



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

Western India Regional Council

WIRC/ICAI/9359 /2023

15th February 2023

CA. Parminder Kaur

The Secretary,
Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

Madam,

Sub.: Comments on Exposure Draft of the International Non-Profit Accounting Guidance (INPAG)- Part 1

Please find attached comments on **Exposure Draft of the International Non-Profit Accounting Guidance (INPAG)- Part 1**, for your doing the needful.

Kindly acknowledge the receipt of the same.

Thanking You,

Yours truly,

CA. Murtuza Kachwala
Chairman - WIRC of ICAI



Suggestions/ comments on Exposure Draft of the International Non-Profit Accounting Guidance (INPAG)- Part 1

1. Comment on A broad characteristics approach to describing NPOs. NPOs should mean (Refer page 11/188 Question 2a):
 - a) They have the primary objective of providing a benefit to the public.
 - b) They direct financial **resources** ~~surpluses~~ for the benefit of the public.
 - c) They are not government or public sector entities that should prepare general purpose financial reports under public sector financial reporting standards.

2. Comment on the reporting NPO and its boundary (Refer page 14/188 Question 10a and 10c)
 - a) Having power over another entity (whether or not that power is used), and
 - b) exposure or rights to ~~variable~~ returns (financial or non-financial) from its involvement with that entity, and
 - c) the ability to use the power it has to affect the returns it gets, **or affect the use of the NPO's resources directly or indirectly** from its involvement with the entity.

3. Service Potential (Refer page 20/188 Question 3g)

The useful capacity of an NPO entity to generate goods or services that contribute to the objectives of that NPO entity is termed as its Service Potential. In this context, the words '**that contribute to the objectives of that NPO entity**' play an extremely crucial role in determination and valuation/measurement of the service potential. This is because the assets/rights which are viewed as service potential, are held by the NPO entity only for its primary objectives. Such assets are held by the NPO entity only for providing goods or services to public, and are not held for generating cash inflows. Hence if the Service Potential concept is to be introduced for NPOs, then emphasis is to be placed on method of its valuation. This valuation/measurement will itself depend upon the intention of holding the asset/resource by the NPO entity. Thus, historical cost approach or fair value or market value approach may not work, the way it applies to 'for-profit' organizations. Alternative approaches to measurement/valuation of service potential should be introduced, if the concept of 'Service Potential' is to be introduced in NPOs.