

IFRSs And IPSAS overview with emphasis on NPOs

Uphold public interest

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Consultative Committee of Accountancy Bodies

“Charities and other non-governmental organisations (NGOs) increasingly work internationally with grants from government funding their development and relief activities, while private donors and international foundations are increasingly taking a global approach to their work.

As a result, charities and other NGOs face a multiplicity of international grant regimes, often made more complex by the lack of an agreed approach to financial planning and reporting.” (From the CCAB project brief.)

International Public Sector Accounting Standards

(IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

IPSAS - Objective



IPSAS aims to improve the quality of general purpose financial reporting by public sector entities, leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.

Scope



IPSAS are accounting standards for application by national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards and commissions). IPSAS standards are widely used by intergovernmental organizations or institutions. IPSAS do not apply to government business enterprises.

Financial Statements Under IPSAS Accrual



- statement of financial position (IPSAS 1),
- statement of financial performance (IPSAS 1),
- cash flow statement (IPSAS 2),
- statement of changes in net assets/equity (IPSAS 1),
- notes to the financial statements, or annex (IPSAS 1).

International Financial Reporting Standards IFRS



International Financial Reporting Standards, commonly called IFRS, are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB).

They constitute a standardised way of describing the company's financial performance so that company financial statements are understandable and comparable across international boundaries.

Objective of financial statements



- purpose of financial information is to be useful to existing and potential investors, lenders and other creditors when making decisions about the financing of the entity and exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources

Qualitative Characteristics Of Financial Information



Fundamental qualitative characteristics:

- Relevance; and
- Faithful representation

Enhancing qualitative characteristics:

- Comparability
- Verifiability
- Timeliness
- Understandability

IFRS financial statements



- a statement of financial position (balance sheet)
- a statement of comprehensive income.
- a statement of changes in equity
- a statement of cash flows
- notes, including a summary of the significant accounting policies.
- Comparative information is required for the prior reporting period.

IFRS for SMES



The IFRS for SMEs has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations. Compared with full IFRSs, it is less complex in a number of ways:

Small and medium-sized entities are entities that:



- (a) do not have public accountability, and
- (b) publish general purpose financial statements for external users.

Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

NPOs



The NPO sector is diverse and has a major economic presence in many countries throughout the world (United Nations, 2013).

NPOs are often referred to operating in 'the third sector', being the space between government and for-profit enterprises.

NPOs Are:



- Formal (governed by some sort of rules or constitution)
- Private (that is, they are independent from government/public sector);
- Non-profit distributing;
- Self-governing; and
- Organisations in which volunteers comprise an important staff resource

Stakeholders and accountability



- Actual and potential beneficiaries
- Employees and volunteers
- Funders
- Media
- Partner Organisations
- Regulators

- Bankers (investors)
- Suppliers
- Special interest groups
- Members and supporters
- Those whose policies, programmes/behaviour they want to influence.























End

GOD BLESS YOU ALL

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