartered Institute of Professional Finance Association (CPFA)-London **in conjunction with Humentum**

The overall project objectives are;

- 1) Balancing the needs of preparers and users
- 2) Improving the transparency of NPO financial reports
- 3) To address specific NPO issues, which will promote the comparability of NPO financial reports

Issues	Comments
Part 1 of this Consultation Paper discussed the broader NPO financial reporting landscape and considered this in the context of the project objectives set out in the Introduction. Part 1 included a description of the broad characteristics of NPOs. It considered accountability and decision making and the role that general purpose financial reports can play in providing decision useful information for external stakeholders. Finally, it looked at the suitability of existing international and national financial reporting regimes as the basis of future NPO Guidance .	My concerns were; • Unsuitable name, why call them what they are not for rather than what they are for. The whole mindset is still engrossed in FPOs hence benchmarking from their standards, rather than setting a new ground for NPOs standards. The foundation¹ of using FPO is misleading because there are fundamental differences between the two. • Why not call NPOs, Social/ Civil/Philanthropic organizations? • Stakeholder analysis missed out key stakeholders such as beneficiaries, and government. In Uganda (Africa) NPOs are closed on suspicion of missions. Transparent disclosure that address these suspicions would ensure their going concern and decision usefulness • Financial Statements is not appropriate name because we need non-financial information. • If one of the objectives is accountability which I agree with, then refer to the accountability theory or its tenets. This needs a brief explanation.
Part 2 of this Consultation Paper considers a number of NPO- specific financial reporting issues . It raises questions that are	• Why the comparison? What would one want to make out of the comparison? Change funding, year to year, country to county, entity to entity? All FPOs have

¹ Psalms 11:3

relevant to the project objectives, such as balancing the needs of preparers and users and improving the transparency of NPO financial reports. However, the main focus is to assist in delivering the third project objective: Objective 3: To address specific NPO issues, which will promote the comparability of NPO financial reports.	one mission/goal; profits. Budgets should be considered as comparatives, the mission/goal/objective or some form of profiling should be considered for a fair comparison. The same NFP could have different projects over years, a multiplicity of projects, and various funders, how is the comparison going to be made? • Which objective caters for specific non-financial reporting issues? • If financial reporting uniformity is for performance measurement and decision making, then both organizational and management/leadership performance is relevant for proper decision making. Suggestions are; introduce a section for ratio analysis, use of budget figures as comparatives rather than prior year, a section to report/account for time (a key resource) and management/board as another hired resource that makes policies and key decisions. • While the key stakeholders in FPOs are the investor/owner (Principal), the manager (Agent), and the customer; the key stakeholders in NPOs are donors, managers and the beneficiary. The financial statements in FPOs cover all the three while the same financial statements in NPOs completely leave out the beneficiary. Based on the stewardship theory, management performance and beneficiary appreciation should be reported in form of impact/pictures or testimonies. • Given that the goal of NPO is not financial, why then do we concentrate so much on financial information yet the performance goal is not really financial results? Why don't we also include standardization of non-financial information which is key in NPO reporting? Key challenges of measurement of outputs and attribution should be discussed in this paper if we are to address real NPO issues, without being tied to the FPO reports benchmarks
Part 2 was written for those interested in the technical accounting considerations of NPO-specific issues. The language is necessarily more technical in nature than in Part 1, with the main terms explained in the Consultation Paper Glossary. These terms are not intended to be used as definitions, with many having specific meanings in different jurisdictions and in national and international accounting and other professional frameworks. Definitions will be developed as part of the Exposure Draft.	• Terminologies should change to include new ones concerning NPO ratios such as; Actual Cost of Works Performed (ACWP), Budgeted Cost of Works Performed (BCWP), Budgeted Cost of Works Scheduled (BCWS), Schedule Time for Work Performed (STWP), and Actual Time for Work Performed (ATWP). The above variables would give rise to key financial information for performance measurement and decision making such as Cost Variance (CV), Schedule Variance (SV), Budget At Completion (BAC), Estimate at Completion (EAC) and Variance at Completion (VAC) • Because NFPO main financial issues are concerned with revenue and expenditure, terminologies concerning these items and some knowledge of

	project management is necessary to distinguish NPO financial management, accounting and reporting unique.
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Specific Matters for Comment

Specific Matter-Generation of Specific Issues	Comments
0. a-Is the list of NPO-specific financial reporting issues complete? If not, please provide information about the further issues that you believe are specific to NPOs, or issues that should be removed, together with supporting reasoning for the change(s) you propose	No, it is not complete further issues include; underlying concepts and principles to act as decision making criteria for accountants and auditors; Form and content of the non-financial information; new names of reports; new terminologies; management and board performance reports; performance ratio analysis; out puts analysis schedule; funder continuity analysis report, key performance indicators to help in revenue recognition.
0. b-Do you agree with the criteria used to evaluate the list of issues? If not, what changes would you make and why?	No; practitioners and governments where the NPO operate were left out yet many have been closed down by politician's suspecting due to failure to address their information needs. Continuity of an NPO is hinged on the political will of the politicians and public officials just like it is on donors. Project management experts were also left out. While financial consultants may be very conversant with how businesses run, project management experts understand the performance of projects to the extent that their input would have provided more visibility into this performance measurement of NPOs
0. c-Do you agree with the topics prioritized for the Consultation Paper? If not, outline which topics should be added or removed and why	Yes but other important areas that were left out include; ratio analysis, measurement and attribution of outputs, the name of the report being addressed, concepts and principles, the accountability reporting framework, industry analysis of the organization. I can hardly imagine working on a guidance paper before defining ground rules, underlying principles and concepts
Other Matters	The countries used as geographical comparatives are all for developed countries which are mostly donors while the donated countries such as Asia, Africa, and South Africa were not compared. 9 Asian countries developed a guideline for accounting and reporting of NPOs? What was the criteria for selecting the four jurisdictions?

Part 2-Section 1-Issue No.1

IFRS4NFP Project-JMK/Comments no.06-2021

Consultation Paper by the CPFA in Conjunction with Humentum

Section 1-Issue No.1-The Reporting Entity & Control (Including Branches)

Specific Matters	My Comments
1.a Do you agree with the description of issue 1: Reporting entity and control (including branches)? If not, why not?	<i>I don't agree. The issue is description of a reporting entity alone without adding control, because to me these are two different matters. Our research problem should be, 'how do we define a reporting entity?'</i> <i>I would rather the issue becomes and accounting entity to make it more clear for NPOs that the issue is accountability rather than just reporting. Accounting gives it more weight of accountability which would also require all the forms of accountability. Because FPOs are expected to report only on profit, they can simply call it a reporting entity without emphasizing anything else.</i>
.b Do you agree that the list of alternative treatments that should be considered for issue 1 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	<i>As before my argument is that we have failed to separate our minds from FPOs and keep borrowing from their financial reporting standards whose DNA is profit maximization rather than social obligation? Secondly, we did not set ground rules in form of financial/accountability reporting principles or concepts to give us consistent benchmarks throughout this project.</i> <i>Both alternatives have the presumption that the definition for a reporting entity is control and therefore they are giving alternatives for establishing control rather than getting alternatives for defining 'a reporting/accounting entity'</i> <i>Whereas it good to glance at the definitions in IFRS, it is important not remember the fundamental differences between the two. Borrowing definitions from a measuring tool for financial performance on NPOs whose objectives, missions and outputs are different may be misleading.</i> <i>Control can be used to establish related parties, stakeholders, decision makers, going concern analysis but not a reporting/accounting entity. I propose that reporting entity be identified by uniqueness in missions/outputs because;</i> <i>a) Section 2.5 states, "There is a challenge in deriving a definition of a reporting entity suitable for NPOs so that users get comparable information." This statement should also include transparent information because it featured as no.1 problem under 1.1. Secondly, Comparability may not be achieved by</i>

	establishing who has control. One can only compare reporting entities if they have the same primary outputs or primary mission. b) Accountability is based on the mission or outputs that are related to the resources, related expenses for same period. One of the objectives of reporting is to justify NPO’s existence as a result of its performance on its mission/outputs. By defining an accounting entity by their mission or outputs should be the primary criteria for NPOs. This aligns with the IOOI Model for performance measurement of NPOs. c) Other criteria such as; • Mission-Single entity reporting • Control-For consolidation purposes • Legal requirement- registration and single entity • Different location, same jurisdiction- Segmental reporting • Preferences- guided by the above															
1.c Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 1? If you do not agree, please set out the changes you propose, and why these should be made.	As mentioned above, I don’t think control is as important as specific/unique mission or outputs and therefore I don’t think the alternatives are relevant for NPOs.															
1. d Please identify the alternative treatment that you favor for issue 1, and the reasons for your view.	The preferred alternative is outputs and mission as explained above. Illustration Child Fund International provided funds through Child Fund Uganda to the following projects <table><tr><td></td><td>Project</td><td>Millions</td></tr><tr><td>a)</td><td>Provision of education to war children in Northern Uganda for the year</td><td>\$3.5</td></tr><tr><td>b)</td><td>Safe water for war children in Northern Uganda</td><td>\$1.5</td></tr><tr><td>c)</td><td>Housing for war children in Northern Uganda</td><td>\$2.5</td></tr><tr><td></td><td>Total funding for the year Jan- Dec 2020</td><td>\$7.5</td></tr></table> In the same year, Plan International gets funding for the following projects		Project	Millions	a)	Provision of education to war children in Northern Uganda for the year	\$3.5	b)	Safe water for war children in Northern Uganda	\$1.5	c)	Housing for war children in Northern Uganda	\$2.5		Total funding for the year Jan- Dec 2020	\$7.5
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c)	Housing for war children in Northern Uganda	\$2.5														
	Total funding for the year Jan- Dec 2020	\$7.5														

			Millions
	a)	Education for war children in Northern Uganda	\$3.5
	b)	Economic empowerment of war children in Northern Uganda	\$1.5
	c)	HIV/Aids prevention amongst war children in Northern Uganda	\$2.5
		Total funding for the year Jan- Dec 2020	\$7.5

Part 2-Section 1-Issue No.2
IFRS4NFP Project-JMK/Comments no.07-2021
Consultation Paper by the CPFA in Conjunction with Humentum
Section 1-Issue No.2-NPOs acting on behalf of other entities

Specific Matters for Comment-NPOs acting on behalf of other entities; pg.95	<i>My Comments</i>
.a Do you agree with the description of issue 2: NPOs acting on behalf of other entities? If not, why not?	<i>Yes I do agree</i>
2. b Do you agree that the list of alternative treatments that should be considered for issue 2 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	<i>Yes</i>
2. c Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 2? If you do not agree, please set out the changes you propose, and why these should be made.	<i>Yes</i>
2. d Please identify the alternative treatment that you favor for issue 2, and the reasons for your view.	<i>None</i>
2. e Additional disclosures are proposed under all alternatives for issue 2. Outline any challenges you would anticipate with the proposed disclosures? Are there additional disclosures that might be more relevant?	<i>Additional disclosure may be required on the following items;</i> <i>a) Existence and reference to a written document, if any, that defines the nature of the relationship with other entities or any other source of such control</i> <i>b) The period for which such assets are supposed to be held and if it is beyond the stipulated time period, why</i>

Part 2-Section 2-Issue No.3
IFRS4NFP Project-JMK/Comments no.08-2021
Consultation Paper by the CPFA in Conjunction with Humentum
Section 2-Issue No.3-Non-Exchange Revenue

Issues	My Comments
3. a Do you agree with the description of issue 3: Non-exchange revenue? If not, why not?	<i>No because</i> <i>a) There is exchange of services- one may argue that there is exchange of social services that are being paid for to obtain input resources. If it is non exchange then why don't we recognize revenue as soon as cash is received but wait for services to be rendered? It implies that at the satisfaction of the grant conditions is the exchange but not in terms of goods but fulfillment of conditions.</i> <i>b) There is actually exchange only that it is not directly to the one paying but to a beneficiary</i> <i>c) It connotes free money in the minds of the stewards that they have to do nothing to earn the money. There is nothing for nothing in this world. I would therefore suggest that a simpler name remains revenue or in-put resources. The various types of such revenue/in-put resources can be split into; in-kind donations, cash donations; self-generated revenue etc.</i> <i>d) Finally, why should we call it what it is not rather than what it is? If it is non-exchange then what is it? The whole trouble is because we do not want to disentangle ourselves from the FPO terminologies hence the "none", the "not" pre fixes. It would be ironical to call a woman a 'non-man'</i>
Do you agree that the list of alternative treatments that should be considered for issue 3 is exhaustive? If not, please describe your additional proposed practical alternatives, and explain why they should be considered.	<i>Four alternatives were given; IFRS4SMEs; IAS 20; IPSAS 23 with specific NPO guidance and IPSAS 23 plus exceptions to requirements on the in-kind gifts. I am generally uncomfortable with benchmarking NPO guidelines on FPO standards because the underlying objective of designing the FPO standards was based on mistrust as a result of the agency-principal relationship plus profit maximization. Secondly, all the alternatives are concerned with finances or accounting rather than accountability. Nonetheless, another alternative would have been the Companion guide to the</i>

	<i>IFRS4SMEs for now given the mentioned constraints but in future a completely new standard based on the project performance parameters be developed.</i>
Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 3? If you do not agree, please set out the changes you propose, and why these should be made	<i>The advantages are not matched per alternative. Some have less/more categories for advantages and less/more for disadvantages. What is the essence of this section, to choose one with most advantages, are they weighted? How will they help us choose which alternative? Shouldn't stakeholder advantages/disadvantages come first? Shouldn't these be concerned with whether the alternative addresses stakeholder information needs?</i>
3.d Please identify the alternative treatment that you favor for issue 3, and the reasons for your view.	<i>Because revenue is purposely given to pursue the goals/purposes of a NPO, such a purpose if broken down into objectives, goals, milestones and activities (Project/direct costs) It is on this basis that a budget is drawn based on a strategic plan for a year and funds mobilized to implement that budget. If funds are given to implement particular activities then revenue should be recognized and measured based on Budgeted Cost of Works/Activities Scheduled (BCAS). Secondly, there are support costs that are incurred irrespective of the work done but based on time e.g. depreciation, rent, salaries, taxes, licenses, utilities etc. Revenue on these items should be recognized based on the Budgeted cost of such overheads/indirect costs for that period.</i>
e If you favor an alternative other than alternative 4 for issue 3, do you consider that the exceptions to the recognition and measurement of gifts in-kind and services in-kind should be available under your preferred option?	<i>Yes, in-kind contributions should be considered because even the funds received would have been used to purchase such inputs or will be used to obtain resources that have not been given in kind.</i>
3.f Are there any practical considerations, for example impacts on tax or audit thresholds, or questions that arise in implementing your preferred option for issue 3?	<i>The method minimizes fraud by putting aside funds that have not been planned for use during a particular period</i> <i>It avoids reporting unrealistic surpluses</i> <i>It strengthens budget monitoring and strict financial management and accountability</i> <i>Unused funds should match unimplemented activities or should be reconciled to inform budget overs/underspends.</i>

Part 2-Section 5-Issue No.7

IFRS4NFP Project-JMK/Comments no.09-2021

Consultation Paper by the CPFA in Conjunction with Humentum

Section 5-Issue No.7-Presentation of Financial Statements

Issues	My comments
7.a Do you agree with the description of issue 7 Financial Statement Presentation? If not, why not?	<i>Yes except the following;</i> <i>1.1-Use of the word, “Economic decisions” may not auger very well in the NFP world given its intrinsic meaning. I would rather we use the word “Philanthropic decisions” so that we detach ourselves from some terminologies that refer more to FP entities.</i> <i>1.4-The issue of varying donor information requirements can be solved by asking interested donors to finance their unique reporting requirements for separate/donor financial/audits reports to be produced.</i> <i>General comments</i> <i>a) The overall issue is not hinged on a concept, framework, principles, or theory to help us assess how our guidance will align with that framework or principles.</i> <i>b) Our problem should not be limited to financial statements but rather to Accountability Statements as already argued before.</i> <i>c) There are quite a number of other issues in Africa that have not been considered at all, namely; Alignment of the NFP activities in a particular government agency/ministry to increase transparency or appear to align NPO activities with government rather than being seen as subversive; A note on funding sources, amounts, period etc.; Units of outputs to help readers know what exactly are the measurable outputs of NPOs; Inclusion of beneficiaries statements and pictures; Disclosure of an overhead allocation policy, governance, volunteers, risk management, etc.</i>

	d) <i>Another fundamental issue that has not been considered is the issue of comparative information. My contention is that whereas prior year figures could be included they are not as meaningful and relevant as budget figures</i>
7.b Do you agree that the list of alternative treatments that should be considered for issue 7 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	<i>I would partly agree with alternative no.3 only that whereas accounting is guided by fundamental accounting policies and concepts, the discussions do not refer to any concept as a criteria for the alternatives being given. The principle of understandability of financial statements, the principle of disclosing useful information that will meet user information needs that will help them make decisions would be a good reference point or criteria for the suggested improvements we want to make on the financial statements.</i> <i>Another shortcoming is that it is hinged on IFRS for SMEs yet my argument is that IFRS framework and intention was to tone down the full IFRS by making it less cumbersome to apply but not to take care of NPO unique needs. I also argued that using the existing frameworks is similar to constructing a strong house on a weak foundation-Why don't we build a new foundation anchored on the fundamental principles/precepts of stewardship, accountability, transparency, donor dependency and stakeholder. These theories are merely mentioned but their underlying concept/precepts and how they are being addressed in our guidelines have not been discussed anywhere to help us align our proposals/suggestions to those requirements.</i>
7.c Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 7? If you do not agree, please set out the changes you propose, and why these should be made.	<i>The advantages are would best be understood if the precepts of the above theories are summarized after say international guidance</i> <i>The advantages and disadvantages do not include performance assessments which is one of the uses of financial statements</i> <i>In Africa, where many governments are suspicious of NFPOs being used as political spy covers and many have been closed or activities disrupted, it would be good to consider including information that minimizes such suspicion.</i>
7.d Please identify the alternative treatment that you favour for issue 7, and the reasons for your view. In your response please consider the	<i>My alternative treatment would be a complete paradigm that shifts its focus from finance to holistic reporting that meets the various needs, addressed the fundamental objective of performance/result oriented/based reporting and is backed by fundamental performance evaluation principles/theories. My research explored many of these theories such as the agency theory, institutional theory, resource dependency theory, accountability theory, stewardship theory, stakeholder theory, communication theory</i>

presentation of unrestricted reserves allocated for internal purposes.	<i>and concluded that the accountability theory was the common denominator in all the theories. My research concluded thus;</i> • <i>That it would be good to establish, Not for Profit-Accountability Framework (NPAF, Not for Profit-Accountability Standards (NPAS), Not for Profit-Accountability Reporting Standards (NPARS).</i> • <i>That the reports would include; Fiscal Accountability Report, Fiduciary Accountability Report, Procedural Accountability Report, and a Strategic Accountability Report.</i> <i>The content of each of the four reports would be defined based again on the objectives of NFP organization, user needs, and to facilitate performance evaluation. What we are considering now would be the Fiscal/Financial Accountability Report.</i> <i>The desired alternative would consider the additional information mentioned under 7a above</i>
7. e The term statement of financial performance is used in the consultation paper to describe the statement that contains an NPO's revenues and expenses. Do you agree with the use of this term? If not, describe your preferred term and explain your reasoning.	<i>Names should be based on the intended objective, interpretation, meaning of the words. The word performance would imply the actual engagement, involvement, show, or production of something such as a play, sport, exam etc. That would rhyme very well with For-Profit entities whose ultimate goal is to make money. Financial performance would therefore be very suitable for them. However, the performance (results-output) of NFP entities is in the activities they carry out using finances. The alternative suitable name based on that argument would be;</i> <i>Financial Mobilization and Utilization Statement; Resource Mobilization and Utilization Statement; Income and Expenditure Statement; Receipts and Payments Statement etc.</i>

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Part 2-Section 5-Issue No.8

IFRS4NFP Project-JMK/Comments no.10-2021

Consultation Paper by the CPFA in Conjunction with Humentum

Section 5-Issue No.8-Classification of Expenses (By Nature or by Function)

Issue	My comments
8.a Do you agree with the description of issue 8: Classification of expenses? If not, why not?	<i>Yes I do agree with the articulation of the objectives being transparency, stewardship, and accountability although the details thereafter and conclusions do not hinge on them. I therefore have the reservations below.</i> <i>General-There are no clear cut technical definitions of what function means and what nature means.</i> <i>1.1-Because we did not provide key governing principles, theories, precepts on which to benchmark our arguments/decisions, it looks like we are seeking consensus based on existing jurisdictions, IFRS, etc.</i> <i>Based on the precepts of communication (supposing reporting is considered as a mode of communication, under the communication theory or Result Oriented Reporting-Based on Goals), then it is extremely important that we communicate in the language and based on the mission for which the funder/donor bought into to fundraise. The language used was the mission of that organization which mission was broken down into objectives.</i> <i>If NPOs are to be looked at as completely different from FPOs, there would be no way any one would suggest reporting by nature because it does not rhyme with or inform of ones fulfillment of their mission.</i> <i>Reporting by function resonates with Activity Based Budgeting, reduces fraud, enhances transparency especially in Africa where governments want to be sure that funds are not used for 'subversive activities' but for their mission, it reflects what an organization does rather than mere</i>

	<i>transport, accommodation, Telephone, security which although necessary, were never the ultimate intention of any donor but the function/program</i> <i>1.3-I believe that those who may want additional unique information can finance the production of such information but we need General purpose Accountability Statements that can appeal to the majority of information needs and stakeholders</i> <i>1.4-International can never appeal to all nations and jurisdictions. There are countries that have not embraced IFRS as national accounting standards.</i> <i>1.5- Comparability can be based on general terms such as program costs, support costs, overall expenditure etc.</i>
8.b Do you agree that the list of alternative approaches that should be considered for issue 8 is complete? If not, please describe your additional proposed alternatives, and explain why they should be considered.	<i>I do not agree with any alternative that promotes benchmarking with IFRS, IFRS for SMEs except IPSAS. Those standards were written with a mindset of profit, protecting investors, rational investors and the like.</i> <i>IFRS, IAS give the options of nature because their objective is one-Profit and nothing else. However, NFPOs have different missions and objectives and therefore their reporting should carefully be compared with FPOs</i> <i>Donors buy into/donate into a MISSION/OBJECTIVES/PROGRAMS/ACTIVITIES/GOALS of an entity. Their goal is saving lives, recuing orphans, refugees, reducing disease, poverty, illiteracy, etc</i> <i>Given that it is the objectives that are SMART-quantified while planning, the strategic plan, work-plans, log-frames are all drawn based on the expected deliverables, outputs and that performance will be based on Input-Output-Outcome-Impact analysis; there is no way a report by nature resonates with the above.</i> <i>I would therefore take advise as follows;</i> <i>Require that all NFPOs report expenses categorized into;</i> <i>a) Program Costs (Broken down by objectives/programs/activity costs)</i> <i>b) Support Costs (Overheads)</i> <i>c) Salaries</i>

	d) Fundraising costs
8.c Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 8? If you do not agree, please set out the changes you propose, and why these should be made.	<i>Technical considerations are based on international standards yet we do not have any so far. Using IFRS and IFRS for SMEs, including the heading (Relevant International Guidance) is misleading because we do not have any. Perhaps change it to; (Available International Semblance?)</i> <i>Cost benefit analysis does not consider the advantage of minimized financial statement fraud which is prevalent in Africa. Many NFPOs have lost donor funds because of the haphazard reporting especially using by nature which does not speak to the budgets, strategic plans or anything as a control measure of performance and accountability.</i> <i>The issue of comparability is relative based on the required extent. Comparison can only be meaningful if reports are standardized; organizations are similar in mission, field, jurisdiction, period etc. It would therefore make more meaning if one sees that the objectives of entities are similar</i> <i>Comparability of financial information should be against budgets rather than prior period figures because each year may have different goals each year. FPOs use prior year because they are after profit/growth while the core performance indicator in a NFPO is achieving its targets/budget</i>
8.d Please identify the alternative approach that you favor for issue 8, and the reasons for your view. When considering your preferred approach please comment on which alternative: i. provides the best information about the key components of expenses or drivers of performance/activities? ii. most closely matches how management reports internally and the way the operation is run	<i>My preferred option would be Alternative 4 with the following improvements;</i> <i>a) Program Costs (Broken down by objectives/programs/activity costs)</i> <i>b) Support Costs (Overheads)</i> <i>c) Salaries</i> <i>d) Fundraising costs</i>

(to assist with the cost/benefit assessment) iii. whether the alternatives link to any key ratios that might be given in the narrative reporting (and therefore should be something that can be disclosed and reconciled to) iv. whether the alternatives permit accountability.	<i>Program costs-would be all those activity based costs related to programs but also analyzed by nature.</i> <i>Support costs-would include administrative costs that cannot be attached to any specific activity especially administrative costs such as; rent, repairs, depreciation, office expenses, insurance, and other overheads.</i>
8.e Do you think that the alternatives for issue 8 provide the right balance between information presented on the face of the performance statements or in the notes?	
8.f Would the allocation of expenses to functions outlined in issue 8 be so arbitrary that it would not provide a sufficiently faithful representation of the composition of an entity's functions?	It depends on what kind of functions we are looking at. If the sub-functional classification is based on the organizational objectives as well as the function classification of whether they are program or support, then such a presentation would indeed inform the reader what the organization stands for in terms of objectives and the related financial expenditure in relation to that objective. Such reporting would rhyme with the communication theory and the result oriented or management by objectives principles.
8.g Are there any practical questions that arise in implementing your preferred option for issue 8?	Which principles or concepts would the presentation by nature fulfil? In my opinion this approach would be very misleading, a misrepresentation of what the organization stands for, budget comparison would be almost impossible since strategic plans and budgets are objective based.

Part 2-Section 5-Issue No.8

IFRS4NFP Project-JMK Comments no.10-2021

Consultation Paper by the CPFA in Conjunction with Humentum

Section 5-Issue No.8-Classification of Expenses (By Nature or by Function)

Issue	My Comments
10.a Do you agree with the description of issue 10 – Narrative reporting? If not, why not?	<i>1.1- Yes although, as I have said before, it would have been better under the principles of providing useful, relevant information to facilitate stakeholder decision making to list the stakeholders, the information needs and how/where such information can be found. This approach would ensure that most of the information needs (gaps) are taken care of in our guideline.</i> <i>1.2- I like the way it was worded; “The importance of such other, narrative, and information is as relevant, if not more so, for NPOs, in particular for demonstrating accountability and stewardship to stakeholders and civil society.”</i> <i>The above statement surely proves my argument that we ought to have discussed the premises/principles/tenets of the above theories/laws namely; accountability, stewardship, and stakeholder theory. Others would have been, resource dependency, agency, communication, institutional theory etc.</i> <i>A study by Bal, M (1997), Narratology: Introduction to the theory of narrative, would have been very useful.</i> <i>Section 2.1 asks a fundamental question; which Framework to use? Surely, we cannot discuss reporting formats before developing a framework. This would give us guidance under which to agree on what to include, how much, why, etc. Let’s formulate one that fits that nature of NPO rather than wondering whether to use CSR, ESGR, IFRS or otherwise.</i>

	<i>The issues of how much narrative information to include again can be controlled by defining the parameters, tables, graphs, explanatory notes, pictures etc. The communication theory for example would emphasize conciseness.</i>
10.b Do you agree that the list of alternative treatments that should be considered for issue 10 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.	<i>I would go with Alternative 3 modified to suit NPOs because the underlying principles were for profit entities rather than NPOs. Modifications would be to address the unique characteristic of NPOs such as terminologies and other information gaps.</i>
10.d Please identify the alternative treatment that you favor for issue 10, and the reasons for your view	<i>My only concern is that the discussions are not underpinned to any laws, theories, principles or concepts as explained above. Without such a bench mark or criteria choice may be very subjective and undependable but merely impulsive. Is it the alternative with more advantages, less disadvantages, with the highest weighted advantages (but no weights are attached?), with more technical, practical, stakeholder?</i> <i>With the above limitations, am constrained to choose.</i>
10.e Should narrative reporting guidance be set at the level of a framework and principles, rather than any more specific reporting requirements or recommendations? If you disagree, what additional guidance on what specific reporting requirements or recommendations would be beneficial?	<i>Yes, financial reporting should be anchored in a framework which framework should be anchored in a set of principles, laws, theories, concepts etc.</i>