

22 September 2021

Ref: 0307/PDS/09/2021

IFR4NPO
London
United Kingdom

Dear Sir/Madam,

RE: ICPAR COMMENTS ON IFR4NPO CONSULTATION PAPER PART 2 - NPO SPECIFIC FINANCIAL REPORTING ISSUES

The Institute of Certified Public Accountants of Rwanda (ICPAR) is delighted to submit its comments on the IFR4NPO Consultation Paper PART 2 - NPO specific financial reporting issues.

Our responses to questions for the specific matters for comments are provided below:

Specific Matters for Comment 0

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.

0.b Do you agree with the criteria used to evaluate the list of issues? If not, what changes would you make and why?

0.c Do you agree with the topics prioritised for the Consultation Paper? If not, outline which topics should be added or removed and why

Response:

We found the list of NPO-specific financial reporting issues complete and we agree with the criteria used to evaluate them. We also agree with the topics prioritised for the Consultation Paper and the considerations made.

Specific Matters for Comment 1

1.a Do you agree with the description of issue 1: Reporting entity and control (including branches)? If not, why not?

1.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.

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.

1.d Please identify the alternative treatment that you favour for issue 1, and the reasons for your view.

Response:

We agree with the description of issue 1, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 1. We favour alternative 2 because it is easier, more practical and aligned to IFRS for SMEs that we recommended to be the cornerstone conceptual framework for the IFR4NPO.

Specific Matters for Comment 2

2.a Do you agree with the description of issue 2: NPOs acting on behalf of other entities? If not, why not?

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.

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.

2.d Please identify the alternative treatment that you favour for issue 2, and the reasons for your view.

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?

Response:

We agree with the description of issue 2, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 2. We favour alternative 1 because other alternatives given are likely to give the same outcome as alternative 1 once IFRS for SMEs and IPSAS standards are updated.

Specific Matters for Comment 3

3.a Do you agree with the description of issue 3: non-exchange revenue? If not, why not?

3.b 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.

3.c 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.

3.d Please identify the alternative treatment that you favour for issue 3, and the reasons for your view.

Response:

We agree with the description of issue 3, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 3. We favour alternative 1 as IFRS for SMEs is easier and this treatment would be consistent with IFRS and IPSAS standards.

Specific Matters for Comment 4

4.a Do you agree with the description of issue 4: Grant expenses? If not, why not?

4.b Do you agree that the list of alternative treatments that should be considered for issue 4 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.

4.c Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 4? If you do not agree, please set out the changes you propose, and why these should be made.

4.d Please identify the alternative treatment that you favour for issue 4, and the reasons for your view.

Response:

We agree with the description of issue 4: grant expenses, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 4. We favour alternative 2 as it increases comparability of grant reporting across NPOs.

Specific Matters for Comment 5

5.a Do you agree with the description of issue 5: Measurement of nonfinancial assets held for service benefit? If not, why not?

5.b Do you agree that the list of alternative treatments that should be considered for issue 5 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.

5.c Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 5? If you do not agree, please set out the changes you propose, and why these should be made.

5.d Please identify the alternative treatment that you favour for issue 5, and the reasons for your view.

5.e Do you agree that land and buildings (or sub classifications thereof) used to provide services should be measured using the revaluation model and specifically a measurement which reflects the 'value in use' or the operational capacity to an NPO? Could it provide useful information to users?

Response:

We agree with the description of issue 5: Measurement of non-financial assets held for service benefit, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 5. We favour alternative 1 because it follows the international standards. In contrast with alternative 2, we believe that the use of value in use may be difficult for NPOs as it requires high technical skills, including the computation of Discounted Cash Flows (DCF).

Specific Matters for Comment 6

6.a Do you agree with the description of issue 6: Inventory held for use or distribution? If not, why not?

6.b Do you agree that the list of alternative treatments that should be considered for issue 6 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.

6.c Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 6? If you do not agree, please set out the changes you propose, and why these should be made.

6.d Please identify the alternative treatment that you favour for issue 6, and the reasons for your view.

Response:

We agree with the description of issue 6: Inventory held for use or distribution, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 6. We favour alternative 2, as we believe that it is more appropriate for NPOs, considering that it allows for inventory held for distribution to be valued at the lower of cost or current replacement costs.

Specific Matters for Comment 7

7.a Do you agree with the description of issue 7 Financial Statement Presentation? If not, why not?

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.

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.

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 presentation of unrestricted reserves allocated for internal purposes.

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.

Response:

We agree with the description of issue 7 Financial Statement Presentation, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 7.

We favour alternative 3 because it is built on IFRS for SMEs but also gives an opportunity to include fund accounting or any other disclosure that may be required by NPOs stakeholders; and therefore, would boost acceptability of the Guidance.

The use of statement of financial performance to describe the statement that contains an NPO's revenues and expenses is suitable; however, it can also alternatively be named the statement of surplus or deficit.

Specific Matters for Comment 8

8.a Do you agree with the description of issue 8: Classification of expenses? If not, why not?

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.

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.

8.d Please identify the alternative approach that you favour 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 (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.

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?

8.g Are there any practical questions that arise in implementing your preferred option for issue 8?

Response:

We agree with the description of issue 8: Classification of expenses, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 8. We favour alternative 1 as it does not depart from international standards and offers flexibility to NPOs.

We believe that that the alternatives for issue 8 provide the right balance between information presented on the face of the performance statements or in the notes. We don't think that the allocation of expenses to functions outlined in issue 8 would be so arbitrary that it would not provide a sufficiently faithful representation of the composition of an entity's functions.

Specific Matters for Comment 9

9.a Do you agree with the description of issue 9 – Fundraising costs? If not, why not?

9.b Do you agree that the list of alternative approaches that should be considered for issue 9 is complete? If not, please describe your additional proposed alternatives, and explain why they should be considered.

9.c Do you agree with the advantages and disadvantages articulated for each alternative accounting approach for issue 9? If you do not agree, please set out the changes you propose, and why these should be made.

9.d Please identify the alternative approach that you favour for issue 9, and the reasons for your view.

9.e Do you agree that all fundraising costs should be presented gross? If not, please provide example of where this might not apply and the reasons for your view

Response:

We agree with the description of issue 9 – Fundraising costs, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 9. We favour alternative 2 as it is aligned with international accounting standards and requires disclosure of accounting policy on fundraising costs. We also agree that fundraising costs should be presented gross.

Specific Matters for Comment 10

10.a Do you agree with the description of issue 10 – Narrative reporting? If not, why not?

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.

10.c Do you agree with the advantages and disadvantages articulated for each alternative accounting treatment for issue 10? If you do not agree, please set out the changes you propose, and why these should be made.

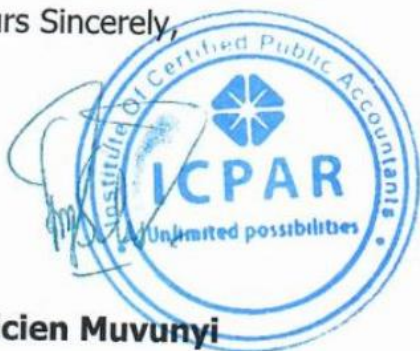
10.d Please identify the alternative treatment that you favour for issue 10, and the reasons for your view.

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.

Response:

We agree with the description of issue 10 – Narrative reporting, the list of alternative treatments and advantages and disadvantages articulated for each alternative accounting treatment for issue 10. We favour alternative 2 as it is aligned with other international standard setters' practices and it would improve on consistency in NPO narrative reporting. However, relevant local requirements should also be complied with.

Yours Sincerely,



Felicien Muvunyi

Chair – ICPAR Professional Standards Committee

CC: - ICPAR CEO

- ICPAR President