

IFRNPO Guidance

January 2021

Response Document

PART 2: NPO-SPECIFIC FINANCIAL REPORTING ISSUES

Instructions for completion

IFR4NPO has published this document for respondents to use for submitting their comments.

This document presents all of the questions in **Part 2** of the Consultation Paper with spaces for responses.

Respondents are encouraged to complete this document electronically but are not required to use this document. They may also respond using their own comment letter format or the online survey available at: <https://www.ifr4npo.org/cp-survey/>

Comments on **Part 2** are requested by **24 September 2021**

Information requested from all respondents

Name¹:

Eric Boa, on behalf of the Global Fund to fight HIV/AIDS, Tuberculosis & Malaria

Email address:

Eric.boa@theglobalfund.org

Description of your role if responding as an individual:

NA

Description of the activities of the organisation if responding on behalf of an organisation:

The Global Fund is a partnership designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. As an international organization, the Global Fund mobilizes and invests more than US\$4 billion a year to support programs run by local experts in more than 100 countries. In partnership with governments, civil society, technical agencies, the private sector and people affected by the diseases, we are challenging barriers and embracing innovation.

Jurisdiction(s) to which the feedback relates:

All

Accounting basis of NPO financial reports in the jurisdiction in which you mainly work:

(iii) Modified cash

Modified cash has been chosen as there is no option seen for modified accruals accounting basis. Accounting basis varies widely amongst grant implementers in various countries where the Global Fund operates. For financial reporting (annual audited financial statements, periodic progress update reporting) to the Global Fund by these implementers, modified accrual basis of accounting supports this at a minimum, as a requirement.

Financial reporting standard use by NPOs in the jurisdiction in which you mainly work

(iv) National GAAP

The Global Fund uses IFRS, however, the grant implementers use different financial reporting standards, based mainly on the requirements of their respective jurisdictions, including:
a) IPSAS;

¹ Name of person providing the response and whether this is in an individual capacity or on behalf of an organisation.

b) National GAAP; and c) IFRS etc.

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 the IFR4NPO consultation. The responses will be used to shape the development of the IFR4NPO Guidance 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 to the consultation will be public, but personal contact information will not be disclosed. Participation in this consultation is undertaken on an entirely voluntary basis. Personal information will only be held for the purposes of the project. You may withdraw your consent for us to hold any of your personal information at any time by contacting us at IFR4NPO@cipfa.org

Information requested only if the organisation on behalf of which you are responding is an NPO

Which International Classification of Non-Profit Organisation (ICNPO) group best describes your organisation and activities?²

3. Health - Organizations that engage in health related activities, providing health care, both general and specialized services, administration of health care services, and health support services.

The Global Fund is a partnership designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. As an international organization, the Global Fund mobilizes and invests more than US\$4 billion a year to support programs run by local experts in more than 100 countries. In partnership with governments, civil society, technical agencies, the private sector and people affected by the diseases, we are challenging barriers and embracing innovation.

Rank revenue sources of your NPO in order of importance (optional)

	1	2	3	4	5	6
(i) Grants	☐	☐	☐	☐	☐	☒
(ii) Donations	☐	☐	☐	☐	☐	☒
(iii) Sale of goods and services	☐	☐	☐	☐	☐	☐
(iv) Gifts in kind	☐	☐	☐	☐	☐	☐
(v) Services in kind	☐	☐	☐	☐	☐	☐
(vi) Other	☐	☐	☐	☐	☐	☐

Please provide any further information on revenue source including description of Other in this box.

Approximate total annual revenue of the NPO in US\$ (optional)

US\$ 10 – 14 billion for three year allocation period

Please provide any further information on revenue in this box

² http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/CNP_WP19_1996.pdf

Specific Matters for Comment (SMC)

Introduction

Part 2 of this Consultation Paper considers a number of NPO-specific financial reporting issues. It raises questions that are 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.

This part of the Consultation Paper sets out how the list of NPO-specific financial reporting issues for potential consideration was originally identified, and provides a description of the nature of each issue. The criteria used for selecting the issues to be included in the Consultation Paper, and therefore probably in the initial Guidance, are also included.

In-depth analysis is provided for each of the NPO-specific financial reporting issues currently proposed for the initial Guidance. Alternative approaches that could be pursued to address each issue are included to generate feedback.

Comments are welcome on any or all of the parts in the Consultation Paper. Please note:

- There is no requirement to respond to all issues
- You may respond to all of the questions raised in the Consultation Paper or may choose to respond only about certain elements
- There is no minimum number of questions that can be addressed in a response. But, the greater the number of responses received, the richer the feedback for the project team to consider.

Contents

Overview

Issue 1 – Reporting entity and control (including branches)

Issue 2 – NPOs acting on behalf of others

Issue 3 – Non-exchange revenue

Issue 4 – Grant expenses

Issue 5 – Measurement of non-financial assets held for service benefit

Issue 6 – Inventory held for use or distribution

Issue 7 – Financial statement presentation

Issue 8 – Classification of expenses – nature or function

Issue 9 – Fundraising costs

Issue 10 – Narrative reporting

The Overview and each issue provides Specific Matters for Comment (SMCs)

Overview – Selection of NPO-specific issues

This part of the Consultation Paper sets out how NPO-specific financial reporting issues have been identified and provides a description of the nature of each issue. Criteria for selecting issues to be included in the initial Guidance are also included.

SMC 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.

Yes, the list appears complete. However, it is worth noting the dynamism of the NPOs operating environment. As a result, new and more pressing financial reporting issues may further arise.

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

Yes

SMC 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.

It is suggested to treat the Foreign Exchange rate as separate issue as this could materially impact the reporting of many NPOs working in the field. In particular, those who are operating in hyperinflationary economies where there is significant market volatility.

Issue 1 – Reporting entity and control (including branches)

Reporting entities need to produce financial statements and so it is important to know what constitutes a reporting entity in the sometimes complex arrangements that surround NPOs. Understanding the accounting implications of these arrangements is key to providing complete and transparent financial information.

Some of the specific questions that this topic is seeking to address are:

- How is control defined (as NPOs may not be exposed to investee returns in a conventional sense)?
- How is a branch defined? Should all branches be accounted for as part of an NPO? What is the status of the financial statements of a branch that is not a separate legal entity?

SMC 1(a) Do you agree with the description of issue 1 – Reporting entity and control (including branches) – in the Consultation Paper? If not, why not?

Yes. However, the absence of a specific treatment of consolidation issues (ref. to par. 5.5.) is a gap of this consultation paper.

SMC 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.

Yes

SMC 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.

The 'pragmatic approach' described in Alternative 2 seems to be underscoring the potential disproportion of costs vs benefits. This appears to be a 'judgement call' that would need to be better substantiated.

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

Alternative 1 since this is consistent with key International Accounting Standards Frameworks (IFRS and IPSAS) where the substance is preferred over the form.

Issue 2 – NPOs acting on behalf of other entities

The complex arrangements that surround NPOs may mean that in some instances an NPO is acting on behalf of another entity. It can be difficult to determine whether an NPO is merely acting in an administrative role and what its accountability arrangements are.

Some of the specific questions that this topic is seeking to address are:

- When is an NPO acting as an agent and when is it acting as principal?
- Is any disclosure required of the gross amounts relating to agency activity or assets in custody (including cost pass through and assets held on behalf of another entity/person)?

SMC 2(a) Do you agree with the description of issue 2 – NPOs acting on behalf of other entities? – in the Consultation Paper? If not, why not?

Yes

SMC 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.

Yes

SMC 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.

Yes

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

Alternative 1 since the two International Accounting Frameworks seem to converge as indicated by the par. 5.6 (the IPSAS are converging to the already existing provisions of IFRS 10).

SMC 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 disclosure that might be more relevant?

The definition of 'control' should adhere to a set of predetermined principles. Then, additional disclosures like the introduction of an Organizational chart could support an immediate understanding of the structure and the control matrix of a Group.

Issue 3 – Non-exchange revenue

NPOs receive non-exchange revenue from a variety of different resources. NPOs may rely on grants, cash donations, donations of individual items (gifts in-kind), donations of services or volunteer time (services in-kind) and bequests and endowments in order to meet their objectives.

Non-exchange revenue transactions raise specific issues. These issues relate to the recognition, measurement and disclosure of non-exchange revenue.

SMC 3(a) Do you agree with the description of issue 3 – Non-exchange revenue? – in the Consultation Paper? If not, why not?

Yes - Issue has been well articulated in terms of non-exchange revenue being one that does not give any direct value to the contributor or donor and the listing of such revenue types that would typically be at the disposal of NPOs. One omission (but mentioned expressly as out of scope in the consultation paper) relates to bequests. As this can be significant for some NPOs, it would have been better to also cover it. In terms of the principles, it would generally be the same depending on the type of bequest – whether it is cash, a non-cash asset or services-in-kind. The reason for its exclusion should have been expanded upon so the reason behind its being packed for revisiting made clearer to those providing feedback.

In addition, the description of non-exchange revenue should be enriched more in case commodities/goods are exchanged for a subsidized price lower than the market (e.g. condoms sold to targeted groups). This matter is only partially covered by the consultation paper in par. 1.2 and it would need to be expanded more.

SMC 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.

Yes

SMC 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.

Yes in agreement, however worth noting that the cost/benefit analysis of the alternatives does not appear to be based on facts but rather on 'judgement calls'.

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

Alternative 4, which uses the IPSAS approach but makes room for the harsh realities of sometimes not being able to measure the value for revenue recognition of gifts-in-kind and inventory, is preferred.

The reason behind this preference is that it allows for the accommodation of circumstances beyond the control of an NPO that would prevent it from either being able to measure revenue on receipt of a gift-in-kind or on inventory or gift-in-kind meant for distribution. The other alternatives are very dogmatic or rigid and hence of less value to the unique circumstances faced by NPOs. Finally, the disclosure emphasis of alternative 4 ensures enhanced transparency and understanding by the users of financial information.

SMC 3(e) If you favour 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?

Not applicable as IPSAS standards are closer to NPOs than the IFRS and IFRS for SMEs which are more for-profit organizations.

SMC 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?

Tax implications since vary from country to country and from donor to donor, should be explored more in the NPOs accounting framework. In addition, intense capacity building will be required to support early adoption especially for smaller-scale NPOs, once these standards are adopted.

Issue 4 – Grant expenses

Many NPOs make grants to other organisations to further their own objectives. This topic is primarily concerned with what expense should be recognised and when, as well as related disclosures.

SMC 4(a) Do you agree with the description of issue 4 – Grant expenses? – in the Consultation Paper? If not, why not?

Yes

SMC 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.

Yes – the alternative treatments do touch on each of the issues articulated in the consultation paper in terms of mapping the way forward for a resolution. However clarity is needed as to why amongst the alternatives presented in this section none is fully adhering to the IPSAS.

SMC 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.

The Technical disadvantage presented in Alternative 2 is not clearly disclosed (page. 122).

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

Alternative Treatment 2 is preferred as it expresses preference for adopting IPSAS's ED 72 on Transfer Expenses. The reasons for this are:

1. IPSAS standards, unlike IFRS and IFRS for SMEs, are more applicable, to all intents and purposes, to the not-for-profit sector and so a stronger basis for resolution of the NPO issues would better come from such a framework
2. IPSAS ED 72 not only has clearer criteria for expense recognition, measurement and disclosures but also more clearly deals with the issues around performance obligations, conditions and multi-year grant cycle that a grantor needs to factor
3. This treatment allows for better comparability of financial reports amongst NPOs since it is all encompassing in terms of practically addressing the issues surrounding grant expense recognition.

Alternative 1 should not be discounted either since the matter is widely covered by the existing international accounting standards (IFRS and IPSAS).

Issue 5 – Measurement of non-financial assets held for social benefit

Tangible and intangible assets that are held for use in delivering the NPO's objectives and not for a financial return is a specific issue for NPOs, particularly where there is a need to impair them.

This topic is seeking to address matters related to:

- How assets are measured initially and subsequently
- Impairment, including when an impairment is recognised, how it is measured and what disclosures should be made.

SMC 5(a) Do you agree with the description of issue 5 – Measurement of non-financial assets held for social benefit? – in the Consultation Paper? If not, why not?

Yes

SMC 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.

Agree in principle – however most donors ask the grantees to write off assets as expenses in the year that they are acquired. Guidance would be necessary to ensure that there is consistent treatment of the same.

In addition, is there any guidance around investment properties (something similar to IAS 40 but for NPOs) – since an emerging trend is that some NPOs use this as a means of diversifying their income and ensuring that even in times of low donations they are still able to run their core operations.

SMC 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.

The Technical disadvantage presented in Alternative 3 is not clearly disclosed (page. 136)

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

Alternative 3. The Cost model approach where depreciation is recognized over the useful life of an asset, appears to be preferable as it could be applied with simplicity even by small NPOs.

SMC 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?

The buildings should not be using the revaluation model but rather the historical cost. In addition assets provided by the government or donated by a philanthropist should be declared as such to establish the basis at the beginning. It is worth nothing that the land and buildings in many developing countries tend to appreciate over time and therefore historical cost convention will not accurately measure the carrying value of the asset. The disclosures in the financial statements would however provide both historical cost and revaluation adjustment so that both pieces of information are available to the user of the financial statements.

Issue 6 – Inventory held for use or distribution

Inventory held for use or distribution to service users has also been identified as a specific issue for NPOs, particularly where the inventory has been donated rather than purchased.

Some of the specific questions that this topic is seeking to address are:

- the initial and subsequent measurement of low value donated goods
- the measurement of perishable inventories and what disclosures should be made about these
- impairment, including when an impairment is recognised, how it is measured and what disclosures should be made.

SMC 6(a) Do you agree with the description of issue 6 – Inventory held for use or distribution? – in the Consultation Paper? If not, why not?

Yes

SMC 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.

Yes

SMC 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.

Yes

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

Alternative 2 since supported by the IPSAS, whose framework is generally more tailored to the Public sector in addition to the accounting treatment of the Inventory. In addition, for NPOs the most important thing to consider is either cost of acquisition or replacement cost – if this falls lower than the cost. Inventory here is held for distribution and therefore replacement cost is a good proxy to measure impairment.
Alternative 3 could also work as it will lead to consistency in the approach.

Issue 7– Presentation of financial statements (including fund accounting)

The format and content of financial statements including revenue and expenses is fundamental to how the information is presented to stakeholders. This presentation is particularly important when revenue is restricted or can only be used for particular purposes.

Some of the specific questions that this topic is seeking to address are:

- How should financial statements be presented to help the user's understanding of an NPO's activities? Should there be disclosure of material categories of income and expenses and/or transactions?
- How should unrestricted and restricted funds that can be used for specific NPO purposes be presented in the main financial statements and notes (including reserves)? How does this align with donor reporting requirements? What is the role of fund accounting?

SMC 7(a) Do you agree with the description of issue 7 – Presentation of financial statements? – in the Consultation Paper? If not, why not?

Yes

SMC 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.

Yes

SMC 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.

Yes

SMC 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.

Both Alternatives 1&2 could work:

*Alternative 1: since consistent with key International Accounting Standards frameworks (IFRS and IPSAS) and provides the option to include supplementary information as needed for key donors.

*Alternative 2: since more aligned to the NPO reporting standards and allows for stakeholder guidance to be provided. It presents a more flexible option to stakeholders who may be willing to pay for the additional cost related to additional information as a result of additional guidance requested.

SMC 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.

It would be preferable to have income and expenditure statement to represent revenues and expenses. The NPO by its very existence does not exist for profit – financial performance therefore is a misleading term

Issue 8 – Classification of expenses – function or nature?

NPOs can present their expenses by nature or by function, with at least one jurisdiction having a presentation allowing a hybrid of the two.

Some of the specific questions that this topic is seeking to address are:

- Should there be a standardised format and if so, what should the primary headings be?
- Should the primary analysis of expenses be based on function or nature?

SMC 8(a) Do you agree with the description of issue 8 – Classification of expenses? – in the Consultation Paper? If not, why not?

Yes, we agree with the description of the issue related to classification of expenses (function vs. nature). It is about the balance of the proper information needed by all NPO stakeholders as those might not all be interested in the same information while keeping in mind the additional cost of producing those financials. Support cost/services (Finance, IT, HR, Governance) must be clearly presented in the financial statements to assess value for money in achieving specific targets while implementing grants.

SMC 8(b) Do you agree that the list of alternative approaches that should be considered for issue 8 is exhaustive? If not, please describe your additional proposed alternatives, and explain why they should be considered.

Yes

SMC 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.

Yes

SMC 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.

Alternative 2 since the classification of the expenses by nature is more consistent with the classification required by key International donors.

SMC 8(e) Do you think that the alternatives for issue 8 provide the right balance between information presented on the face of the performance statement or in the notes?

Yes

SMC 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?

The allocation of expenses to functions can be provided by NPOs as an annex of the Financial Statement to provide additional information.

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

The NPOs need to have adequate financial systems in place.

Issue 9 – Fundraising costs

Raising funds is critical to the existence of many NPOs. Fundraising activities can take many forms and there is a question about where to report the associated costs.

Some of the specific questions that this topic is seeking to address are:

- How should the costs of fundraising be defined (for example, whether to include business development spend and/or overheads)?
- How should the costs of fundraising be recognised and/or presented (i.e. on a gross basis or netted against income)?

SMC 9(a) Do you agree with the description of issue 9 – Fundraising costs? – in the Consultation Paper? If not, why not?

Even though information about fundraising costs is important, it should not be the only factor to assess efficiency. An NPO efficiency could be assessed a number of ways including analysis of overall costs (vs only fundraising). It is however important for NPOs to be transparent and appropriately disclose fundraising activity. Worth to note that fundraising costs are ineligible for many international donors, hence their inclusion should be adequately thought through.

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

Yes

SMC 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.

Yes

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

We prefer alternative #3: Development of new specific guidance which provides basis for standard definition and cost allocation methodologies. This is preferred as it will create a new framework and ensure standardization across NPO's instead of modifying/adjusting existing framework not suitable for purpose.

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

Yes, we agree that fundraising cost should be presented gross as described in alternative approach #3.

Issue 10 – Narrative reporting

Non-financial information, which includes management commentary and other forms of narrative reporting, is relevant to NPOs, in demonstrating accountability and stewardship to

stakeholders and civil society. For many NPOs, the financial statements may not capture many of the most important aspects of performance.

Some of the specific questions that this topic is seeking to address are:

- What should the narrative/non-financial reporting requirements be for NPOs?
- Should ratios be required for narrative reporting? If they are included, how should costs be classified between support costs and those attributable to operational delivery?

SMC 10(a) Do you agree with the description of issue 10 –Narrative reporting? – in the Consultation Paper? If not, why not?

Yes, we agree that narrative reporting (objectives, performance, prospects, governance, and stewardship, number of beneficiaries reached...) is needed in order to have NPO reporting be more meaningful. A guidance is needed to ensure uniformity in reporting by NPO.

SMC 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.

Yes

SMC 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.

Yes

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

Although alternative #3 is more ambitious than the 2 others, this consultation should be the platform for a more standardized narrative reporting based on stakeholder needs. Despite the uncertainties about the cost of preparation under alternative #3, those could be offset by a clear framework as basis for narrative reporting.

SMC 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?

Even though narrative reporting could be set at the framework level, more reporting requirements should be available to ensure standardization of reporting across all NPOs. It's difficult to box this into framework and principles - various funders will inevitably come in with specific requirements in narrative reporting and therefore this would somehow need to be taken into account.