

Annex E

Section 6 - *Statement of changes in net assets*

Scope of this section

G6.1 This section sets out requirements for presenting the changes in an NPO's **net assets** for a period, ~~either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a statement of income and retained earnings.~~

Presentation

G6.2 The statement of changes in net assets presents an NPOs **surplus or deficit** for a **reporting period, gains or losses** not taken through the statement of income and expenses, movements between reserves, the effects of changes in **accounting policies** and corrections of **errors** recognised in the period and the amounts of investments by, and distributions to those with equity claims arising from **contributed capital** during the period.

G6.3 An NPO shall present in the statement of changes in net assets, for each component of the funds, reserves and contributed capital that comprise net assets, a reconciliation between the **carrying amount** at the beginning and the end of the period, separately disclosing:

- i. the effects of changes in accounting policies and corrections of errors.
- ii. surplus or deficit;
- iii. changes resulting from gains or losses that are recognised directly in net assets;
- iv. total income and expenses to be a sub total of i) and ii), showing separately any amount relating to a non-controlling interest;
- v. changes resulting from movements between restricted and unrestricted reserves and any of the other identified components;
- vi. changes resulting from movements in contributed capital including distributions and new contributed capital; and
- vii. the effects of changes in accounting policies and corrections of errors.

Basis for conclusions

Section 6 - *Statement of changes in net assets*

- BC6.1 This Basis for Conclusions summarises the considerations made during the development of Section 6 – *Statement of changes in net assets* for the Exposure Draft.
- BC6.2 It includes details of any changes made to the approach that was set out in the IFR4NPO Consultation Paper as a result of feedback from respondents. This has been done to enable respondents to this Exposure Draft to understand the evolution of the proposals from the Consultation Paper to Exposure Draft stage.
- BC6.3 This Basis for Conclusions will be updated following the finalisation of Section 6 – *Statement of changes in net assets* after the Exposure Draft stage.

Statement structure

- BC6.4 The Consultation Paper did not directly seek feedback on the Statement of changes in net assets. Amendments to this statement arise as a result of feedback on other financial statements and from stakeholder feedback about the understandability of financial statements.
- BC6.5 As noted in the basis for conclusions for the Statement of income and expenses, there was a common theme that many users find financial statements complex. In considering these issues the INPAG Secretariat are proposing that the Statement of income and expenses is simplified. As a consequence, all items not prescribed by other Sections of INPAG to be presented in the Statement of income and expenses are proposed to be presented in a Statement of changes in net assets.
- BC6.6 The INPAG Secretariat noted that this approach might mean that information that was previously available in the IFRS for SMEs based statement formats would be harder to find. As a consequence it is proposed that the Statement of changes in net assets
- a. commences with the Surplus or deficit from the Statement of income and expenses;
 - b. to this the items that would be unrealised gains and losses found in 'other comprehensive income' in the statements prescribed by the *IFRS for SMEs* Standard are added or subtracted;
 - c. a sub total of a. and b. is produced
- BC6.7 This approach will generate a subtotal that will provide equivalent information to the statement of comprehensive income. This is a departure from the IFRS for SMEs Standard which provides a choice of whether other comprehensive income is in a single statement that includes all types of income and expense, but does not require its inclusion in the Statement of changes in net assets.

BC6.8 To support understandability of this statement the INPAG Secretariat are proposing to include movement in net assets in the following sections:

- a. movements arising from unrealised gains and losses (other than those prescribed in the Guidance to be taken through the Statement of income and expenses)
- b. movements between funds and reserves (including movements between restricted and unrestricted funds)
- c. movements arising from capital contributions or capital distributions
- d. other changes in net assets.

Section 6 - *Statement of Changes in Net Assets*

IFRS for SMEs to INPAG mapping

IFRS for SMEs	INPAG
Scope of this section	Scope of this section
6.1 This section sets out requirements for presenting the changes in an entity's equity for a period, either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a statement of income and retained earnings .	G6.1 This section sets out requirements for presenting the changes in an NPO's net assets for a period, ~~either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a statement of income and retained earnings.~~
Statement of changes in equity	~~Statement of changes in equity~~
Purpose	~~Purpose~~
6.2 The statement of changes in equity presents an entity's profit or loss for a reporting period , other comprehensive income for the period, the effects of changes in accounting policies and corrections of errors recognised in the period and the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners during the period.	~~6.2 The statement of changes in equity presents an entity's profit or loss for a reporting period, other comprehensive income for the period, the effects of changes in accounting policies and corrections of errors recognised in the period and the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners during the period.~~
Information to be presented in the statement of changes in equity	~~Information to be presented in the statement of changes in equity~~
6.3 The statement of changes in equity includes the following information: a. total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; b. for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Section 10 <i>Accounting Policies, Estimates and Errors</i>; and c. for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:	<del>6.4 The statement of changes in equity includes the following information: ~~d.~~ total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; ~~e.~~ for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Section 10 <i>Accounting Policies, Estimates and Errors</i>; and ~~f.~~ for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: </del>

i. profit or loss; ii. other comprehensive income; and iii. the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.	~~iv. profit or loss;~~ ~~v. other comprehensive income; and~~ ~~the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.~~
Statement of income and retained earnings	~~Statement of income and retained earnings~~
Purpose	~~Purpose~~
6.5 The statement of income and retained earnings presents an entity's profit or loss and changes in retained earnings for a reporting period. Paragraph 3.18 permits an entity to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.	~~The statement of income and retained earnings presents an entity's profit or loss and changes in retained earnings for a reporting period. Paragraph 3.18 permits an entity to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.~~
Information to be presented in the statement of income and retained earnings	~~Information to be presented in the statement of income and retained earnings~~
6.6 An entity shall present, in the statement of income and retained earnings, the following items in addition to the information required by Section 5 <i>Statement of Comprehensive Income and Income Statement</i> : a. retained earnings at the beginning of the reporting period; b. dividends declared and paid or payable during the period;	~~6.7 An entity shall present, in the statement of income and retained earnings, the following items in addition to the information required by Section 5 <i>Statement of Comprehensive Income and Income Statement</i>:~~ ~~f. retained earnings at the beginning of the reporting period;~~ ~~g. dividends declared and paid or payable during the period;~~

c. restatements of retained earnings for corrections of prior period errors; d. restatements of retained earnings for changes in accounting policy; and e. retained earnings at the end of the reporting period.	~~h. restatements of retained earnings for corrections of prior period errors;~~ ~~i. restatements of retained earnings for changes in accounting policy; and~~ ~~retained earnings at the end of the reporting period.~~
	Presentation
	G6.2 The statement of changes in net assets presents an NPOs surplus or deficit for a reporting period, gains or losses not taken through the statement of income and expenses, movements between reserves, the effects of changes in accounting policies and corrections of errors recognised in the period and the amounts of investments by, and distributions to those with equity claims arising from contributed capital during the period.
	G6.3 An NPO shall present in the statement of changes in net assets, for each component of the funds, reserves and contributed capital that comprise net assets, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing: viii. surplus or deficit; ix. changes resulting from gains or losses that are recognised directly in net assets; x. total income and expenses to be a sub total of i) and ii), showing separately any amount relating to a non-controlling interest; xi. changes resulting from movements between restricted and unrestricted reserves and any of the other identified components; xii. changes resulting from movements in contributed capital including distributions and new contributed capital; and

	xiii. the effects of changes in accounting policies and corrections of errors.
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