Nepal Accounting Standard (NAS) for Not for Profit Organizations (NPOs) 2018

Accounting Standards Board, Nepal

(Formed by Government of Nepal Under the Nepal Chartered Accountants Act, 1997)

5th Floor, ICAN Building, Satdobato, Lalitpur, Nepal

Tel: +977-1-5523314, Fax: +977-1-5523314, P.O. Box No.: 24862

Email: asb@standards.org.np, admin@standards.org.np

Website: www.standards.org.np

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Chapter I

1. Preface

The purpose of this standard is to guide not for profit organizations (NPOs) to prepare a general-purpose financial statements.

The objective in setting up *Nepal Accounting Standard for Not for Profit Organization (NAS for NPO)* is to assist those who are responsible for the preparation of the financial statements, to improve the quality of financial reporting thereby providing adequate information to the users of the financial statements. The intention is also to reduce the diversity that exists among NPOs in accounting practice and presentation. It is recommended that all NPOs follow this Standard in order that their financial statements provide a true and fair view of the state of affairs of their organizations. It provides the basis for the preparation of accrual based financial statements to give a true and fair view.

The purpose of preparation of the financial statements in accordance with this standard is to report it to the external donors, members, creditors and other entities that provide resources to non-profit organizations. NPOs shall have to comply only those Standards, which are applicable with them.

If a NPO applies this Standard, the basis of preparation, notes and audit report can refer to conformity with the *Nepal Accounting Standards for Not for Profit Organization (NAS for NPOs).*

2. Accounting Framework for Financial Reporting

2.1 Users and their information needs

Financial statements of NPOs are used for different purposes and their information requirements vary considerably. Unlike in the corporate sector, NPOs have neither owners nor investors. The most common groups of users of NPO financial statements are the resource providers or contributors, funding agencies, beneficiaries, suppliers/creditors, employees and the Government authorities. Some NPOs have members who represent an essential group of users. Others might have partner organizations with whom they co-operate, and who will be important users of the financial statements.

2.2 Qualitative characteristics of useful financial information

If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable.

Fundamental qualitative characteristics

The fundamental qualitative characteristics are *relevance, materiality* and *faithful representation*.

Relevance

Relevant financial information is capable of making a difference in the decisions made by users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both.

Financial information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Financial information need not be a prediction or forecast to have predictive value. Financial information with predictive value is employed by users in making their own predictions.

Financial information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.

The predictive value and confirmatory value of financial information are interrelated. Information that has predictive value often also has confirmatory value. For example, revenue information for the current year, which can be used as the basis for predicting revenues in future years, can also be compared with revenue predictions for the current year that was made in past years. The results of those comparisons can help a user to correct and improve the processes that were used to make those previous predictions.

Materiality

Information is material if omission or misstatement could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. Consequently, a uniform quantitative threshold for materiality cannot be specified or predetermined what could be material in a particular situation.

Faithful representation

Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. The objective is to maximize those qualities to the extent possible.

A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations. For example, a complete depiction of a group of assets would include, at a minimum, a description of the nature of the assets in the group, a numerical depiction of all of the assets in the group, and a description of what the numerical depiction represents (for example, original cost, adjusted cost or fair value). For some items, a complete depiction may also entail explanations of significant facts about the quality and nature of the items, factors and circumstances that might affect their quality and nature, and the process used to determine the numerical depiction.

A neutral depiction is without bias in the selection or presentation of financial information. A neutral depiction is not slanted, weighted, emphasized, de-emphasized or otherwise manipulated to increase the probability that financial information will be received favorably or unfavorably by users. Neutral information does not mean information with no purpose or no influence on behavior. On the contrary, relevant financial information is, by definition, capable of making a difference in users' decisions.

Faithful representation does not mean accurate in all respects. Free from error means there are no errors or omissions in the description of the phenomenon, and the process used to produce the reported information has been selected and applied with no errors in the process. In this context, free from error does not mean perfectly accurate in all respects. For example, an estimate of an unobservable price or value cannot be determined to be accurate or inaccurate. However, a representation of that estimate can be faithful if the amount is described clearly and accurately as being an estimate, the nature and limitations of the estimating process are explained, and no errors have been made in selecting and applying an appropriate process for developing the estimate.

A faithful representation, by itself, does not necessarily result in useful information. For example, a reporting entity may receive property, plant and equipment through a government grant. Obviously, reporting that an entity acquired an asset at no cost would faithfully represent its cost, but that information would probably not be very useful. A slightly more suitable example is an estimate of the amount by which an asset's carrying amount should be adjusted to reflect impairment in the asset's value. That estimate can be a faithful representation if the reporting entity has properly applied an appropriate process, properly described the estimate and explained any uncertainties that significantly affect the estimate. However, if the level of uncertainty in such an estimate is sufficiently large, that estimate will not be particularly useful. In other words, the relevance of the asset being faithfully represented is questionable. If there is no alternative representation that is more faithful, that estimate may provide the best available information.

Applying the fundamental qualitative characteristics

Information must be both relevant and faithfully represented if it is to be useful. Neither a faithful representation of an irrelevant phenomenon nor an unfaithful representation of a relevant phenomenon helps users make good decisions.

The most efficient and effective process for applying the fundamental qualitative characteristics would usually be as follows (subject to the effects of enhancing characteristics and the cost constraint, which are not considered in this example). First, identify an economic phenomenon that has the potential to be useful to users of the reporting entity's financial information. Second, identify the type of information about that phenomenon that would be most relevant if it is available and can be faithfully represented. Third, determine whether that information is available and can be faithfully represented. If so, the process of satisfying the fundamental qualitative characteristics ends at that point. If not, the process is repeated with the next most relevant type of information.

Enhancing qualitative characteristics

Comparability, *verifiability*, *timeliness* and *understandability* are qualitative characteristics that enhance the usefulness of information that is relevant and faithfully represented.

Comparability

Users' decisions involve choosing between alternatives, for example, selling or holding an investment, or investing in one reporting entity or another. Consequently, information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date.

Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items. Unlike the other qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items.

Consistency, although related to comparability, is not the same. Consistency refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities. Comparability is the goal; consistency helps to achieve that goal.

Comparability is not uniformity. For information to be comparable, like things must look alike and different things must look different. Comparability of financial information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

Some degree of comparability is likely to be attained by satisfying the fundamental qualitative characteristics. A faithful representation of a relevant economic phenomenon should naturally possess some degree of comparability with a faithful representation of a similar relevant economic phenomenon by another reporting entity.

Although a single economic phenomenon can be faithfully represented in multiple ways, permitting alternative accounting methods for the same economic phenomenon diminishes comparability.

Verifiability

Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.

Verification can be direct or indirect. Direct verification means verifying an amount or other representation through direct observation, for example, by counting cash. Indirect verification means checking the inputs to a model, formula or other technique and recalculating the outputs using the same methodology. An example is verifying the carrying amount of inventory by checking the inputs (quantities and costs) and recalculating the ending inventory using the same cost flow assumption (for example, using the first-in, first out method).

It may not be possible to verify some explanations and forward-looking financial information until a future period, if at all. To help users decide whether they want to use that information, it would normally be necessary to disclose the underlying assumptions, the methods of compiling the information and other factors and circumstances that support the information.

Timeliness

Timeliness means having information available to decision-makers in time to be capable of influencing their decisions. Generally, the older the information is the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.

Understandability

Classifying, characterizing and presenting information clearly and concisely make it *understandable*.

Some phenomena are inherently complex and cannot be made easy to understand. Excluding information about those phenomena from financial reports might make the information in those financial reports easier to understand. However, those reports would be incomplete and therefore potentially misleading.

Financial reports are prepared for users who have a reasonable knowledge of operating and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

2.3 The cost constraint on useful financial reporting

Cost is a pervasive constraint on the information that can be provided by financial reporting. Reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting that information. There are several types of costs and benefits to consider.

Providers of financial information expend most of the effort involved in collecting, processing, verifying and disseminating financial information, but users ultimately bear those costs in the form of reduced returns. Users of financial information also incur costs of analyzing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it. Reporting financial information that is relevant and faithfully represents what it purports to represent helps users to make decisions with more confidence. This results in more efficient utilisation of grant and all stakeholders also receive benefits by making more informed decisions. However, it is not possible for general purpose financial reports to provide all the information that every user finds relevant.

In applying the cost constraint, the Accounting Standards Board of Nepal (ASB Nepal) assesses whether the benefits of reporting particular information are likely to justify the costs incurred to provide and use that information. When applying the cost constraint in developing a proposed financial reporting standard, ASB Nepal seeks information from providers of financial information, users, auditors, academics and others about the expected nature and quantity of the benefits and costs of that standard. In most situations, assessments are based on a combination of quantitative and qualitative information.

Because of the inherent subjectivity, different individuals' assessments of the costs and benefits of reporting particular items of financial information will vary. Therefore, ASB Nepal seeks to consider costs and benefits in relation to financial reporting generally, and not just in relation to individual reporting entities. That does not mean that assessments of costs and benefits always justify the same reporting requirements for all entities. Differences may be appropriate because of different sizes of entities, different ways of raising capital (publicly or privately), different users' needs or other factors.

2.4 Underlying assumption

Going concern

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used should be disclosed.

3. Applicability

This standard is for not for profit organization, regardless of whether or not legal personality applies to all forms of non-profit organizations for the purpose of the benefit of society as a whole.

4. Reporting entity

According to this criterion the financial statements will be prepared to the entire non-profit organization as a single reporting entity.

5. Double-entry bookkeeping and accrual

According to the criterion, this standard is based on the concept of the double entry accounting and accrual accounting.

6. Financial statements

The financial statements include to each of the following documents:

a) Statement of financial position;

b) Statement of income and expenditure;

c) Statement of change in reserve;

d) Cash flow statement; and

e) Statement of accounting policies and notes to financial statements.

As part of the explanatory notes to the financial statements, NPOs may also include supplementary schedules and information based on or derived from, and expected to be read with, such statements. Financial statements would not, however, normally include such items as reports by the governing body/management, statements by the chairman, discussion and analysis by management and similar items that may be included in a financial or annual report of a corporate entity, unless required by the relevant Donor Agreements.

In NPOs it is required to separate the activities of externally funded projects from the 'core' activity of managing the organization. Each funded project should have a neutral effect on the Statement of Income & Expenditure (i.e. neither surplus nor deficit) and the total income and costs of these projects may fluctuate significantly from year to year. Donors are interested to see the sources and level of income generated for funding the core management of the organization, as well as the types of expenditure that are covered, as this gives a guide as to the sustainability of the organization and helps to justify the level of administration charges made against projects. Therefore, the NPOs shall prepare the following two statements for externally funded projects as *Project Level Reporting* as required by the Agreement where the above mentioned first five statements may or may not be relevant.

f. Fund accountability statement

g. Statement of budget variance (Budgeted Vs Actual Expenditure Report)

7. Determination of accounting policies

This Standard does not specify recognition and measurement of specific transactions or events in the reference. Presentation of Financial Statements and determination of the accounting policies shall be made in accordance with this standard.

8. Accounting policies, errors and accounting estimates

a) Accounting policies and accounting estimates adopted for the preparation of the financial statements are equally applicable to accounting treatment of similar types of events and transactions.

b) Changes in accounting policies refer to change in accounting policy that was applied in the preparation of financial statements. Changes in accounting policies in this case include such changes like cost formula for inventory.

c) Requirement to change in accounting standards or policies: Change in accounting policy shall be done to enhance credibility of the Financial Statements for the purpose of providing more relevant information.

d) Changes in accounting estimates: Changes in the environment, acquisition of new information, accumulation of experience etc. call for the changes on the method of accounting estimates. In this case, the accounting estimates include estimates of loan, judgment and assessment of the obsolescence of inventories, estimation of liabilities, the future economic depreciation, expected significant changes in the consumption patterns, benefits embodied in the asset that affect the estimation of useful lives and residual values of depreciable assets.

e) Changes in accounting policies applied retrospectively, and the comparative financial statements is restated to reflect the modifications in accordance with the retrospective application.

f) Change of accounting estimates is processed prospectively accounting reflects the effect of the period after the change in estimates.

g) Correction for omission or misstatement: This refers to the modifications to the accounting omission or misstatement discovered in the current period, including the financial statements of the previous fiscal year. This should be done retrospectively.

9. Classification of financial statements

Important items are identified separately to best represent the content in the body of the financial statements. The important criterion, relating to the financial statements applies to the financial statements, the text and comments may differ.

10. Preparation of comparative financial statements

The format of the financial statements shall compare all the material information of the financial statements in order to increase the period comparability of financial statements. If the qualitative information in the financial statements is relevant to the understanding of the financial statements, comparative information shall be listed in the comments.

Chapter II
Statement of Financial Position

11. Financial Position

The elements directly related to the measurement of financial position are assets, liabilities and fund balance. These are defined as follows:

a) An asset is a resource controlled by the non-profit organization as a result of past events and from which future economic benefits are expected to flow to the entity.

b) A liability is a present obligation of the non-profit organization arising from past events, the settlement of which is expected to result in an outflow from the non-profit organization of resources embodying economic benefits.

c) Fund Balance is the residual interest in the assets of the non-profit organization after deducting all its liabilities.

Financial Statement reflects the financial position of the entire non-profit organizations as one unit. It shall indicate the content and amount of the net assets. Depending on the nature and needs of the non-profit organization, separate columns for each unique purpose operations and revenue divisions and assets can be displayed in the statement of financial position to distribute the net asset value of each column.

12. Creating value of financial position

12.1 Recognition of assets and liabilities

An item that meets the definition of an element should be recognized if:

a) It is probable that any future economic benefit associated with the item will flow to or from the non-profit organization; and

b) The item has a cost or value that can be measured with reliability.

12.2 Current and non-current assets

Since the end of the last fiscal year if the assets is expected to be realized or liquidated within a year that will be classified as current assets; otherwise, it is classified as non-current assets. Current assets and non-current assets are then divided as follows:

a) Current Assets: Working Capital: Cash and Bank, Inventories, Receivables, Advance;

b) Non-Current Assets: Investments, Tangible Assets, Intangible Assets, Other Non-Current Assets;

c) Debt: Since the end of the last fiscal year if the debt is expected to be liquidated within a year that will be classified as current liabilities; otherwise, it is classified as non-current liabilities.

12.3 Assets and liabilities items are presented in Financial Statement ranking from liquidity or current and non-current classification.

12.4 Assets and liabilities are not presented net in the Financial Statement.

13. Current assets

An asset should be classified as a current asset when it is (a) expected to be realized in, or held for sale or consumption in, the normal course of the NPO's operating cycle; or (b) held primarily for trading purposes or for the short term, and is expected to be realized within 12 months after the reporting period; or (c) Cash or (d) where operating cycle cannot be calculated, the standard 12 months as generally accepted operating cycle will be used for classification of current assets. All other assets should be classified as non-current assets.

a) Current assets include cash and cash equivalents, short-term investments, accounts receivable, prepaid expenses, accrued income, receivables, and advances.

b) Accounts Receivable: Allowance for doubtful accounts for accounts receivable is displayed on the Statement of Financial Position as a deduction from the assets.

14. Inventories

Inventories are assets held for sale in the ordinary course of operation; assets in the process of production sale in ordinary course of operating (finished goods) and materials and supplies that are consumed in the production process or in the rendering of services.

14.1 Measurement of inventories

An entity shall measure inventories at the lower of cost or net realizable value. Net Realisable Value (NRV) is the estimated selling price in the ordinary course of operating, less the estimated cost of completion and necessary to make sales. Any write down to NRV should be recognised as expense in the period in which the reversal occurs.

14.2 Cost of inventories

An entity shall include the cost of inventories all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Costs of purchase

14.3 The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

14.4 An entity may purchase inventories on deferred settlement terms. In some cases, the arrangement effectively contains an unstated financing element, for example, a difference between the purchase price for normal credit terms and the deferred settlement amount. In these cases, the difference is recognised as interest expense over the period of the financing and is not added to the cost of the inventories.

14.5 An entity shall include other costs in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

14.6 An entity shall not include abnormal waste, storage cost, administrative overheads related to production, selling cost, foreign exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency and interest cost when inventories are purchased with deferred settlement term.

Cost formulas

14.7 An entity shall measure the cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects by using specific identification of their individual costs.

14.8 An entity shall measure the cost of inventories by using the first-in, first-out (FIFO) or weighted average cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified. The last-in, first-out method (LIFO) is not permitted by this Standard.

Items are on occasion received as a donation by an NPO for distribution to beneficiaries or for sale with the proceeds being used for the benefit of such beneficiaries. Such items donated and held as at the Statement of Financial Position should be measured at fair value.

14.9 Cost of inventories of a service provider

To the extent that service providers have inventories, they measure them at the costs of their production. These costs consist primarily of the labour and other costs of personnel directly engaged in providing the service, including supervisory personnel and attributable overheads. Labour and other costs relating to sales and general administrative personnel are not included but are recognised as expenses in the period in which they are incurred. The cost of inventories of a service provider does not include profit margins or non-attributable overheads that are often factored into prices charged by service providers.

15. Investments

15.1 Investments in financial assets such as shares, government bonds; debenture etc. should be recorded initially at cost. Such assets should be re measured at lower of cost or net realizable value at the reporting date.

15.2 Investment in property are properties that are held to earn rentals or for capital appreciations. Investment in property should be measured initially at cost. For subsequent measurement an entity must adopt the cost model as its accounting policy for all investment properties.

Under the cost model, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Fair value is disclosed.

Gains and losses on disposal are recognised in Income and Expenditure.

16. Property, plant & equipment

16.1 Land

The accounting treatment of land acquired through different modes will be as follows:

a. Land acquired through purchase

Land should be recorded at the aggregate of the purchase price paid/payable and other costs incidental to acquisition such as registration charges.

In the case of land acquired under a scheme of compulsory acquisition, in the event that there is a dispute between the NPO and the previous owner whose land has been acquired, with regard to the rate of compensation, in determining the cost of land for purpose of the financial statements, an appropriate allowance shall also be included for the additional compensation that may become payable, provided the following conditions are satisfied.

(i) The payment of additional compensation is probable, and

(ii) The amount so payable can be reasonably estimated.

b. Land acquired free of cost

Land is sometimes provided by the government to the NPO free of cost. Land may also be provided by individuals or institutions through an endowment for specific purposes like construction of schools, for construction of parks and similar common facilities, etc. The cost of such land to NPOs is zero. In substance, such land received is a non-monetary grant and, accordingly both grant and asset shall be accounted for at the fair value.

Any incidental cost of acquisition such as registration charges shall be added to the above.

c. Vested government land

Such land is neither owned by the NPO nor do the economic benefits from the use of such land flow to the NPO. The ownership remains with the government and the NPO merely acts as a trustee in respect of such land. Such land shall therefore not be considered as an asset of the NPO. However, disclosure relating to same is to be made clearly.

16.2 Property, plant and equipment

a. Property, plant and equipment that is received directly as donations or endowments should be recognized as property, plant and equipment at fair value and a corresponding amount should be recognized as deferred income account. Such items should thereafter be depreciated while a corresponding amount could be transferred from the deferred income to the Statement of Income & Expenditure.

b. Where property plant and equipment is purchased as a part of a project through restricted funds which initially written off as project cost with corresponding income, if on conclusion of the project, the asset is not handed over to the beneficiary or returned to the original donor, the asset is valued at fair value on the conclusion of the project and brought into the financial statements under property plant and equipment with corresponding credit to a deferred income. Depreciation provided on such assets will be charged against such deferred income. For the purpose of depreciation, the date of valuation for inclusion in the financial statements is considered the date of purchase.

c. An item of property, plant or equipment purchased should initially be measured at its cost. The cost of an item of property, plant or equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted when arriving at the purchase price.

d. The depreciable amount (cost less expected proceeds from disposal) of an item of property, plant or equipment should be allocated on a systematic basis over its useful.

e. If an item of property, plant or equipment becomes impaired, in that it is unlikely to generate cash flows to absorb the carrying amount of the item over its useful life, its carrying value should be reduced to the cash flows to be recovered from the asset. Cash flows need not be discounted and could come from either the disposal value of the asset or from its continuing use. Indicators of impairment would include a significant decline in market values or obsolescence.

17. Tangible assets

a) Tangible assets are the assets which are used to produce goods or provide services, or an asset that has physical substance held for use or rent to others. It refers to assets that are expected to last for more than a year.

b) Tangible assets include land, building, structures, machinery, vehicles and include the assets under construction.

c) Accumulated depreciation and accumulated impairment of assets is shown in the statement of financial position as a deduction from the assets of each item.

d) In the case of disposal or disposition of assets, such assets are removed from the balance sheet (Statement of Financial Position) and recognize the difference between the disposal amount and the carrying amount of tangible assets as the gain or loss on disposal.

18. Intangible assets

a) Intangible assets are the assets used to produce goods or to provide services, and which are without physical substance held for use or are leased to others.

b) Intangible assets include intellectual property, development expenses, computer software, mining rights, and leases.

c) Intangible assets are shown in the statement of financial position as at the balance net of direct acquisition costs less accumulated amortization and accumulated impairment losses.

d) In case of the disposal of intangible assets, such assets are removed from the balance sheet (the statement of financial position) and recognize the difference between the disposal amount and the carrying amount of intangible assets as the gain or loss on disposal.

19. Other non-current assets

Other non-current assets include investments, tangible assets that do not belong to the intangible assets. Other non-current assets include leasehold properties, long-term prepaid expenses, and long-term receivables.

20. Floating debts and current liabilities

A liability should be classified as a current liability when it is: (a) expected to be settled in the normal course of the entity's operating cycle; or where operating cycle is not determination, standard 12 months would be considered as operating cycle and (b) Due to be settled within 12 months after the reporting period. All other liabilities should be classified as non-current liabilities.

Floating debt is the debt which is expected to terminate within one year. Current liabilities are short-term borrowings, trade payables, accrued expenses, accounts payable, advances, unearned revenue, deposit etc. It will also include current portion of long-term debt.

21. Non-current liabilities

Non-current liabilities refer to all liabilities except current liabilities. Non-current liabilities include long-term debt, security deposit; it will also include accrued severance benefits. With respect to defined benefit pension plan, NPO has to recognize the related plan assets and accrued severance benefits (plan liabilities) and should make necessary provision as per actuarial valuation to meet the liability of defined benefit plan as at the end of the relevant accounting period.

22. Accumulated fund and reserve

a. Unrestricted fund

Many NPOs have resources, which are available for the general purposes of the NPOs as set out in its governing document. This is the "unrestricted" or "general" fund of NPOs. Income generated from assets held in an unrestricted fund will be unrestricted income.

The NPOs governing body may earmark part of the NPOs unrestricted funds to be used for particular purposes in the future. Since the governing body has the power, at a future date, to re-designate such funds within unrestricted funds, they should be described as "designated funds" and, consequently, be accounted for as part of the NPOs unrestricted funds.

Unrestricted fund is equivalent to the NPOs own capital, and should be presented separately from restricted funds in the financial statements. However, in the case of projects that have been completed, any surplus remaining in restricted funds, if permitted by the relevant contract or agreement, may also be transferred for inclusion in the unrestricted fund.

b. Restricted fund

Nearly all NPOs hold funds that can be applied only for particular purposes within their overall objectives. These purposes are often imposed by donors (whether it be the Government or other donors) and contained in an agreement or may be self-imposed through announcements made during the course of a fund raising campaign, the media or other similar form of communication. Funds held for such specified usage are restricted funds and have to be separately accounted for in the financial statements. Income that is generated from assets held in a restricted fund will normally be subject to the same restriction as the original fund, unless the terms that imposed the original restriction specifically say otherwise.

A different form of a restricted fund is an "endowment", which is held on trust to be retained for the benefit of the organization as a capital fund. Such funds cannot normally be spent as if it were income to the organization. The income earned from such capital may, however, be utilized for restricted or other purposes of the organization. In some instances, the governing body may have a power of discretion to convert endowed capital into income within the acceptable legal framework. In such an event, and if such power be exercised, the relevant funds become restricted income or unrestricted income, dependent upon whether the governing body, within its discretion permits the funds to be expended for any of the purposes of the NPO, or only for the specific purpose. As a restricted fund, the endowment fund should, in any event, be separately accounted for in the financial statements.

*Restricted fund*s, also called "*Unspent Grant",* represent a part of Restricted Net Assets in NPOs.

c. Accumulated fund

This is the fund held by a nonprofit-making organization to which a surplus of income over expenditure is credited and to which any deficit is debited. The value of the accumulated funds can be calculated at any time by valuing the net assets (i.e. assets less liabilities) of the organization. The accumulated fund is the equivalent of the capital of a profit making organization".

However, although NPOs do not have ownership interests or profit in the same sense as commercial entities, they do nonetheless need a concept of capital maintenance, or its equivalent, to reflect "the relation between inflows and outflows of resources during a period". An organization may, during any period, draw upon resources received in past periods and still unutilized or set aside resources for use in future periods.

Maintenance of the accumulated fund of an NPO is based on the maintenance of its financial capital. An NPO's capital has been maintained if the financial value of its net assets at the end of a period equals or exceeds the financial value of its net assets at the beginning of the period.

If an NPO fails to maintain its accumulated fund, its ability to continue to provide services will dwindle and affect its ability to service future beneficiaries. Future resource providers may need to make up the deficiency, unless the organization has the ability to generate income, e.g. by fundraising, in order to avoid such decline.

Restricted funds constitute an important part of the accumulated fund of an NPO. It is therefore important to distinguish between the restricted accumulated fund and the general accumulated fund.

NPO is required to present the Statement of Change in Reserve covering all types of the reserves.

23. Net assets without restrictions

Net assets without restrictions from the donors include the assets created from unrestricted subsidy or grants from the donors.

24. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Entities do not necessarily sell assets at the prices paid to acquire them. Similarly, entities do not necessarily transfer liabilities at the prices received to assume them. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Chapter III
Statement of Income and Expenditure

25. Statement of income expenditure

a) The purpose of the Statement of Income and Expenditure is to reflect the impact and correlation of events and transactions that result in changes in net assets; it will provide useful information about the use of resources for the various activities and services.

b) Statement of Income and Expenditure portrays an integrated result of the entire non-profit organizations as one unit of financial statements. But, depending on the nature and needs of the non-profit organization separate columns for each unique purpose operation and revenue divisions the Statement of Income & Expenditure can be prepared in a way that distributes the amounts of revenue and expenses for each column.

26. Standards of statement of income and expenditure

Statement of Income and Expenditure indicate the fair value accounting of all revenues and all costs and other net assets belonging to a corresponding increase or decrease during the period.

27. Business profits

a) Business Profits refers to the increase in net assets arising as a result of recurring revenue business and business-specific purposes incidental thereto.

b) Business revenues are displayed, separated by a unique purpose business revenues and business profits.

c) Unique business objectives earnings contribution revenues to reflect the characteristics of the non-profit sector organizations, grant revenue, fee income, tuition revenue, are shown separately.

d) Profit business revenue if it deems not required to reflect in more detailed classification, the non-profit organization may disclose information in notes.

e) Interest income and dividend income arising from investments should be shown separately.

28. Revenue recognition and measurement:

28.1 Restricted and unrestricted revenue:

NPOs should distinguish between (a) *restricted* revenue, and (b) *unrestricted* revenue and each should be measured at the fair value of the consideration received or receivable. Different approaches are used for the recognition of (a) restricted and (b) unrestricted revenue.

a. ***Restricted revenue***

Restricted contributions are not gratuitous. They are based on agreements, contracts, or other understanding, where the conditions for receipt of the funds are linked to a performance, of a service or other process. The NPO earns the contribution through compliance with the conditions that have been laid down and meeting the envisaged obligations. Revenue should not therefore be recognized until there is reasonable assurance that the contribution will be received, and the conditions stipulated for its receipt have been complied with.

Subject to the above restricted contributions when recognized in the Statement of Income & Expenditure that must be matched against the related costs, which they are intended to compensate on a systematic basis. Effectively, such contributions should be recognized only to the extent that the NPO has provided the relevant services or performance.

On receiving any restricted contributions, e.g. as a bank deposit, the contribution should be recognized to the restricted fund account in the Statement of Financial Position and corresponding effect in the bank account. Thereafter, on a systematic basis, (e.g. at the end of each month), an amount equivalent to that which has been spent on agreed "restricted" activities during the month, should be taken to income, by debiting the restricted fund account in the Statement of Financial Position and crediting restricted Income account.

By following this procedure, the net result of restricted Income and direct project expenses of any particular transaction in the Statement of Income & Expenditure will normally be zero ("0"). Any amount in excess of or less than zero would therefore, reflect results from other captions, e.g. unrestricted income or expenses not linked to project activities, or any surplus remaining in a restricted fund, provided that the donor has permitted such surplus to be transferred as unrestricted revenue.

b. ***Unrestricted revenue***

Revenue that arises from general unrestricted resources has characteristics similar to revenue in entities and should be treated accordingly. It should only be recognized when the amount of revenue can be measured reliably, or when it is probable that the economic benefits associated with the transaction will flow to the NPO. That is, at the time when no significant uncertainty exists with regard to the amount of the consideration that will be derived from, for example, membership fees, sundry donations, consultancy fees, sale of goods or other sources of unrestricted income.

The Statement of Income & Expenditure is designed to include all the gains and losses of an NPO, which would be found in the Statement of Income and Expenditure of an organization.

28.2 Donation/grant is recognized as revenue when the actual donation is received in cash or in kind.

28.3 Donation received in-kind should be measured at fair value.

28.4 Even if the actual fee to be paid is not received, force recognizes revenue when the recovery becomes certain.

28.5 Restricted grants are to be recognized as revenue when the defined conditionality is met. Such contributions shall be recognized as an increase in net assets that is not recognized as revenue unless the defined conditions are met.

29. Revenue recognition of government grants

If there is no restriction on the use of the government subsidies or grants, such grants/ subsidies are recognized as income on its receipt. If there are restrictions on the use of the government subsidies or grants it shall be recognized as an increase in net assets not as revenue till the conditions are met.

30. Business expenses

a) Business expenses refer to a reduction in net assets arising as a result of recurring revenue business and business-specific purposes incidental thereto.

b) Project costs will be identified separately as unique purpose business expenses and revenue.

c) Unique business functional cost shall be classified by nature.

d) Unique purpose of business functional expenses shall be classified as describes in the following subparagraphs:

   (i) Cost of doing business: The cost incurred to achieve the original purpose or mission of the non-profit organization. That is the cost of the activities that provide goods or services.

   (ii) General and Administrative Expenses: This cost include the costs and expenses incurred in raising overall management activities that include fundraising expenses incurred to organize fundraising event, donors list management etc.

   (iii) It should distinguish the unique purpose of project costs by nature from other General Administrative Costs like personnel cost, bonus, retirement benefit, training cost etc. Facility cost that include the cost of land used in the operation of non-profit organizations, building, structures, depreciation and amortization, costs associated with vehicles, rent, maintenance costs etc.

e) The purpose is to show the unique business expense costs separately and divide by nature for the cost of each segment as analytical information as a disclosure.

31. Common cost allocation

If any cost item is related to more than one activities and allocation of costs is required between the activities. In this case it should be applied consistently to establish a reasonable allocation basis according to the operating nature and method of operation of non-profit organizations as follows:

a) Personnel costs shall be allocated on the basis of their time by the relevant personnel committed to each activity.

b) Facility costs (if the facilities area and frequency of use associated with each activity can be distinguished) are allocated directly depending on the area and frequency of use basis. Otherwise it can be divided based on the other suitable distribution method.

c) Other cost items usually proportional to each activity by personnel costs and facility costs are allocated in accordance with those standards or shall apply other appropriate allocation criteria.

32. Business income

a) Business Income refers to a non-profit business profits.

b) Business Income includes interest income, dividend income, profits and gains from the disposal of investment, assets revaluation, reversal of impairment of intangible assets, gains from the disposal of intangible assets, etc.

33. Business expenses

Business expenses are interest expenses, loss on valuation of investments and loss on disposal of intangible assets, impairment loss, loss on disposal of intangible assets etc.

34. Income tax expense

a) Usually the not for profit organization are tax exempt. If not exempted, incidence of tax should be disclosed as current taxes for the income tax pertaining to the reporting period and wherever deferred tax implication may arise deferred tax assets/ liability and deferred tax income/expense should be recognized and disclosed.

b) Current tax should be charged directly to the relevant fund account, if the tax relates to items that are credited or charged, in the same or a different period, directly to such a fund account.

c) The tax expense (income) should be presented on the face of the Statement of Income & Expenditure.

d) Where an entity is entitled to tax exemption, the disclosure of such fact is to be made as explanatory notes appropriately. Where an exemption is available, deferred tax is not calculated and considered at all.

35. Foreign currency translation

Generally foreign currency monetary assets (cash, bank, investment, other assets and liabilities except PPE and reserves) would be translated initially at exchange rate prevalent on date of initially recognition and recording (the exchange rate to be applied will be banker buying rates). The transactional difference will be recognized as exchange difference arising on transaction date. At the end of reporting period, the monetary assets or liability held in foreign currency other than under reporting currency will be revalued by applying the exchange rate as considered (to be applied consistently the rate considered) and difference would be recognized as exchange difference revaluation gain or loss which is charged to the Statement of Income & Expenditure.

Chapter IV
Cash Flows Statement

36. The purpose of the cash flow statement

a) The purpose of the Cash Flow Statement is to provide information on the cash inflows and outflows over a period of time.

b) Cash flow statement should be prepared for the entire non-profit organization as one unit. But, depending on the nature and needs of non-profit organizations, the cash flow statement can be prepared in separate columns for each unique purpose operation and revenue divisions.

37. Preparation of cash flow statement

a) The cash flow statement has to be prepared properly disclosing the contents of the cash inflows and outflows pertaining to the period.

b) Cash flow statement shall disclose the cash flow from operating activities, investment activities and financing activities separately. Cash flow from these three activities is added to the opening cash balance to derive the closing cash balance.

38. Cash flow from operating activities

a) Operating activities include all transactions and events are not included in investing activities or financing activities.

b) Operating cash flows are not restricted donation income, grant income, fee income, investments income, patient care income. This includes operating income and revenue.

c) Operating cash outflow include labor costs, facility costs, other expenses, and operating expenses.

39. Method of preparation of cash flow statement

Cash Flow Statement can be prepared by applying the direct method or the indirect method.

a) Direct Method: Where by major classes of gross cash receipts and gross cash payments are disclosed;

b) Indirect Method: Whereby Profit or Loss/Statement of Income & Expenditure is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

c) Expenses not involving cash outflow: Depreciation and amortization cost, bad debts written off, impairment of assets, revaluation loss etc.

d) **Income not involving cash inflows:** Reversal of impairment, revaluation gain etc.

40. Cash flow from operating activities

The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the non-profit organization have generated sufficient cash flows to repay loans, maintain the operating capability of the non-profit organization and make new investments without recourse to external sources of financing.

Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the non-profit organization. Therefore, they generally result from the transactions and other events that enter into the determination of statement of Income and Expenditure. Examples of cash flows from operating activities are:

a) Grant received from various donors.

b) Cash receipts from the sale of goods and the rendering of services;

c) Cash receipts from royalties, fees, commissions and other revenue;

d) Cash payments to suppliers for goods and services;

e) Cash payments to and on behalf of employees;

f) Cash payments or refunds of income taxes; and

g) Cash receipts and payments from contracts held for dealing or trading purposes.

41. Cash flow from investing activities

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are:

a) Cash payments to acquire property, plant and equipment, intangibles and other long-term assets.

b) Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;

c) Cash lending and recovery activities;

42. Cash flow from financing activities

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

a) Cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short- term or long-term borrowings;

b) Cash repayments of amounts borrowed; and

c) Cash payments by a lessee for the reduction of the outstanding liability relating to a lease.

Chapter V
Recognition and Measurement of Assets

43. Recognition criteria for assets

a) Assets are initially recognized at acquisition cost;

b) The exchanged assets or assets received as grant or free of charge are recognized at the fair value (The exchange assets in transactions between independent parties in a reasonable judgment to deal with the amount of debt that can be settled.)

c) Except when prescribed separately, if the obsolescence of assets resulted a sharp decline in market value, the difference between the recoverable amount of the asset and the carrying amount is the impairment loss. Then the value of the assets shall be carrying amount minus impairment loss.

d) Fair Value: Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

e) Use in value: The Use Value is the present value of the future cash flows expected to be derived from an asset reduced by the impairment loss recognized in the past. If the amount of the recoverable amount of the asset exceeds its carrying amount that is recognized as a reversal of impairment losses. But if the carrying amount is increased by the reversal of an impairment loss that shall not exceed the depreciation and amortization of the remaining balance of the entire carrying amount and the impairment loss recognized in the past.

44. Measurement and recognition of restricted fund

Restricted funds should be presented in the Statement of Financial Position at the time of receipt, - that is, when received as cash or deposited to the bank account - or at the time when there is *reasonable* assurance that it will be received.

45. Accounts receivable and revaluation of receivables

a) If the receivables could not be recovered in full or part of the principal or interest, such trade receivables shall be impaired providing the provision or allowance for bad or doubtful debts applying reasonable and objective criteria. The new carrying amount of the receivables shall be the difference between the existing carrying amount and allowance for doubtful debts.

b) Allowance for accounts receivable are operating expenses (bad debt expense).

46. Assessment of tangible assets and intangible assets

a) Acquisition of tangible and intangible assets cost refers to the amount including the costs that are directly relevant to reach the location and condition necessary to operate the asset in a manner intended as purchase price or production cost.

b) Subsequent to initial recognition, tangible assets and the carrying amount of the intangible asset shall be determined in accordance with the following subparagraphs.

(i) Tangible Assets: Acquisition costs including capital expenditure less accumulated depreciation and accumulated impairment losses.

(ii) Intangible Assets: Acquisition costs including capital expenditure less accumulated depreciation and accumulated impairment losses at the acquisition cost

(iii) The depreciable amount of an intangible asset and amortized target amount of the asset is determined by subtracting the residual value at the acquisition cost is amortized basis over the useful lives from the time of use of the asset.

(iv) The useful life of tangible and intangible assets should reasonably determined by considering the expected period of use of an asset.

(v) Depreciation method and amortization method of tangible assets and intangible assets are determined at a reasonable way that reflects the form in which the economic benefits of the assets is represented.

(vi) Tangible assets that have historical value, such as art exhibition being held for the purposes of education and research work, remains the same does not reduce the value.

47. Revaluation of PPE

a) An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of assets.

b) Cost model: After recognition as an asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

c) Revaluation Model: After recognition as an asset whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

d) When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount.

e) The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

f) If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

g) If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in net worth under the heading of revaluation surplus. However, the increase shall be recognized in Statement of Income & Expenditure to the extent that it reverses a revaluation decrease of the same asset previously recognized in Statement of Income & Expenditure.

h) If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in Statement of Income & Expenditure. However, the decrease shall be recognized in net worth to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in net worth reduces the amount accumulated in capital fund under the heading of revaluation surplus.

48. Revaluation of investment in securities

Investments in financial assets such as shares, government bonds; debenture etc. should be recorded initially at cost. Such assets should be re measured at lower of cost or net realizable value at the end of each fiscal year.

49. Valuation of accrued severance benefits

a) Retirement benefit is an amount equivalent to the severance to be paid to the current and former employees which is the part of the liabilities in the statement of financial position.

b) If the NPO set a defined contribution plan, NPO does not recognize the related plan assets and accrued severance benefits. But the NPO must pay the contributions for the relevant accounting period which is the cost of the relevant accounting period.

c) If the NPO set a defined benefit plan, NPO has to recognize the related plan assets and accrued severance benefits (plan liabilities) and should make necessary provision as per actuarial valuation to meet the liability of defined benefit plan as at the end of the relevant accounting period.

CHAPTER VI
Disclosures

50. Definition

Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management's stewardship of the resources entrusted to it. Accounting events that cannot be displayed in the body of the financial statements, there is the requirement of other information as it exerts significant influence on the financial statements or necessary to the understanding of the financial statements. The disclosure of the additional information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

51. Essential requirements of disclosures

The following describes disclosure requirements of a non-profit organization beyond what was required or permitted to be written as comments from other provisions of this standard.

a) Introduction of the non-profit organizations and its activities;

b) The accounting policies adopted by non-profit organizations (including recognition criteria of assets, liabilities, income and expenses)

c) Nature of the organization;

d) The contents of the cash and cash equivalents;

e) Highlights of debt that must be repaid in cash;

f) The contents of in-kind donations

g) Collateral received or provided;

h) Related parties and details of the contents of important transactions with them;

i) The contents of the court cases at end of the fiscal year and cases currently in progress, litigation amount, etc.

j) Other disclosure that are relevant to the matters specified in the general description of the non-profit organization accounting standards and with material amount;

52. Disclosure of restricted and unrestricted fund

The following should be disclosed:

a) The accounting policy adopted for restricted funds and unrestricted funds, including the methods of presentation in the financial statements;

b) The nature and extent of restricted contributions recognized in the financial statements, and an indication of other forms of assistance from which the organization has directly benefited; and

c) Unfulfilled conditions and contingencies attaching to assistance that has been recognized.

53. Optional disclosures

In addition to the basic requirements of disclosure of the information required in order to enhance the usefulness of financial statements and fair presentation the preparer and the auditor may add additional disclosure to enrich the quality of the financial statements. For example, a non-profit organization may prepare and disclose the financial information based on product or department for the purpose of the internal management. It may indicate the information as regard to the restricted and unrestricted fund and assets.

54. Explanatory notes (notes to Financial Statements)

The non-profit organizations may give explanatory note for the financial statements in order to promote the understanding and for convenience of the users of financial statements.

a) Explanatory notes should be presented with cross reference in the main body of the financial statements and in the disclosure and notes to accounts;

b) If there are more than one comments relating to an individual items in the financial statements, that shall be appeared accordingly with cross reference;

Applicability

55. Applicability

This Standard shall be applicable from July 16, 2020 and early application shall be permitted. In case of the early application that fact shall be disclosed.

56. Transitional provisions

This standard shall be applied retrospectively. If it is impracticable to undertake the retrospective application of the full requirements of this standard, then that shall be applicable from the first accounting period that can be practically applied this standard.

Model Financial Statements for NPOs

(Based on NAS for NPOs)

Model Financial Statements for NPOs (Based on NAS for NPOs)

Background: Fiscal transparency is very paramount for non-profit organizations to promote a healthy contribution culture to support it. It is also important to enhance social recognition. There is need of common accounting standard for NPOs so that the financial statements prepared by NPOs can be easily understood by users familiar with general purpose financial statements. The users may also compare the financial statements prepared by different NPOs.

Therefore, financial reporting of non-profit organizations are required to meet the information needs of different stakeholders, therefore this model gives the typical format of the Financial Statements of NPO in a common minimum basis in the following section.

1. STATEMENT OF FINANCIAL POSITION

XYZ - NPO NEPAL
STATEMENT OF FINANCIAL POSITION
As at ...... Ashadh 20XX (..... July 20XX)

(NRs. in '000)

Particulars	Notes	Current Year	Previous Year
ASSETS			
Non - Current Assets			
Property, Plant and Equipment	4.1	XXXX	XXXX
Intangible assets	4.2	XXXX	XXXX
Investment Property		XXXX	XXXX
Long term Investments		XXXX	XXXX
Other noncurrent assets		XXXX	XXXX
Total Non - Current Assets		**XXXXX**	**XXXXX**
Current Assets			
Inventories	4.3	XXXX	XXXX
Accounts receivable	4.4	XXXX	XXXX
Cash and cash equivalents	4.5	XXXX	XXXX
Total Current Assets		**XXXXX**	**XXXXX**
Total Assets		**XXXXX**	**XXXXX**
LIABILITIES & RESERVES			
Accumulated Reserves			
Unrestricted Funds/accumulated surplus	4.6	XXXX	XXXX
Designated Funds	4.7	XXXX	XXXX
Restricted Funds	4.8	XXXX	XXXX
Endowment Fund	4.9	XXXX	XXXX
Other Capital Reserves	4.10	XXXX	XXXX
Total Accumulated Reserves		**XXXXX**	**XXXXX**
Non - Current Liabilities			
Loans and borrowings		XXXX	XXXX
Employee benefit liabilities		**XXXX**	**XXXX**
Deferred Revenue		XXXX	XXXX
Other non-current liabilities		XXXX	XXXX
Total Non - Current Liabilities		**XXXXX**	**XXXXX**
Current Liabilities			
Accounts payable	4.11	XXXX	XXXX
Loans and borrowings		XXXX	XXXX
Provisions	4.12	XXXX	XXXX
Bank overdrafts	4.13	XXXX	XXXX
Total Current Liabilities		**XXXXX**	**XXXXX**
Total Liabilities		**XXXXX**	**XXXXX**
Total Liabilities and Reserves		**XXXXX**	**XXXXX**

The Notes on accounts form an integral part of the financial statements.

2. STATEMENT OF INCOME & EXPENDITURE

XYZ - NPO NEPAL
STATEMENT OF INCOME AND EXPENDITURE
For the Year Ended ...... Ashadh 20XX (..... July 20XX)

(NRs. in '000)

Particulars	Notes	Current Year	Previous Year
INCOME			
Incoming Resources	4.14	XXXX	XXXX
Financial Income		XXXX	XXXX
Other Income		XXXX	XXXX
Total Income		**XXXXX**	**XXXXX**
EXPENDITURE			
Staff Cost/Expenses	4.15	XXXX	XXXX
Program Expenses	4.16	XXXX	XXXX
General Administrative Expenditure		XXXX	XXXX
Depreciation		XXXX	XXXX
Other Expenditure		XXXX	XXXX
Total Expenditure		**XXXXX**	**XXXXX**
Net surplus/(deficit) before Taxation		XXXX	XXXX
Income Tax Expenses	4.17	XXXX	XXXX
SURPLUS/(DEFICIT) FOR THE YEAR		**XXXXX**	**XXXXX**
APPROPRIATION OF SURPLUS FOR THE YEAR			
Allocation to Reserves		XXXX	XXXX
Allocation to Endowment Fund		XXXX	XXXX

The Notes on accounts form an integral part of the financial statements.

3. STATEMENT OF CHANGES IN RESERVES

XYZ - NPO NEPAL
STATEMENT OF CHANGES IN RESERVES
For the Year Ended ...... Ashadh 20XX (..... July 20XX)

(NRs. in '000)

Description	Restricted Reserves	Designated Fund	Unrestricted Reserves	Endowment Funds	Capital Reserves	Result for the Year	Total
Balance as at ..... Ashadh 20X9	**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXXX**
Result for the Year						XXXX	**XXXXX**
Allocation of results to Restricted Reserves	XXXX					(XXXX)	**XXXXX**
Allocation of results to Designated Fund		XXXX				(XXXX)	**XXXXX**
Allocation of results to Unrestricted Fund			XXXX			(XXXX)	**XXXXX**
Allocation of results to Endowment Fund				XXXX		(XXXX)	**XXXXX**
Allocation of results to Capital Fund					XXXX	(XXXX)	**XXXXX**
Balance as at 01 Shrawan 20X0	**XXXX**		**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXXX**
Result for the Year						XXXX	**XXXXX**
Allocation of results to Restricted Reserves	XXXX					(XXXX)	**XXXXX**
Allocation of results to Designated Fund		XXXX				(XXXX)	**XXXXX**
Allocation of results to Unrestricted Fund			XXXX			(XXXX)	**XXXXX**
Allocation of results to Endowment Fund				XXXX		(XXXX)	**XXXXX**
Allocation of results to Capital Fund					XXXX	(XXXX)	**XXXXX**
Balance as at ..... Ashadh 20X1	**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXXX**

The Notes on accounts form an integral part of the financial statements.

4. STATEMENT OF CASH FLOWS

XYZ - NPO NEPAL
STATEMENT OF CASH FLOWS
For the Year Ended ...... Ashadh 20XX (..... July 20XX)

(NRs. in '000)

Particulars	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/ (deficit) for the year (Before Tax)	XXXX	XXXX
Adjustments to reconcile surplus/(deficit) to net cash flows: **Non-cash items:**		
Depreciation and impairment of property, plant and equipment	XXXX	XXXX
Amortization and impairment of intangible assets	XXXX	XXXX
Provision and losses on inventories	XXXX	XXXX
Movement in provisions, receivables and specific risks	XXXX	XXXX
Interest and securities income	(XXXX)	(XXXX)
Losses/ (gains) on securities	(XXXX)	(XXXX)
Gains from disposal of fixed assets	(XXXX)	(XXXX)
Working capital adjustments:		
Accounts receivable	(XXXX)	(XXXX)
Prepayments	XXXX	XXXX
Inventories	XXXX	XXXX
Other financial assets	(XXXX)	(XXXX)
Accounts payable	XXXX	XXXX
Accrued expenses and deferred income	(XXXX)	(XXXX)
Other financial liabilities	XXXX	XXXX
Less:		
Income Tax Paid	(XXXX)	(XXXX)
Interest paid	-	-
Net cash from/(used in) operating activities	**XXXXX**	**XXXXX**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property Plant and Equipment	(XXXX)	(XXXX)
Purchase of intangible assets	(XXXX)	(XXXX)
Proceeds from sale of equipment	XXXX	XXXX
Purchase of securities	(XXXX)	(XXXX)
Interest received	XXXX	XXXX
Income from securities, net	XXXX	XXXX
Net cash from/(used in) investing activities	**XXXXX**	**XXXXX**

Particulars	Current Year	Previous Year
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing of government loans	XXXX	XXXX
Repayments of government loans	(XXXX)	(XXXX)
Net cash from/(used in) financing activities	**XXXXX**	**XXXXX**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**XXXXX**	**XXXXX**
CASH AND CASH EQUIVALENTS AT 01 Shrawan 20X0	**XXXXX**	**XXXXX**
CASH AND CASH EQUIVALENTS AT ..... Ashadh 20X1	**XXXXX**	**XXXXX**

The Notes to accounts form an integral part of the financial statements.

5. FUND ACCOUNTABILITY STATEMENT

XYZ NPO Nepal
Fund Accountability Statement of ABC Fund
Financial Year: 20X0/20X1

Project
Project Code:
Village/Municipality: **District:**

(NRs. in '000)

A	Sources of Fund	Previous Year Actual	Current Year Budget	Fund Received During the Period				
				Q1	Q2	Q3	Q4	Total to Date
	Opening Fund Balance							
	Fund Received during the Period							
	Less: Unused fund refund							
	Total Fund Available (A)							

B	Expenditure (As per Budget Line)	Previous Year Actual	Current Year Budget	Expenditure During the Period				Total to Date
1	Activity 1.1							
2	Activity 1.2							
3	Activity 1.3							
4	Activity 1.4							
5	Activity 1.5							
Total Expenditure (B)								
Fund Balance (A-B)								
Fund Balance Represented by:								
SN	**Particulars**	**Closing Fund Balance for the Period**						
1	Cash Balance							
2	Bank Balance							
3	Advance & Receivables							
4	Payables							
Total								-

Prepared By: **Reviewed by:** **Approved by:**

Date:

6. STATEMENT OF BUDGET AND EXPENDITURE

XYZ NPO Nepal

Statement of Budget and Expenditure (Variance Analysis) of ABC Fund

Year:							
Period:							
Project Title:							
Donor:							
Currency:							
Activity Description	**Source of Fund/ Donor**	**Budgeted Expenditure for the Period**	**Actual expenditure for the Period**	**Over/ Under spent in NPR**	**Actual Spent %**	**Percentage of Over/ Under spent**	**Explanation for over/ Under spent**
Output 1							
Activity 1.1							
Activity 1.2							
Activity 1.3							
Output 2							
Activity 2.1							
Activity 2.2							
Total		-	-	-			

7. STATEMENT OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

XYZ - NPO NEPAL
Statement of Accounting Policies and Notes to Financial Statements
For the year ended ..... Ashadh 20X1 (..... July 20XX)

1. General Information

XYZ - NPO Nepal is a non-governmental not for profit organization established under Institute Registration Act ("Sanstha Darta Ain") …….. It is established on ---------------- and affiliated with Social Welfare Council/District Administration Office. Its registered office is in -------------- as principle place of activities.

It is domiciled in Nepal and is the local representation of XYZ - NPO in the foreign country.

Except for certain activities that will conclude on the realization of their relevant activities in accordance with the relevant terms of reference, the financial statements have been prepared on going concern basis.

2. Basis of Preparation

2.1 Statement of Compliance

The Statement of Financial Position, Statement of Income & Expenditure, Statement of Changes in Reserves, Statement of Cash Flows together with the Accounting Policies and Notes to the financial statements as at ..... Ashadh 20X1 and for the year then ended comply with the Generally Accepted Accounting Principles to the extent applicable and the Nepal Accounting Standards for NPOs (NAS for NPOs) issued by Accounting Standard Board of Nepal.

The Financial Statements were authorized for issue as per decision of the Board or Executive Committee dated……………………..

2.2 Basis of measurement

The financial statements have been prepared using the historical cost convention or at Fair value wherever specifically disclosed.

2.3 Functional and presentation currency

The financial statements are presented in Nepali Rupees (NRs.), which is the organization's functional and presentation currency. All financial information presented in Rupees has been rounded to the nearest rupees/thousands/million, except when otherwise indicated.

2.4 Changes in Accounting Policies and Disclosures

The Accounting policies have been consistently applied, unless otherwise stated, and are consistent with those used in previous years.

2.5 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the accounting policies. The management makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions.

(The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are to be disclosed).

3. Summary of significant accounting policies

3.1 Property Plant and Equipment

a. Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Subsequent to the initial recognition of an asset, property plant and equipment are carried at cost less any subsequent depreciation. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the Statement of Income & Expenditure as an expense as incurred.

Buildings owned are used for purposes of XYZ - NPO Nepal only and not for income generating purpose and therefore do not fall under the definition of Investment Property.

b. Depreciation

Depreciation is provided for on all Property Plant and Equipment on the straight-line basis and is calculated on the cost of all property, plant and equipment other than land, in order to write off such amounts less any terminal value over the estimated useful lives of such assets.

The annual rates of depreciation currently being used by XYZ - NPO Nepal based on useful life less residual/terminal value are:

Assets	Rate pa.
Buildings	2 ½%
Motor Vehicles	20%
Computer equipment	33%
Computer software	33%
Office Equipment	20%
Furniture and Fittings	10%

[*Please note these rates are for purpose of the illustrative statements only and not recommendations*]

Donated Assets

Where property plant and equipment is purchased as a part of a project through restricted funds which initially written off as project cost with corresponding income, if on conclusion of the project, the asset is not handed over to the beneficiary or returned to the original donor, the asset is valued on the conclusion of the project with the approval from funding agencies and brought into the financial statements under property plant and equipment with corresponding credit to a Capital Reserve. Depreciation provided on such assets will be charged against such capital Reserve. For purpose of depreciation the date of valuation for inclusion in the financial statements is considered the date of purchase.

3.2 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost minus any accumulated amortization, except for assets with indefinite useful lives. Internally generated intangible assets are not capitalized; expenditure is therefore reflected in the Statement of Income & Expenditure in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortized over their useful economic life. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Accordingly, straight line amortization over the useful life is carried out.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

3.3 Foreign-currency transactions

Transactions in currencies other than Nepal Rupees are converted into Nepal Rupees at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets (including securities) and liabilities denominated in foreign currency are converted into Nepal Rupees at the rate of exchange at that date. Realized and unrealized exchange differences are reported in the Statement of Income & Expenditure.

3.4 Cash and cash equivalents

XYZ - NPO Nepal considers and classifies cash in hand, amounts due from banks and short-term deposits with an original maturity of three months or less under the category of “Cash and cash equivalents”. Bank borrowings that are repayable on demand and form an integral part of the XYZ - NPO Nepal’s cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash flows.

3.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the price at which inventories can be reasonably expected to be sold in the market place, less any estimated cost necessary to make the sale.

The cost is determined on first-in first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

Items donated for distribution or resale are not included in the financial statements until such time they are distributed or resold.

3.6 Provisions

A provision is recognized in the statement of financial position when XYZ - NPO Nepal has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation, and the obligation can be measured reliably.

3.7 Employee Benefits Liabilities

The organization's obligation in respect of the defined future benefit plans is calculated separately for each benefit plans by estimating the amount of future benefit that employees have earned in the current and prior periods. The calculation of the defined benefit obligations is performed annually.

Gratuity, medical facilities & accumulated leave provision has been provided as per By-Laws, assuming that all the staffs will be retired at the reporting date.

3.8 Loans and Borrowings and Account Payables

Loans and Borrowings and Accounts payables are stated at their cost.

3.9 Accounting for the receipt and utilization of Funds/Reserves

Reserves

Reserves are classified as either restricted or unrestricted reserves.

a. <u>Unrestricted Reserves/Funds/accumulated surplus</u>

Unrestricted funds are those that are available for use by XYZ - NPO Nepal at the discretion of the Board, in furtherance of the general objectives of XYZ - NPO Nepal and which are not designated for any specific purpose.

Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant Donor Agreements or with the prior approval of the Donor.

Contributions received from the general public are recognized in the Statement of Income & Expenditure on a cash basis.

b. Designated Reserves/Funds

Unrestricted funds designated by the Board to a specific purpose are identified as designated funds. The activities for which these funds may be used are identified in the financial statements.

Where grants are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the Statement of Income & Expenditure to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective Fund accounts and included under accumulated fund in the Statement of Financial Position until such time as they are required.

Funds collected through a fund raising activity for any specific or defined purpose are also included under this category.

Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received such amount is recognized through Debtors in the Statement of Financial Position.

c. Restricted Fund

The activities for which these restricted funds may and are being used are identified in the notes to the financial statements Restricted Reserves/Funds. Such restricted fund may include conditions for refund should there be balance of fund at the end of the project.

d. Endowment Reserves/Funds

Where assets are received as an endowment, which are not exhausted, only the income earned from such assets may be recognized and used as income.

e. Investment Income and other gains realized from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise. Where such income can be used for general purpose, same shall be treated as income in the Statement of Income & expenditure.

3.10 Grants and Subsidies

Grants and subsidies are recognized in the financial statements at their fair value. When the grant or subsidy relates to an expense it is recognized as deferred income necessary to match it with the costs over the accounting years, which is intended to compensate for on a systematic basis.

Grants and subsidies in the form of PPE (Fixed assets) are generally shown as deferred income in the Statement of Financial Position and credited to the Statement of Income & Expenditure over the useful life of the asset by the amount of depreciation with corresponding debit to deferred income over more than one accounting period.

In the case of grants received to fund an entire project or activity, which includes the purchase of an asset, and the cost of such asset is charged with the project costs to the Statement of Financial Performance, the grant value is recognized as income in the same period as the cost of the asset is charged to the Statement of Income & Expenditure. At the end of the project, when there is certain fair value remains of such assets charged to Statement of Income & Expenditure, same will be recognized as capital reserve at fair value with corresponding value of PPE. Each year and over its useful life, the depreciation will be charged to capital reserve with corresponding credit to related PPE.

3.11 Income recognition

a. Contributions/Incoming Sources

Income realized from restricted funds is recognized in the Statement of Income & Expenditure only when there is certainty that all of the conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Statement of Income & Expenditure. Unutilized funds are carried forward as such in the Statement of Financial Position.

Gifts and donations received in kind are recognized at fair value at the time that they are distributed to beneficiaries, or if received for resale with proceeds being used for the purpose of XYZ - NPO Nepal at the point of such sale. Items not sold or distributed are inventoried but not recognized in the financial statements.

All other income is recognized when XYZ - NPO Nepal is legally entitled to the use of such funds and the amount can be quantified. This would include income receivable through fund raising activities and donations.

b. Financial Income

Interest earned is recognized on an accrual basis when there is certainty of receipt.

Dividend received is recognized when the right to receive dividend is established.

Revenues earned on services rendered are recognized in the accounting period in which the services were rendered and accepted by the clients.

Net gains and losses on the disposal of property, plant and equipment and other non-current assets, including investments, are recognized in the Statement of Income & Expenditure after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses.

c. Other income is recognized on an accrual basis except otherwise categorically explained to be on cash basis.

3.12 Expenditure recognition

Expenses in carrying out the projects and other activities of XYZ - NPO Nepal are recognized in the Statement of Income & Expenditure during the period in which they are incurred. Other expenses incurred in administering and running XYZ - NPO Nepal and in restoring and maintaining the property plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the Statement of Income & Expenditure.

3.13 Taxation

a. Current Taxes

Income tax is provided in accordance with the provisions of the Income Tax Act on the profits earned by XYZ - NPO Nepal subject to exemptions referred to in Note xx to the financial statements.

b. Deferred Taxes

Deferred Tax is provided on the difference between the values of assets and liabilities as per the Statement of Financial Position and as listed for the purpose of Income Tax as at the date of the Statement of Financial Position adjusting for any differences that will not reverse in the foreseeable future.

The carrying amount of such deferred taxes will be reviewed at each date of the Statement of Financial Position and will be increased by virtue of any new assets being included or be reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Or

XYZ - NPO Nepal has got tax exempted status and accordingly no provision for tax has been made.

c. Value added taxes

Value added taxes (VAT) that are payable on services and goods purchased are normally included in the cost of such item. An exception would be where XYZ - NPO Nepal is exempted and entitled to refund, in such case, same would be reflected as receivable in the Statement of Financial Position.

Or

In case of NPO is VAT registered and required to file returns, in such case, VAT paid on services and goods will be shown as receivable. Generally, in such VAT NPO, income will also be vatable hence will be required to issue VAT invoices. In such case, VAT invoices are shown as payable and on monthly filing difference between payable and receivable will be swapped and difference if payable is settled.

3.14 Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset, are charged off to Statement of Income & Expenditure as expense. Other borrowing costs are treated as an expense in the period in which it is incurred.

3.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of XYZ - NPO Nepal. It may also be a present obligation that arises from past events but in respect of which an outflow of economic benefit is not probable or which cannot be measured with sufficient reliability. Such contingent liabilities are recorded under Note xx. For certain operational claims reported as contingent liabilities, it is not practical to disclose detailed information on their corresponding nature and uncertainties.

Note: Each entity is entitled to provide additional information on accounting policies or rewrite the above narrative to reflect more realistic information.

4. Notes to the Financial Statement

4.1 Property Plant and Equipment

Item	Opening balance	Additions during the year	Disposals during the year	Balance at ...03.20X1
Land	XXXX	XXXX	XXXX	XXXX
Buildings	XXXX	XXXX	XXXX	XXXX
Vehicles	XXXX	XXXX	XXXX	XXXX
Computer equipment	XXXX	XXXX	XXXX	XXXX
Office Equipment	XXXX	XXXX	XXXX	XXXX
Furniture and Fittings	XXXX	XXXX	XXXX	XXXX
	XXXXX	**XXXXX**	**XXXXX**	**XXXXX**
Capital work in progress	XXXX	XXXX _	XXXX _	XXXX _
Total	**XXXXX**	**XXXXX**	**XXXXX**	**XXXXX**

Depreciation

Item	Balance as at 01.04.20X0	Charge for the year	Disposals during the year	Balance as at ...03.20X1
Land	XXXX	XXXX	XXXX	XXXX
Buildings	XXXX	XXXX	XXXX	XXXX
Motor Vehicles	XXXX	XXXX	XXXX	XXXX
Computer Equipment	XXXX	XXXX	XXXX	XXXX
Office Equipment	XXXX	XXXX	XXXX	XXXX
Furniture and Fittings	XXXX	XXXX	XXXX	XXXX
	XXXXX	**XXXXX**	**XXXXX**	**XXXXX**
Capital work in progress	XXXX	XXXX _	XXXX _	XXXX _
Total	**XXXXX**	**XXXXX**	**XXXXX**	**XXXXX**

4.2 Intangible Assets

Item	Balance as at 01.04.20X0	Additions during the year	Disposals during the year	Balance as at ...03.20X1
Software	XXXX	XXXX	XXXX	XXXX
Emblem	XXXX	XXXX	XXXX	XXXX
Other Intangible Assets	XXXX	XXXX	XXXX	XXXX
Total	**XXXXX**	**XXXXX**	**XXXXX**	**XXXXX**

Amortization

Item	Balance as at 01.04.20X0	Charge for the year	Balance as at ...03.20X1
Software	XXXX	XXXX	XXXX
Emblem	XXXX	XXXX	XXXX
Other Intangible Assets	XXXX	XXXX	XXXX
Total	**XXXXX**	**XXXXX**	**XXXXX**

4.3 Inventories

Particulars	20X1	20X0
Raw Materials and Consumables	XXXX	XXXX
Finished Goods and Goods for Sale/use	XXXX	XXXX
Work In progress	XXXX	XXXX
Stationary and printings	XXXX	XXXX
Project materials	XXXX	XXXX
General inventory	XXXX	XXXX
Total	**XXXXX**	**XXXXX**

Note: Above items of inventories are illustrative only, the classification needs to include all kind of inventories NPOs carry which could be stationary, publication materials, general materials, project materials etc.

4.4 Accounts Receivable

Particulars	20X1	20X0
Deposits and Advances	XXXX	XXXX
Prepayments	XXXX	XXXX
Withholding taxes	XXXX	XXXX
Other accounts receivable	XXXX	XXXX
Less: Allowance for accounts receivable	(XXXX)	(XXXX)
Total	**XXXXX**	**XXXXX**

Notes: Where any amount become difficult to recover due to various reasons, then in such cases, the account receivable is considered as impaired and allowance for account receivable (previously known as doubtful receivable) will be made;

4.5 Cash and cash equivalents

Particulars	20X1	20X0
Cash in hand	XXXX	XXXX
Cash at bank	XXXX	XXXX
Short-term deposits	XXXX	XXXX
Total	**XXXXX**	**XXXXX**

4.6 Unrestricted Funds

Particulars	20X1	20X0
Balance at beginning of the year	XXXX	XXXX
Unrestricted surplus/deficit in operating activities	(XXXX)	(XXXX)
Balance at end of the year	**XXXXX**	**XXXXX**

4.7 Designated Funds

Particulars	20X1	20X0
Balance as at beginning of year	XXXX	XXXX
Additional Funds received during the year	XXXX	XXXX
Balance as at year end	**XXXXX**	**XXXXX**

Designated for

Activities 1	XXXX	XXXX
Activities 2	XXXX	XXXX
Activities 3	XXXX	XXXX
Total	**XXXXX**	**XXXXX**

Restricted Funds

Particulars	20X1	20X0
Balance as at beginning of year	XXXX	XXXX
Additional Funds received during the year	XXXX	XXXX
Transfer to Unrestricted Funds	(XXXX)	(XXXX)
Balance as at year end	**XXXXX**	**XXXXX**

Project wise allocation and movement in Restricted Funds

Name of Donor Organization	Project Name/ Description	Balance brought forward	Received /restricted surplus during the year	Transferred to Statement of Income & Expenditure	Interest Income on Restricted Funds	Balance carried forward shown in restricted fund balance
ABC						
PRO						
MNC						
ZTI						
Total						

4.8 Endowment Funds

Particulars	20X1	20X0
Balance at beginning of the year	XXXX	XXXX
Surplus/deficit for the year	(XXXX)	(XXXX)
Balance at end of the year	**XXXXX**	**XXXXX**

4.9 Other Capital Reserves

Particulars	20X1	20X0
Balance at beginning of the year	XXXX	XXXX
Surplus/deficit for the year	(XXXX)	(XXXX)
Balance at end of the year	**XXXXX**	**XXXXX**

4.10 Accounts Payable

Particulars	20X1	20X0
Refundable to donors	XXXX	XXXX
Prepayment received	XXXX	XXXX
Advances from Suppliers	XXXX	XXXX
Accrued Expenses	XXXX	XXXX
Other Payables	XXXX	XXXX
Total	**XXXXX**	**XXXXX**

4.11 Provisions

Particulars	20X1	20X0
Balance as at the beginning of the period	XXXX	XXXX
Allocations during the year	XXXX	XXXX
Use of provisions during the year	XXXX	XXXX
Release of provisions during the year	(XXXX)	(XXXX)
Total	**XXXXX**	**XXXXX**

4.12 Bank overdrafts

Particulars	20X1	20X0
Bank 1	XXXX	XXXX
Bank 2	XXXX	XXXX
Total	**XXXXX**	**XXXXX**

4.13 Incoming Resources

Particulars	20X1	20X0
Grants - Restricted Funding	XXXX	XXXX
Grants - Unrestricted Funding	XXXX	XXXX
Income from endowments	XXXX	XXXX
Donations from the public	XXXX	XXXX
Corporate Fundraising	XXXX	XXXX
Gifts in kind	XXXX	XXXX
Profit from trading or other activities [refer (a)]	XXXX	XXXX
Other fund raising activity	XXXX	XXXX

(a) Profit from trading activities

Particulars	20X1	20X0
Sale Proceeds	XXXX	XXXX
Cost/Fair value of items	XXXX	XXXX
Profit earned	XXXX	XXXX

4.14 Staff Cost

Particulars	20X1	20X0
Wages and salaries	XXXX	XXXX
Allowances and benefits	XXXX	XXXX
Post-employment benefit costs	XXXX	XXXX
Total	**XXXXX**	**XXXXX**

4.15 Program Expenses

Particulars	20X1	20X0
Program 1	XXXX	XXXX
Program 2	XXXX	XXXX
Program 3	XXXX	XXXX
Program 4	XXXX	XXXX
Total	**XXXXX**	**XXXXX**

4.16 Income Tax Expense

Applicable rates of tax and the relevant tax regimes

As per the Nepalese Income Tax Act XYZ, NPO Nepal is liable to be taxed at x% for any surplus during the accounting period where it fails to receive income tax exemption status.

Or alternatively

XYZ - NPO Nepal has got tax exempted status and accordingly no provision for tax has been made. However, income tax deducted at sources of income has been charged to such revenue and reflected net of such withholding tax. Total of such withholding tax amounts to.

4.17 Capital Commitments

XYZ - NPO Nepal has committed to building 10 houses in ….. in ….. District at a cost of Rs. xxx of which a sum of Rs. xxx has been expended as at the date of the Statement of Financial Position.

4.18 Contingent Liabilities

XYZ - NPO Nepal has committed to provide equipment to a value of Rs. xxx to other beneficiaries on the basis of funds to be provided by Donor X. In the event that these funds are not received XYZ - NPO Nepal would be required to meet this cost.

4.19 Related Party Transactions

XYZ - NPO Nepal has entered into a contract with P and Sons to provide computer equipment to a value of Rs. xxx. Owner of P and Sons is also director or executive members or employees of XYZ NPO Nepal.

Disclosure of remuneration paid to CEO/GM and top and management team including those paid to Executive members. Those executive members involved in the activities of NPO and remuneration paid thereof should also be disclosed or any relevant related parties transaction should be disclosed.

<u>**Note: Each entity is entitled to provide additional information on accounting policies or rewrite the above narrative to reflect more realistic information.**</u>

* * *

Appendix A

Effective Date and Transition

This Standard shall be operative for the Financial Statements covering the period beginning on or after July 16, 2020. Earlier application is permitted. If an entity applies this Standard for a period beginning before July 16, 2020, it shall disclose that fact.