Financial reporting is an important aspect of not-for-profit organisations’ (NPOs’) accountability. Amongst other things it assists philanthropists and government purchasers in making decisions as to whether to donate or contract with specific NPOs. However, many funders, and increasing numbers of NPOs themselves operate across multiple countries, and are increasingly seeking cross-border arrangements. The paper reports the findings of a multi-national study undertaken to examine the case for the development of international standards for financial reporting by not-for-profit organisations (NPOs).

The development of International Financial Reporting Standards (IFRS) in pursuit converging financial reporting by commercial entities has been widely accepted across the globe, as indicated by the fact that approximately 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies (IFRS Foundation, 2013). In some countries such as UK, IFRS are also used for Government accounting. The development of IFRS is governed by the International Accounting Standards Board (IASB) which operates on a representative model.

However, many countries found that the special needs of public sector organisations required specific standards, and the International Federation of Accountants (IFAC) established an International Public Sector Accounting Standards Board (IPSASB) to develop International Public Sector Accounting Standards. IPSAS have been issued to cover a wide range of financial reporting issues specific to public sector bodies, including reporting for outcomes. IPSASB lists 10 countries which have adopted IPSAS or plan to do so, plus a number of international bodies such as the United Nations and OECD (IPSASB, 2013).

The emergence of common accounting frameworks for the commercial sector and public sector has led to debates regarding the possible benefits of international standards for NPO accounting (e.g. Ashford, 2007). In particular, it has been asked whether NPOs could be required to report directly either under IFRS or IPSAS – although specific problems with issues such as non-exchange transactions (e.g. donated income) are widely highlighted (Davies, 2012; Ashford, 2007; CCAB, 2013).

Some countries, such as the UK, already have detailed NPO accounting requirements, at least for charitable NPOs (Charity Commission, 2005) and the extent to which such standards could or should be replaced by an international standard is the subject of considerable debate.

The present study, which was led by a team from four universities in three countries, reviews a wide range of literature on NPO accounting, and the debates which have emerged regarding the applicability of international standards. It considered the issues which should be addressed in any international standard for NPO financial reporting. It also explored whether such a standard would lead to greater accountability or whether obstacles would mean insufficient benefits to justify NPOs adopting a harmonised international framework. Moreover, if such a framework were to be created, there are key questions as to the extent to which it should draw on IFRS or IPSAS, or whether new standards should be developed separately from either of those roots.

To gain an initial understanding of views on these issues, an online survey was designed to seek the views of the widest possible range of stakeholders working with NPO accounts – including finance staff in NGOs, accountants, auditors and standard setters. The study was commissioned by a steering group of accountancy bodies and others with an interest in NPO accounting, and with their support, the survey was circulated to over 3000 contacts in more than 20 countries. This is believed to be the first ever international study of views on NPO accounting standards.
The study assesses the extent of consensus on the development of international accounting standards for NPOs, and highlights specific issues that currently limit accountability and which would be necessary to be included if such standards are to be developed and implemented.

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