

Annex A

PREFACE

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

- GP1 The preparation of financial statements is crucial for accountability and decision-making and for trust and confidence in NPOs. Until the development of the International Non-Profit Accounting Guidance (INPAG), however, there have been no common international accounting standards developed for NPOs, and only a few jurisdictions have developed guidance that addresses the unique characteristics of NPOs and the types of transactions they undertake.
- GP2 The INPAG has been developed as an output of the International Financial Reporting for Non-Profit Organisations (IFR4NPO) project. IFR4NPO was founded in 2019 to improve the transparency, consistency, comparability, credibility and reliability of NPO financial statements by developing internationally applicable financial reporting guidance for non-profit organisations.
- GP3 The 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, the INPAG aims to take account of, as appropriate, the needs of a wide range of NPOs operating in diverse settings and with different levels of financial reporting complexity. This supports the adoption, use and application of the INPAG.
- GP5 Approval of the INPAG and related documents, such as Exposure Drafts and other discussion documents, is the responsibility of the Chartered Institute of Public Finance and Accountancy (CIPFA) which operates the INPAG Secretariat.

International standards

- GP6 The INPAG meets these objectives by making use of international standards that make use of general purpose financial statements and other financial reporting. Other financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make decisions. The term 'financial reporting' encompasses general purpose financial statements plus other financial reporting.
- GP7 Full IFRS Standards are developed and issued by the International Accounting Standards Board (IASB) and set out recognition, measurement, presentation and disclosure

requirements dealing with transactions and events that are important in general purpose financial statements. They are to be used primarily by publicly accountable companies, defined by the IASB as those listed on a stock exchange and financial institutions such as banks that hold financial assets in a fiduciary capacity. Full IFRS is based on the Conceptual Framework, which addresses the concepts underlying the information presented in the general purpose financial statements. The objective of the Conceptual Framework is to facilitate the consistent and logical formulation of full IFRS. It also provides a basis for the use of judgement in resolving accounting issues.

- GP8 The IFRS for SMEs Standard is a separate Standard developed and issued by the IASB. The IFRS for SMEs Standard is intended to apply to the general purpose financial statements of, and other financial reporting by, entities that in many countries are referred to by a variety of terms, including small and medium-sized entities (SMEs), private entities and non-publicly accountable entities. The IFRS for SMEs Standard is based on IFRS Standards with modifications to reflect the needs of users of SMEs' financial statements and cost-benefit considerations.
- GP9 IPSAS are developed 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 for use by public sector entities around the world in the preparation of general purpose financial reports. IPSAS addresses financial reporting issues that are relevant to NPOs such as non-exchange transactions that are not covered by IFRS or the IFRS for SMEs Standard.

General purpose financial reports

- GP10 General purpose financial reports present management commentary and other narrative reporting alongside the financial information contained in the general purpose financial statements. They are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting.
- GP11 General purpose financial statements are directed towards the common information needs of a wide range of users. In the NPO context this will include those to whom an NPO provides goods and services, providers of resources, those providing oversight functions on their behalf, and the public at large. The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to this.
- GP 12 General purpose financial statements are those directed to the general financial information needs of a wide range of users who are not in a position to demand reports tailored to meet their particular information needs. General purpose financial statements include those that are presented separately or within another public document including general purpose financial reports.

The basis of INPAG

- GP13 The INPAG has been developed to apply to general purpose financial reports and the general purpose financial statements of NPOs whose broad characteristics are described in Section 1 Non-profit organisations. These are entities that have the primary objective of providing goods and services for public benefit, that direct profit and surpluses for public

benefit, and that are not government or public sector entities that should prepare general purpose financial reports under public sector financial reporting standards.

- GP14 NPOs may produce financial reports for some users, including 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. For example, 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 the INPAG are unlikely to comply fully with all of the measurements required by a jurisdiction's tax laws and regulations. A similar issue may arise with reporting to donors. 'Dual reporting burdens' of this kind may be reduced by structuring tax or donor reports as reconciliations from those produced in accordance with the INPAG and by other means.
- GP15 The INPAG is a complete set of guidance, with NPO-specific financial reporting issues addressed by the IFR4NPO project in Phases. Not all NPO-specific financial reporting issues have yet been addressed, with an initial focus having been made to address those issues identified to be priorities for Phase 1 of the IFR4NPO project.
- GP 16 The foundational framework of the INPAG is the IFRS for SMEs Standard. This applies without change 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 Standard is comprehensive and provides appropriate guidance for NPOs.
- GP 17 Where the IFRS for SMEs Standard does not meet the needs of NPOs, the INPAG draws on full IFRS Standards, IPSAS, or their broader conceptual frameworks to provide sector specific reporting solutions through changes to the IFRS for SMEs Standard. Jurisdictional-level standards that have been developed for NPO-specific reporting issues may also be drawn upon, particularly where these jurisdictional-level standards have been developed in a manner that is sufficiently consistent with the conceptual frameworks of IFRS Standards and/or IPSAS.
- GP 18 The formal process for determining whether the NPO-specific issue warrants a change to the text of the IFRS for SMEs Standard can be found in xxxxxx. Further changes to the text of the IFRS for SMEs Standard may be made as subsequent Phases are completed.

Authority of the INPAG

- GP19 Decisions on which entities are required or permitted to use the INPAG rest with legislative and regulatory authorities and standard-setters in individual jurisdictions. The INPAG Secretariat has no authority to determine whether the INPAG, either in whole or part, should or may apply to any entity. An NPO whose GPFR comply with the INPAG shall make an explicit and unreserved statement of such compliance in the notes. An NPO may only state that its GPFR are compliant with the INPAG if it complies with all of the requirements of the INPAG.

Organisation of the INPAG

- GP20 The INPAG is organised by topic, with each topic presented in a separate numbered Section. Cross-references to paragraphs are identified by Section number followed by paragraph

number. Paragraph numbers are in the form xx.yy, where xx 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).

- GP21 All of the paragraphs in the INPAG have equal authority. As the INPAG is being developed in Phases, not all sections of the INPAG have been updated to take account of NPO-specific issues. The table of contents and marking show Sections that have only been updated for changes to terminology, rather than to address any sector specific issues.
- GP22 Additional support for preparers applying INPAG and users of GPFRs is provided in the Application Guidance that is part of the INPAG. Support is also provided in the Implementation Guidance, Implementation Examples, and Basis for Conclusions that accompany the INPAG. They provide further detail on the technical and practical considerations that have been taken into consideration during the development of the INPAG. The INPAG and the Application Guidance provide authoritative guidance for NPOs, whereas the Implementation Guidance, Implementation Examples and Basis for Conclusions are non-authoritative.

Maintenance of the INPAG

- GP23 Amendments to the INPAG are proposed by publishing Exposure Drafts periodically, but not more frequently than approximately once every three years. In developing these Exposure Drafts, the Secretariat considers amendments to the IFRS for SMEs Standard, as well as new and amended IFRS Standards, IPSAS and jurisdictional-level standards.
- GP24 Until the INPAG is amended, any changes made to the IFRS for SMEs Standard, full IFRS Standards, IPSAS and jurisdictional-level standards do not apply to the INPAG. NPOs shall not anticipate or apply changes in the IFRS for SMEs Standard, IFRS Standards, IPSAS and jurisdictional-level standards before these are incorporated into the INPAG. If there is an absence of specific guidance in the INPAG, NPOs may use guidance and principles from IFRS Standards, IPSAS, and their conceptual frameworks provided those principles do not conflict with the requirements in the hierarchy in paragraphs 10.4-10.5.

Preface: Basis for Conclusions

Introduction

- BC P.1 This Basis for Conclusions summarises the issues discussed during the development of the Preface for the Exposure Draft and their outcomes.
- BC P.2 It includes details of any significant changes made to the approach set out in the IFR4NPO Consultation Paper as a result of feedback from respondents. This is intended to enable respondents to this Exposure Draft to understand the evolution of the proposals from the Consultation Paper to Exposure Draft stage.
- BC P.3 This Basis for Conclusions will be updated following the finalisation of the Preface after the Exposure Draft stage.

Governance issues

- BC P.4 The IFR4NPO project, which has been funded by donations and grants, has been delivered jointly by a Project Secretariat formed by two non-profit organisations (NPOs), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Humentum.
- BC P.5 A Steering Group comprising executive and non-executive members has governed the project. The Steering group, provides oversight to the delivery of the project, ensuring that the project partners remain focused on the project objectives and that these are delivered cost effectively. The project has also been supported by a Technical Advisory Group, a Practitioner Advisory Group, a Donor Reference Group and Country Champions.
- BC P.6 The INPAG Secretariat formed by CIPFA is responsible for the development of the INPAG. The INPAG Secretariat uses professional judgment in reaching its conclusions. As part of due process, it consults with the Technical Advisory Group on technical financial reporting considerations. The aim of such consultation is to achieve consensus on the changes proposed. It also consults with the Practitioner Advisory Group on practical financial and operational implications for NPOs. The Steering Group is informed of any risks arising to the project from significant disagreements or issues that impact project delivery. Ultimately, CIPFA is responsible for the approval of the INPAG and related documents in accordance with its normal governance processes.

Accrual-based guidance

- BC P.7 The INPAG is accrual-based guidance. The additional information accrual accounting can provide improves the quality and transparency of financial reports and information. Accrual accounting is also best able to address NPO-specific issues and improve comparability.
- BC P.8 Respondents to the IFR4NPO Consultation Paper were asked to highlight practical challenges that NPOs might face in implementing accrual-based guidance.
- BC P.9 Respondents noted that some NPOs and their staff would potentially not have the capacity and capability to move to and maintain an accruals-based accounting system. This was deemed a particular issue for those NPOs reliant on volunteer and/or non-specialist staff

who may not have the skills and technical expertise required to operate finance systems on an accrual basis, or understand the accrual based financial reports that they produced.

BC P.10 Respondents also commented that access to, and the affordability of, the education and training needed to apply accrual accounting would be challenging in many jurisdictions, and that the resources needed to introduce the computer software and hardware that would be required for accrual accounting would be scarce for many NPOs. The additional costs associated with compliance and audit of accrual-based financial reports was also noted as posing additional burdens.

BC P.11 In addition to practical challenges, some respondents to the IFR4NPO Consultation Paper also raised conceptual challenges to the use of accruals. The most common was that NPOs with less complex financial reporting needs were unlikely to gain any significant benefit from accrual-based Guidance. Respondents noted that this was because the stakeholders of these NPOs would have little understanding of accrual-based financial information and their transactions were simple and adequately accounted for on a cash-basis.

BC P.12 It was also noted by respondents that for many NPOs, donors and regulators would continue to require cash or modified cash basis reports to understand the utilisation of funding or for tax or other purposes.

BC P.13 Recognising these practical and conceptual issues and the need to ensure that the guidance provides for proportionate financial reporting requirements that can be applied by a wide range of NPOs in many jurisdictions has been a key consideration when developing the INPAG.

BC P.14 For some NPOs, cash or modified cash-based accounting will continue to be appropriate given the financial reporting needs of their users. Decisions on which entities are required or permitted to use the INPAG rests with legislative and regulatory authorities and standard-setters in individual jurisdictions. It will be for these authorities to determine whether the accrual-based guidance within the INPAG in whole, or part, should apply and to which entities. An NPO will, however, only be able to state that its GPFR are compliant with the INPAG if it complies with all of the requirements of the INPAG.

BC P.15 As noted by respondents, there will continue to be a requirement for other forms of reporting by NPOs, including potentially reporting using a different accounting basis. The INPAG can, however, support a reduction in the reporting burden on NPOs, as greater consistency in requirements at the level of GPFRs will enable stakeholders to make greater use of these financial reports.

BC P.16 The introduction of common financial reporting standards also has the potential to reduce diversity in different reporting requirements if utilised by donors for any continued special purpose financial reports requested from NPOs.

BC P.17 While there is a cost to producing accrual-based financial information, for many NPOs these will be significantly outweighed by the benefits to them and the users of this information for accountability and decision-making purposes.

General Purpose Financial Reports

BC P.18 The INPAG provides financial reporting guidance for the production of General Purpose Financial Reports (GPFR). GPFR present management commentary and other narrative reporting alongside the financial information contained in the General Purpose Financial Statements (GPFS).

BC P.19 GPFR will provide users with information to allow a meaningful understanding of an NPO's nature, objectives, strategy, risks, and performance. When used effectively, management commentary and other narrative reporting provides a range of performance measures and indicators consistent with underlying financial information. This can give users a clearer view of the impact of the NPO's projects, programmes, and wider activities.

BC P.20 Respondents to the IFR4NPO Consultation Paper recognised that it was important to include non-financial information reporting within the INPAG as its inclusion would be beneficial in enabling NPO financial reports to meet the broader needs and expectations of users.

BC P.21 Guidance on the requirements for non-financial information reporting is included in xxx

The use of existing international frameworks

BC P.22 The IFR4NPO project does not have sufficient resources to develop from first principles a conceptual framework and complete suite of NPO financial reporting standards. The use of existing international frameworks is a pragmatic approach given the time and resource constraints on the IFR4NPO project. There are several examples from across the globe of jurisdictions that have adapted existing international frameworks to develop NPO financial reporting frameworks that demonstrate that an adaptive approach can succeed.

BC P.23 There are significant advantages in being able to utilise the work that has been undertaken to develop and maintain these international frameworks, including the extensive consultation and best practices associated with these frameworks, the potential for familiarity amongst preparers and users, and the existence of extensive educational and support material.

BC P.24 While jurisdictional-level frameworks are also used to develop the INPAG, international frameworks are considered the best start point because they are developed with international rather than jurisdictional-level application in mind and are subject to international rather than jurisdictional-level due process.

BC P.25 It is recognised that existing international frameworks have been developed to provide financial reporting standards for for-profit organisations and government entities based on their respective sector contexts and the needs of their primary users of financial statements. In developing the INPAG, the primary users of NPO GPFRs have been identified and their financial and non-financial information needs articulated. The primary users of NPO GPFRs are covered in Section 2 Concepts and Pervasive Principles.

The use of the IFRS for SMEs Standard as the foundational framework

BC P.26 The INPAG is a set of self-contained guidance. Assessment of the existing international frameworks showed that the use of the IFRS for SMEs Standard as the foundational

framework for the INPAG had the most benefits, as it provides a shorter, simplified standalone Standard with less onerous disclosure requirements.

BC P.27 Where the INPAG is not directly addressing a topic as part of the IFR4NPO project scope, the relevant sections in the IFRS for SMEs Standard are extant. For the topics within the IFR4NPO project scope, other international and jurisdictional-level frameworks are used to develop financial reporting guidance where NPO-specific financial reporting issues have not been comprehensively or appropriately dealt with in the existing IFRS for SMEs Standard, or where there is no related Section in the IFRS for SMEs Standard.

BC P.28 Several respondents to the IFR4NPO Consultation Paper questioned whether IPSAS would be more appropriate as the foundational framework. Had an “IPSAS for SMEs” standard been available then it may have provided a better solution than the IFRS for SMEs Standard. Such a framework does not, currently exist. Whilst recognising that IPSAS addresses some NPO specific accounting issues, it is considered that the benefits of utilising the shorter, simpler, standalone IFRS for SMEs Standard outweighs this potential benefit. IPSAS is a key source of financial reporting guidance on public benefit related financial reporting issues.

BC P.29 The process for using the IFRS for SMEs Standard as a start point, with terminology changes and modification made where necessary for the NPO context is similar to the IPSASB's well-established process for using relevant IASB documents as a start point for its guidance. The process used by the INPAG Secretariat can be found in [XXXXXXX \[link to Rules of Road document\]](#)

Mapping of the IFRS for SMEs Standard to INPAG – Preface

The <i>IFRS for SMEs</i> Standard	The International Non-Profit Accounting Guidance (INPAG)
	Project history, governance and objectives
P1 The International Accounting Standards Board (IASB) was established in 2001 as part of the International Accounting Standards Committee (IASC) Foundation. In 2010 the IASC Foundation was renamed the IFRS Foundation.	GP1 The preparation of financial statements is crucial for accountability and decision-making and for trust and confidence in NPOs. Until the development of the International Non-Profit Accounting Guidance (INPAG), however, there have been no common international accounting standards developed for NPOs, and only a few jurisdictions have developed guidance that addresses the unique characteristics of NPOs and the types of transactions they undertake.
	GP2 The INPAG has been developed as an output of the International Financial Reporting for Non-Profit Organisations (IFR4NPO) project. IFR4NPO was founded in 2019 to improve the transparency, consistency, comparability, credibility and reliability of NPO financial statements by developing internationally applicable financial reporting guidance for non-profit organisations.
P2 The governance of the IFRS Foundation rests with 22 Trustees. The Trustees' responsibilities include appointing the members of the IASB and associated councils and committees, as well as securing financing for the organisation.	SOMETHING ABOUT RESPECTIVE ROLES OF CIPFA AND HUMENTUM?
P3 The objectives of the IASB are: (a) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting Standards based on clearly articulated principles. These Standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the various capital markets of the world and other users of financial information make economic decisions. (b) to promote the use and rigorous application of those Standards.	GP3 The 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.

(c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings. (d) to promote and facilitate the adoption of its Standards.	
	GP4 In fulfilling these objectives, the INPAG aims to take account of, as appropriate, the needs of a wide range of NPOs operating in diverse settings and with different levels of financial reporting complexity. This supports the adoption, use and application of the INPAG.
P4 Approval of Standards and related documents, such as, Exposure Drafts and other discussion documents, is the responsibility of the IASB.	GP5 Approval of the INPAG and related documents, such as Exposure Drafts and other discussion documents, is the responsibility of the Chartered Institute of Public Finance and Accountancy (CIPFA) which operates the INPAG Secretariat.
Full International Financial Reporting Standards (full IFRS)	International standards
P5 The IASB achieves its objectives primarily by developing and publishing Standards and promoting their use in general purpose financial statements and other financial reporting. Other financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make efficient economic decisions. The term 'financial reporting' encompasses general purpose financial statements plus other financial reporting.	GP6 The INPAG meets these objectives by making use of international standards that promote the use of general purpose financial statements and other financial reporting. Other financial reporting comprises information provides outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make decisions. The term 'financial reporting' encompasses general purpose financial statements plus other financial reporting.
P6 Full IFRS sets out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. They may also set out such requirements for transactions, events and conditions that arise mainly in specific industries. Full IFRS is based on the <i>Conceptual Framework</i>, which addresses the concepts underlying the information presented in general purpose financial statements. The objective of the <i>Conceptual Framework</i> is to facilitate the consistent and logical formulation of full IFRS. It	GP7 Full IFRS Standards are developed and issued by the International Accounting Standards Board (IASB) and set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. They are to be used primarily by publicly accountable companies, defined by the IASB as those listed on a stock exchange and financial institutions such as banks that hold financial assets in a fiduciary capacity. Full IFRS is based on the <i>Conceptual Framework</i>, which addresses the concepts underlying the information presented in the

also provides a basis for the use of judgement in resolving accounting issues.	general purpose financial statements. The objective of the Conceptual Framework is to facilitate the consistent and logical formulation of full IFRS. It also provides a basis for the use of judgement in resolving accounting issues.
	GP8 The IFRS for SMEs Standard is a separate Standard developed and issued by the IASB. The IFRS for SMEs Standard is intended to apply to the general purpose financial statements of, and other financial reporting by, entities that in many countries are referred to by a variety of terms, including small and medium-sized entities (SMEs), private entities and non-publicly accountable entities. The IFRS for SMEs Standard is based on IFRS Standards with modifications to reflect the needs of users of SMEs' financial statements and cost-benefit considerations.
	GP9 IPSAS are developed 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 for use by public sector entities around the world in the preparation of general purpose financial reports. IPSAS addresses financial reporting issues that are relevant to NPOs such as non-exchange transactions that are not covered by IFRS or the IFRS for SMEs Standard.
General purpose financial statements	General purpose financial reports
	GP10 General purpose financial reports present management commentary and other narrative reporting alongside the financial information contained in the general purpose financial statements. They are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting.
P7 The IASB's Standards are designed to apply to general purpose financial statements and other financial reporting of all profit-oriented entities. General purpose financial statements are directed towards the common information needs of a wide range of users, for example, shareholders, creditors, employees and the public	GP11 ~~The IASB's Standards are designed to apply to general purpose financial statements and other financial reporting of all profit-oriented entities.~~ General purpose financial statements are directed towards the common information needs of a wide range of users. In the NPO context this will include those to

at large. The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to those users in making economic decisions.	whom an NPO provides goods and services, providers of resources, those providing oversight functions on their behalf and the public at large. The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to this.
P8 General purpose financial statements are those directed to general financial information needs of a wide range of users who are not in a position to demand reports tailored to meet their particular information needs. General purpose financial statements include those that are presented separately or within another public document such as an annual report or a prospectus.	GP12 General purpose financial statements are those directed to the general financial information needs of a wide range of users who are not in a position to demand reports tailored to meet their particular information needs. General purpose financial statements include those that are presented separately or within another public document including general purpose financial reports.
The IFRS for SMEs	The basis of INPAG
P9 The IASB develops and issues a separate Standard intended to apply to the general purpose financial statements of, and other financial reporting by, entities that in many countries are referred to by a variety of terms, including small and medium-sized entities (SMEs), private entities and non-publicly accountable entities. That Standard is the <i>International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)</i> . The <i>IFRS for SMEs</i> is based on full IFRS with modifications to reflect the needs of users of SMEs' financial statements and cost-benefit considerations.	
P10 The term small and medium-sized entities as used by the IASB is defined and explained in Section 1 <i>Small and Medium-sized Entities</i> . Many jurisdictions around the world have developed their own definitions of SMEs for a broad range of purposes including prescribing financial reporting obligations. Often those national or regional definitions include quantified criteria based on revenue, assets, employees or other factors. Frequently, the term SMEs is used to mean or to include very small entities without regard to whether they publish general purpose financial statements for external users.	GP13 The INPAG has been developed to apply to general purpose financial reports and the general purpose financial statements of NPOs whose broad characteristics are described in Section 1 Non-profit organisations. These are entities that have the primary objective of providing goods and services for public benefits, that direct profit and surpluses for public benefit, and that are not government or public sector entities that should prepare general purpose financial reports under public sector financial reporting standards.
P11 SMEs often produce financial statements only for the use of owner-managers or only for the use of tax authorities or other governmental	GP14 NPOs may produce financial reports for some users, including donors, tax authorities or other government authorities, who have the

authorities. Financial statements produced solely for those purposes are not necessarily general purpose financial statements.	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. For example, 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 the INPAG are unlikely to comply fully with all of the measurements required by a jurisdiction's tax laws and regulations. A similar issue may arise with reporting to donors. 'Dual reporting burdens' of this kind may be reduced by structuring tax or donor reports as reconciliations from those produced in accordance with the INPAG and by other means.
P12 Tax laws are specific to each jurisdiction, and the objectives of general purpose financial reports differ from the objectives of reporting taxable profit. Thus, financial statements prepared in conformity with the <i>IFRS for SMEs</i> are unlikely to comply fully with all of the measurements required by a jurisdiction's tax laws and regulations. A jurisdiction may be able to lessen the 'dual reporting burden' on SMEs by structuring tax reports as reconciliations from the profit or loss determined in accordance with the <i>IFRS for SMEs</i> and by other means.	
	GP15 The INPAG is a complete set of guidance, with NPO-specific financial reporting issues addressed by the IFR4NPO project in Phases. Not all NPO-specific financial reporting issues have yet been addressed, with an initial focus having been made to address those issues identified to be priorities for Phase 1 of the IFR4NPO project.
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	GP18 The formal process for determining whether the NPO-specific issue warrants a change to the text of the IFRS for SMEs Standard can be found in xxxxxx. Further changes to the text of the IFRS for SMEs Standard may be made as subsequent Phases are completed.
Authority of the <i>IFRS for SMEs</i>	Authority of the INPAG
P13 Decisions on which entities are required or permitted to use the IASB's Standards rest with legislative and regulatory authorities and standard-setters in individual jurisdictions. This is true for full IFRS and the <i>IFRS for SMEs</i>. However, a clear definition of the class of entity for which the <i>IFRS for SMEs</i> is intended – as set out in Section 1 of the Standard – is essential so that: (a) The IASB decide on the accounting and disclosure requirements that are appropriate for the class of entity; and (b) The legislative and regulatory authorities, standard-setters and reporting entities and their auditors will be informed of the intended scope of applicability of the <i>IFRS for SMEs</i>. A clear definition is also essential so that entities that are not small or medium-sized entities, and therefore not eligible to use the <i>IFRS for SMEs</i>, do not assert that they are in compliance with it (see paragraph 1.5).	GP19 Decisions on which entities are required or permitted to use the INPAG rest with legislative and regulatory authorities and standard-setters in individual jurisdictions. The INPAG Secretariat has no authority to determine whether the INPAG, either in whole or part, should or may apply to any entity. An NPO whose GPFR comply with the INPAG shall make an explicit and unreserved statement of such compliance in the notes. An NPO may only state that its GPFR are compliant with the INPAG if it complies with all of the requirements of the INPAG.
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paragraph number. Paragraph numbers are in the form xx.yy, where xx 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).	paragraph number. Paragraph numbers are in the form xx.yy, where xx 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).
P15 All of the paragraphs in the <i>IFRS for SMEs</i> have equal authority. Some sections include appendices of implementation guidance that are not part of the Standard but, instead, are guidance for applying it.	GP21 All of the paragraphs in the INPAG have equal authority. <i>As the INPAG is being developed in Phases, not all sections of the INPAG updated to take account of NPO-specific issues. The table of contents and marking show Sections that have only been updated for changes to terminology, rather than to address any sector specific issues.</i>
	GP22 Additional support for preparers applying INPAG and users of GPFRs is provided in the Application Guidance that is part of the INPAG. Support is also provided in the Implementation Guidance, Implementation Examples, and Basis for Conclusions that accompany the INPAG. They provide further detail on the technical and practical considerations that have been taken into consideration during the development of the INPAG. The INPAG and the Application Guidance provide authoritative guidance for NPOs, whereas the Implementation Guidance, Implementation Examples and Basis for Conclusions are non-authoritative.
Maintenance of the <i>IFRS for SMEs</i>	Maintenance of the INPAG
P16 The IASB expects to propose amendments to the <i>IFRS for SMEs</i> by publishing an omnibus Exposure Draft periodically, but not more frequently than approximately once every three years. In developing those Exposure Drafts, it expects to consider new and amended full IFRS Standards as well as specific issues that have been brought to its attention regarding application of the <i>IFRS for SMEs</i>. On occasion, the IASB may identify an urgent matter for which amendment of the <i>IFRS for SMEs</i> may need to be considered outside the periodic review process. However, such occasions are expected to be rare.	GP23 Amendments to the INPAG are proposed by publishing Exposure Drafts periodically, but not more frequently than approximately once every three years. In developing these Exposure Drafts, <i>the Secretariat considers amendments to the IFRS for SMEs Standard, as well as new and amended IFRS Standards, IPSAS and jurisdictional-level standards.</i>
P17 Until the <i>IFRS for SMEs</i> is amended, any changes that the IASB may make or propose with respect to full IFRS do not apply to the <i>IFRS for</i>	GP24 Until the INPAG is amended, any changes made to the IFRS for SMEs Standard, full IFRS Standards, IPSAS and jurisdictional-level

SMEs. The <i>IFRS for SMEs</i> is a stand-alone document. SMEs shall not anticipate or apply changes made in full IFRS before those changes are incorporated into the <i>IFRS for SMEs</i> unless, in the absence of specific guidance in the <i>IFRS for SMEs</i>, an SME chooses to apply guidance in full IFRS and those principles do not conflict with requirements in the hierarchy in paragraphs 10.4–10.5.	standards do not apply to the INPAG. NPOs shall not anticipate or apply changes in the IFRS for SMEs Standard, IFRS Standards, IPSAS and jurisdictional-level standards before these are incorporated into the INPAG. If there is an absence of specific guidance in the INPAG, NPOs may use guidance and principles from IFRS Standards, IPSAS, and their conceptual frameworks provided those principles do not conflict with the requirements in the hierarchy in paragraphs 10.4–10.5.
P18 The IASB expects that there will be a period of at least one year between when amendments to the <i>IFRS for SMEs</i> are issued and the effective date of those amendments.	

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