

Annex A

Section 8 – Notes to the financial statements

Scope of this section

G8.1 This section sets out the principles underlying information that is to be presented in the **notes** to the **financial statements** and how to present it. Notes contain information in addition to that presented in the **statement of financial position**, ~~the statement of comprehensive income (if presented), the income statement (if presented), the combined statement of income and retained earnings (if presented)~~ the **statement of income and expenses**, the **statement of changes in net assets** ~~(if presented)~~ and the **statement of cash flows**. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for **recognition** in those statements. In addition to the requirements of this section, nearly every other section of this **Guidance** requires disclosures that are normally presented in the notes.

Structure of the notes

- G8.2 The notes shall:
- (a) present information about the basis of preparation of the financial statements and the specific **accounting policies** used, in accordance with paragraphs G8.5–G8.7;
 - (b) disclose the information required by this **Guidance** that is not presented elsewhere in the financial statements; and
 - (c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.
- G8.3 An **NPO** shall, as far as practicable, present the notes in a systematic manner. An **NPO** shall cross-reference each item in the financial statements to any related information in the notes.
- G8.4 An **NPO** normally presents the notes in the following order:
- (a) a statement that the financial statements have been prepared in compliance with **INPAG** (see paragraph G3.3);
 - (b) a summary of significant accounting policies applied (see paragraph G8.5);
 - (c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented; and
 - (d) any other disclosures.

Disclosure of accounting policies

G8.5 An **NPO** shall disclose the following in the summary of significant accounting policies:

- (a) the **measurement** basis (or bases) used in preparing the financial statements;
and
- (b) the other accounting policies used that are relevant to an understanding of the financial statements.

Information about judgements

G8.6 An **NPO** shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph G8.7), that management has made in the process of applying the **NPO's** accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Information about key sources of estimation uncertainty

G8.7 An **NPO** shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the **reporting date**, that have a significant risk of causing a **material** adjustment to the **carrying amounts** of **assets** and **liabilities** within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- (a) their nature; and
- (b) their carrying amount as at the end of the **reporting period**.

Basis for conclusions – Section 8 *Notes to the financial statements*

- BC8.1 Section 8 does not specify the notes to the financial statements required in respect of specific assets, liabilities, revenue, or expense. Such requirements are set out in the sections of INPAG dealing with those items, and the rationale for any revisions to those requirements is set out in the basis for conclusions to those sections.
- BC8.2 No major revisions have been made to Section 8 (which covers the general requirements for the notes to the financial statements) in ED1. Any updates have been limited to terminology or use of language specific to NPOs, or to reflect revisions to the financial statement requirements in other sections of INPAG.
- BC8.3 The financial statements have been included as a priority topic for phase 1 of the Guidance. The Consultation Paper did not include specific proposals relating to the general requirements for the notes to the financial statements, and where respondents commented on the notes, these comments related to specific disclosures rather than the general principles set out in Section 8.
- BC8.4 The approach to the notes to the financial statements set out in Section 8 of the *IFRS for SMEs* Standard is consistent with the approach to the notes in full IFRS and in IPSAS. The Secretariat has therefore concluded that the requirements are appropriate for INPAG.

Section 8 – Notes to the financial statements

Mapping of IFRS for SMEs to INPAG

The <i>IFRS for SMEs</i> Standard	The International Non-Profit Accounting Guidance (INPAG)
Scope of this section	Scope of this section
8.1 This section sets out the principles underlying information that is to be presented in the notes to the financial statements and how to present it. Notes contain information in addition to that presented in the statement of financial position, the statement of comprehensive income (if presented), the income statement (if presented), the combined statement of income and retained earnings (if presented), the statement of changes in equity (if presented) and the statement of cash flows. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements. In addition to the requirements of this section, nearly every other section of this Standard requires disclosures that are normally presented in the notes.	G8.1 This section sets out the principles underlying information that is to be presented in the notes to the financial statements and how to present it. Notes contain information in addition to that presented in the statement of financial position, ~~the statement of comprehensive income (if presented), the income statement (if presented), the combined statement of income and retained earnings (if presented)~~ the statement of income and expenses, the statement of changes in net assets (~~if presented~~) and the statement of cash flows. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements. In addition to the requirements of this section, nearly every other section of this Guidance requires disclosures that are normally presented in the notes.
Structure of the notes	Structure of the notes
8.2 The notes shall: (a) present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 8.5–8.7; (b) disclose the information required by this Standard that is not	G8.2 The notes shall: (a) present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs G8.5–G8.7; (b) disclose the information required by this Guidance that is not

presented elsewhere in the financial statements; and (c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.	presented elsewhere in the financial statements; and (c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.
8.3 An entity shall, as far as practicable, present the notes in a systematic manner. An entity shall cross-reference each item in the financial statements to any related information in the notes.	G8.3 An NPO shall, as far as practicable, present the notes in a systematic manner. An NPO shall cross-reference each item in the financial statements to any related information in the notes.
8.4 An entity normally presents the notes in the following order: (a) a statement that the financial statements have been prepared in compliance with the <i>IFRS for SMEs</i> (see paragraph 3.3); (b) a summary of significant accounting policies applied (see paragraph 8.5); (c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented; and (d) any other disclosures.	G8.4 An NPO normally presents the notes in the following order: (a) a statement that the financial statements have been prepared in compliance with INPAG (see paragraph G3.3); (b) a summary of significant accounting policies applied (see paragraph G8.5); (c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented; and (d) any other disclosures.
Disclosure of accounting policies	Disclosure of accounting policies
8.5 An entity shall disclose the following in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements; and (b) the other accounting policies used that are relevant to an understanding of the financial statements.	G8.5 An NPO shall disclose the following in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements; and (b) the other accounting policies used that are relevant to an understanding of the financial statements.
Information about judgements	Information about judgements
8.6 An entity shall disclose, in the summary of significant accounting	G8.6 An NPO shall disclose, in the summary of significant accounting

policies or other notes, the judgements, apart from those involving estimations (see paragraph 8.7), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.	policies or other notes, the judgements, apart from those involving estimations (see paragraph G8.7), that management has made in the process of applying the NPO's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.
Information about key sources of estimation uncertainty	Information about key sources of estimation uncertainty
8.7 An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: (a) their nature; and (b) their carrying amount as at the end of the reporting period.	G8.7 An NPO shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: (a) their nature; and (b) their carrying amount as at the end of the reporting period.