

Analyzing the Accounting Recognition and Measurement: The Case of NPS

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Abstract:

The NPS tend to follow social accounting requirements that are based on “Logical and systematic analysis of the organization activities impact on the society and other stakeholders and to show this effect information in the financial statements” Due to the social nature of the NPS’ activities. In this sense the accounting recognition is the start point of the comprehensive accounting function. While the accounting measurement is one of the influencing elements of the accounting function, and its importance increased by moving towards the accounting compatibility for this sector organizations. Therefore, the organizations must be in an accountable position, Not only for the owners or shareholders (traditional concept), but to the society for its overall operations and activities. So, the researchers addressed and analyzed in this paper the following. First, the accounting recognition and measurement in the NPS. Second, the accounting presentation and disclosure in the NPS.

Keywords: NPS, Accounting Recognition, Social Capital, Disclosure.

1- Introduction:

Accounting has emerged as a bookkeeping art in the fourteenth century. Then it has been turned into a knowledge based on scientific principles and logical assumptions with the late 18th century. Then the need to develop a general theory for accounting has been emerged in the early twentieth century. In that sense, the Accounting thought - academic and applied - cared about the need to set a general accounting theory consists of a set of accounting concepts, principles and assumptions that can regulate the professional accounting performance. In order to adjust and control the comprehensive accounting function in terms of the accounting recognition, measurement, presentation and disclosure of the applied performance in businesses and services organizations (Albaz & Albaz, 2019). But, according to existence of fundamental difference in the NPS’ nature, activities, fund-resources, expenditures and the usage of these funds as NPOs from the FPOs. It became necessary to develop appropriate accounting practices to regulate the financial operations and events carried out by these NPOs in order to enable them to prepare and submit financial statements and reports characterized by a high level of fairness and transparency. So these proposed



practices must focus on clarifying the financial reporting objectives, and identify the requirements of the accounting recognition, measurement, presentation and disclosure. In addition to identify the required financial statements in the financial reports. Which motivate the researcher to determine the comprehensive accounting function's dimensions in the NPS in the light of these differences.

It is worth noting that the accounting thought is brimming with previous studies in the field of the development of the accounting function at the level of for-profit organizations, but in contrast to the non-profit, although more than 35 over the year with the conclusion about the weakness of the accounting practices in NPOs (Kaba, 2021) But till now this conclusion still the main conclusion of the academic studies in this field.

The NPS tend to follow social accounting requirements that are based on “Logical and systematic analysis of the organization activities impact on the society and other stakeholders and to show this effect information in the financial statements” (Clerkin, 2021) Due to the social nature of the NPS’ activities. In this sense the accounting recognition is the start point of the comprehensive accounting function. While the accounting measurement is one of the influencing elements of the accounting function, and its importance increased by moving towards the accounting compatibility for this sector organizations. Moreover, the accounting presentation and disclosure issue are the most controversially debate in the NPS. Furthermore, Academic studies tended to assert that the accounting in the contemporary concept must serve the organizations and society at the same time, regardless of Organization’s objective, and Based on the concept of accountability and especially the social accountability ((Andreas & Costa, 2014)& Costa, 2014). Therefore, the organizations must be in an accountable position, Not only for the owners or shareholders (traditional concept), but to the society for its overall operations and activities. So, the researchers addressed in this paper the following: First: the accounting recognition and measurement in the NPS. Second: the accounting presentation and disclosure in the NPS.

2- The Accounting Recognition and Measurement in the NPS:

2.1- The Accounting Recognition and Measurement’s Concept:

Accounting recognition is the first step in the comprehensive accounting function. And the framework of the financial statements Preparation and presentation in the Egyptian financial accounting standards has provided in 2006 a definition for the accounting recognition as. “Recognition is the process of an enrollment in the balance sheet or income statement that meets the definition of an element and satisfies the criteria for recognition”. It is expected that item achieves future economic benefits, and has a cost or value which can be measured with degree of confidence.

Also the accounting recognition defined by the generally accepted accounting practice in the United Kingdom (UK GAAP). As “The official recording process or including the item in the entity financial statements as an asset or liability or revenue or expense or the like”. And at the international level, international financial reporting standard (IFRS1) Provided a definition for the accounting recognition as. “The accounting recording process or show the entity’s items officially in the financial statements, when These items apply to the definition of element and meet the recognition criteria, and the recognition includes Item description in words and cash amount and show that amount in the balance sheet or income statement”. Moreover, the conceptual framework of the International Accounting Standards Board (IASB) identified in paragraph (83) the requirements of the accounting recognition that must be met in any item in order to be recognized in the financial statements and reports and in the following:

- The Item should meet the element definition.
- Assess the degree of uncertainty with regard to economic benefits associated with the item to or from the entity.
- The cost or value of the item can be measured reliably and can be expressed in the form of monetary units.
- Appropriate and reliability of the item.

On the other hand, the Accounting Measurement for items after the accounting recognition is the second step in the comprehensive accounting function. (Pianezzi, 2021) And the Egyptian Accounting Standards provided a definition for the accounting measurement as. “Measurement is the process of determining the monetary value at which the elements of the financial statements are to be recognized and carried in the balance sheet and income statement. This involves the determination of the particular basis of measurement.”. And it is correspondence to the definition given by the International Accounting Standards Board (IASB) in the conceptual framework paragraph (99). Simplifying a little, the accounting measurement’s concept is determining the value of the recognized item using the monetary unit in the financial statements and reports.

From above, The Accounting recognition represents a vital importance in the NPS. (Kuruppu & Lodhia, 2020)Where it plays an essential role in determining the degree of credibility associated with the information of financial statements. Due to its ability to show the real essence of the recognized items. Especially with regard to the revenue elements. On the other hand, the NPS prepare the financial statements in order to enable the stakeholders in decisions- making. So these statements should be realistic and reflect the financial events carried out by the NPO and also be appropriate to the needs of decision makers. And free from errors and complexity. This suggests that, the financial statements are prepared and presented after elements measurement.

Accordingly, the importance of accounting measurement appeared. Therefore, the choice of the appropriate accounting measurement basis to achieve these purposes and financial statements characteristics must be far from bias and confers more transparency and reliability. So if the measurement process has done accurately and efficiently. It reflects that in financial statements with high quality financial information (G. & Valahi, 2010) Either if any problems emerged in the measurement process, it reflects inappropriate financial statements to decisions-making. Consequently, the NPS need to identify and unify the accounting policies used in the following areas:

- 1- Justifications about the accounting practices for fixed assets, depreciation and the used approach.
- 2- How to determine the value of the fund-resources, especially restricted funds and volunteer services?
- 3- The How to express equity, especially, it’s not similar in concept and nature of the FPS.

2.2- The consequences of the NPS’ nature on the accounting recognition and measurement’s dimensions with the financial statements and reports items:

There has been considerable debate surrounding the accounting function’s Dimensions, where The NPS’ nature influences the criteria of the accounting recognition and measurement with the financial statement items and elements. The researcher reviewed these consequences as following:



2.2.1. Assets:

the main argument between the professional bodies represented in that questions: Are all fixed assets' categories must capitalize and depreciate? In reality, there are several reasons why NPOs do not depreciate their fixed assets: (Iatridis & Valahi, 2010)

If capital assets are purchased by using the donations and contributions, there is no cost to the charities. Therefore, there is no need to cover the cost from revenues and no depreciation charge is needed. This argument assumes that the fixed assets will either not be replaced or when they are, there will be a fresh set of willing donors.

- A. In the most NPOs has a depreciation which not consistent with current fund accounting system, which reflects a receipts and payments situation since depreciation is an expense not a payment.
- B. NPOs believe that fixed assets are provided by past generations for current capital needs, so future needs should be provided by future generations. Therefore, there is no need for accounting depreciation.
- C. NPOs prefer to acknowledge expense fixed assets at once because it would reduce their reported surplus and the level of fixed assets held. This would portray an appealing image of a lack of funds. It may be argued, however, that an impoverished image may also be achieved by capitalizing their fixed assets and then depreciating them to reduce income
- D. NPOs believe that the assets will be maintained by the current condition and therefore there is no need to amortize it.

Where (Hooper, Sinclair, Hui, & Mataira, 2008) study provided a response to these justifications, and referred to the necessity of assets capitalization and depreciation. Because In the case of non-depreciation, the asset value will be exaggerated in the financial statements. It is illogically that asset value continues to remain stable for a period of five consecutive years for example. Although the researcher observed different views in the academic research about the treatment of asset's depreciation in NPOs and summarized it in two main point of views:

The First point of view: The supporters of these point of view believe that the bases and methods of asset depreciation did not apply to NPO, (Pianezzi, 2021) but the organization must recognise assets as operating expenses, carry on the year in which it acquired, Similar to the government's accounting system. Based on, these organizations are non-profit.

The Second point of view: The supporters of these points of view believe that assets must be capitalized and depreciated in NPOs, since the effect of the decrease in productivity value of assets per year, as it will affect the asset's performance, and causes more expenses associated with the asset.

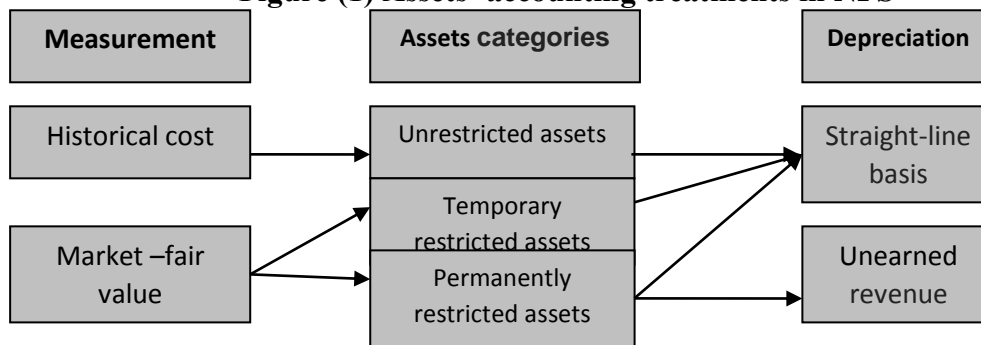
The Researchers point of view consistent with the second point of view. And suggests to divide the Egyptian NPS' assets into three main categories from the management's ability to make-decisions view. Where the first category is an Assets owned by the NPO from their own money or unrestricted fund or donations (unrestricted assets), the second category is an Assets owned by the NPO from contributions with a temporary restriction (temporary restricted assets), the third category is an Assets owned by the NPO from endowment (permanently restricted assets). So according to this proposed classification. There is a need for a special accounting treatment for each of these asset categories to provide credibility to the value of these assets in financial statements and reports.

International Accounting Standard (IAS16) determined the rules of the accounting recognition and measurement with fixed assets and depreciation in general. And it gave preference to the historical cost over the fair value (Barth, 2014). And this standard agreed

with the Egyptian Accounting Standard No. (10) That. Requires to measure any fixed assets to use the historical cost. while the American Institute of Certified Public Accountants (AICPA) provided a treatment to the contributions of fixed assets in NPOs as follows: "contributions of property and equipment should be recognized at fair value". Also, financial accounting standard board (FASB) issued Standard No. 93 for Accounting in non-profit units, this standard requires to depreciate all fixed asset. And according to the requirements of (SORP) in the United Kingdom. All assets should be capitalized and depreciated (Pianezzi, 2021). The disagreement here from the researcher perspective is that: If the accounting recognition and measurement of assets and its depreciation will be with the same manner for these three categories. And what is the best depreciation method to the NPS' nature According to the Egyptian environment?

The Researchers think that the NPO must recognize and measure assets with its historical cost if this asset was bought or created by the NPO (the first category). And if the assets came from a donation or contribution. Its value should be measured based on the fair market value at the acquisition date (second category). But for the assets (third category) in addition to measure its value with fair market value. Its value should record in the debt side of the SOFP. And the NPO needs to add the same value to unearned revenue account in the credit side. And after that. The NPO should depreciate all assets, according to (matching) principle. On a straight-line basis over the expected useful economic life. So the Researcher summarized assets' accounting treatments as following:

Figure (1) Assets' accounting treatments in NPS



After the expiry of economic life, the original was kept totally within the record of fixed asset which was totally depreciated, in case if it is still in use. And re-assessing its value, and calculating the depreciation in the same previous method and rate. In order to ensure a complete account of all NPO's assets. Regardless their book value as long as it still used in the NPO's operational activities.

2.2.2- Liabilities:

the Academic Views varied on how to recognize and measure Liabilities in NPOs. But most of these Views have agreed that there is no difference between the accounting recognition and measurement's requirements with Liabilities in NPOs and FPOs. Especially with The absence of a relative weight of these liabilities in the financial reports of NPOs. Consequently, Liabilities are recognized when it is expected outflow of the resources which included economic benefits. And resulting from the payment of a current pledge (Goncharenko, 2021). And this amount can be measured with a degree of confidence. Therefore, the NPO should use the historical cost as a measurement method when the liability occurs, then settled in the best estimate if it remained as a liability at the date of financial



reporting, but if these Liabilities have a long-term feature, it should be recognized and measured at the present value. (SORP)

2.2.3- Social capital (net assets):

Equity is the residual interest in the assets of the entity after deducting all its liabilities. (IFRS, CFFR). Where the equity's concept in the NPS is different from its concept in the traditional accounting thought. Whereas there are no shareholders or owners or real capital can be traded between individuals (Boomsma, 2021). And therefore the equity in the NPS is considered as a social capital represents the net assets (unrestricted; temporary restricted; permanent restricted). And in the case of liquidation, the social capital goes to the Subsidy fund of NPS and institutions.

2.2.4- Expenditures:

Expenditures considered that the amount of funds which spent on the NPO's activities from fund-resources. Where expense is each decrease in the value of the NPS's assets or increase in their obligations. And items recognized as expenses in the financial statements of the CA if it met the following three criteria: (Goncharenko, 2021)

- **Obligation:** The existence of a present obligation in the financial report time resulting from previous operations.
- **Probabilism:** If the prospect of Economic benefits transmission including funds more than not.
- **Measurement:** If the cash value of the obligation can be measured or estimated accurately.

At the international level, the general failures of the NPOs to transparently report expenditure within the financial statements to allow identification of the apportionment of central costs to the activities being funded has been observed (Mack, Morgan, Breen, & Cordery, 2017) Where the accounting recognition with expenditure facing several challenges:

- The recognition with volunteer services, especially with the non-availability of the second condition for the recognition which requires item to have a cost or Value can be measured with degree of confidence.
- Recognition with non-current restricted fund, it is recognized as an asset or an expense.
- The difficulty of linking the activities of NPO outputs with its costs.

From the organizational aspect, at international level, many Regulators have established such criteria for the expenses. For example, the US Better Business Bureau sets a threshold of 65 percent; that is, at least 65 percent of expenses should go directed to charitable activity programs (van der Heijden, 2013). The U.S Accounting Standard No. (117) highlighted the need to report for expenditure in functional form, and classified according to the services programs or supporting services in the statement of activities. And prepare a separate statement for expenditure with functional classification. Where the lack of uniformity in the recognition and measurement's methods with expenditure will lead to a lack of consistency and ability to compare between the percentage of each item of expenditure over different financial periods and the sector as a whole. (Breen, 2013)

Therefore, the researchers think that the expenditure recognition and measurement in the NPS' financial statements must be in functional form According to an accrual basis. And when any reduction in the future economic benefits happened Due to a decrease in an asset or an increase in the obligation. This means that the recognition of expenses occurs simultaneously with the recognition of assets decrease or Liabilities increase.

2.2.5. Revenues:

Revenue has identified according to the Egyptian Accounting Standard No. (11) As. “The total economic benefits flow within the entity, during the financial period, which arises from the practice of the entity ordinary activities”. Where the problems related to revenues in the NPOs usually associated with the accounting policies which adopted in the accounting recognition and measurement. (Albaz & Albaz, 2019)

In general, the accountants allowed to use both of cash basis and accrual basis (**Aldoseri et al., 2022**) at the same time in the financial reporting. But the usage of accrual basis is the common basis where most of the donations and contributions are in the form of future pledges to pay certain funds. And often a few of these pledges are honest (Hooper, Sinclair, Hui, & Mataira, 2008) On the other hand, International Accounting Standard (IAS18) in paragraph (9/10) illustrated that revenue must be measured at fair value of the amount received or recoverable. And Due to the special nature and the diversity of revenue resources in the NPOs. Financial Accounting Standard Board (FASB) issued accounting standard No. 116; under entitle “accounting for contributions received and contributions made”. Although (SORP) in the United Kingdom identified several criteria for the revenue recognition in general as follows: (SORP)

- Entitlement – control over the expected economic benefits that flow from the donation has passed to the charity and any performance conditions attached to the donation have been fully met.
- Probabilism – it is more likely than not that the economic benefits associated with the donated item will flow to the charity.
- Measurement – the cash value or value to the charity of the donated item can be measured reliably.

In practical reality, the revenue recognition represents the most difficult accounting problems facing NPOs, due to the variation of the accounting treatments followed in the financial reports from organization to another in this sector. Where the organization is characterized by the multiplicity and diversity of revenue sources and its difference in terms of nature, characteristics and usage conditions and the degree of certainty. Therefore, the organization cannot rely on one standard for revenue recognition (Clerkin, 2021)

So the main question facing the accounting thought about revenue in NPOs is that How can the organization recognize in-kind donations and volunteer services? Which led many NPS to non-recognition or include this type of revenue in the financial reports due to the difficulty of the accounting recognition. From above Researcher will review the following accounting treatments for revenue in the NPS:

2.2.5.1. Current Unrestricted Funds: grants, donations and contributions received by the CA without any restrictions or conditions on its usage. Therefore, they are considered the financial resources that used by the NPO to meet the general current spending fields as one of the unrestricted revenue types. And usually these funds are in cash form. Thus, these funds should be recognized as income at the date of acquisition.

2.2.5.2. Non-Current Restricted Funds: Contributions received by NPO and used in a certain aspect of spending or purposes. So these funds are considered as additions to the NPO equity. Where the terms and conditions for its usage have determined by the donor. And these funds valued by fair value. but when there is no direct evidence of fair value for an equivalent item, SORP has provided alternatives (Goncharenko, 2021)

- To recognise the value that incurred by the donor to earn these contributions to the society.



- In the case of goods that are expected to be sold, the estimated of resale value after deducting the cost to sell the goods.
- So, the Common types of these fund units are:
- Endowment contributions, such as the suspended funds, land endowment.
- Gifts and donations for the purchase of fixed assets.

2.2.5.3. Legacies: funds or assets which donors recommend to transfer/convert its ownership to the NPS. And in accounting thought, the accounting recognition with Legacies is divided into two themes:

- Legacies' recognition as assets: Legacy should be recorded as an asset when the NPO confirmed legally that it became one of the beneficiaries in a Legacy with a specified asset or fund. But if this asset or fund doesn't have a specified value, it does not allow for the NPO to record the Legacy as an asset in the SOFP with any estimated value. And it's sufficient to make a note about the Legacy in the financial report. And Considered as investment assets or assets for private purposes.
- Legacies recognized as revenue: If Legacy is unrestricted or in the form of an endowment fund. Legacy should be recorded as revenue when the NPO receives it, and it appears in the SOFA at the same time which have been recorded as an asset in the SOFP. However, if it restricted for Current spending purposes or for fixed asset additions. It must be treated in the same manner in which the NPO treats the contributions allocated for the purchase of fixed assets or contributions allocated to current expenditure.

2.2.5.4. Voluntary Services:

Voluntary service is an important source for NPOs and the third sector in general. It's considered one of the most important factors of these organizations to survive and achieve its operational sustainability (van der Heijden, 2013) Indeed, voluntary Services contributions rarely represented in the financial reports with the same degree that represented the financial resource contributions. Despite the fact that a large percentage of the value generated in the NPOs comes through voluntary Services (Kaba, 2021). Therefore, as a result of the unique characteristics and the spread of recognition widely with the volunteers' contributions as an essential source for the implementation of social activities, there are calls for NPOs for the recognition of all volunteer services in the financial reports in a monetary manner. (Narraway, 2009, p.11; O'Brien and Tooley, 2013, p. 280)

In the Arab Republic of Egypt, the NPS rely on the implementation of some of their activities mainly on voluntary services from their members or others, Such as legal and advisory, facilities and other, so, Are these services recognized and disclosed in the financial statements? Whereas the researcher can determine the Voluntary service's recognition requirements in the following points:

- These Voluntary services should represent an important part of the activities carried by the CA, usually not provided by unpaid volunteers, but get paid by NPO
- There must be control of performing these services.
- There must be a reliable basis of an objective evaluation of the Voluntary services.
- These Voluntary services should be having significant value in the NPO activities, and the omission of record it leads to misreporting about the financial situation of the NPO.
- Results of Voluntary services provided to the NPO must be useful not only to members of the NPO, but to the general public.

Through the literature of many studies. The researcher found varied methods for Voluntary services' recognition in the financial reports of NPOs at the international level as follows:

- Volunteer services have disclosed in form of thanking those in charge within the Board of Directors Report, with an explanatory diagram of the nature of these services.
- Disclose the number of volunteer work hours
- Disclose the number of social activities that have been performed through Voluntary work.

In other words, the recognition with the vital role of the Voluntary contributions in achieving the operational sustainability in NPOs, so, the lack of disclosure about these contributions in the financial reports means that it doesn't impact on the operational capacity of the NPOs. In contrast to the actual reality.

Therefore, there are Varying Academic views about how to measure the value of volunteer services. Indeed, there are two main approaches: firstly; Voluntary Services' Evaluation based on the output, this approach indicates to evaluate volunteer services with the output's value which contributed to achieve. But despite the realism of this approach, but it faces a big challenge represented in the difficulty of determining the volunteer service's contribution in the final output, in addition to the difficulty of calculating the output value in itself. (Albaz & Albaz, 2019) so, the Researcher suggests to adopt the second approach, which is, Voluntary Services' Evaluation based on replacement cost, this approach means, Volunteer services can be measured with the replacement basis, its imply, Through the "replacement cost" or "market cost" per hour Volunteerism, In case if the NPO replace them with unpaid hours to perform the same activities carried out by volunteer services, and After the recognition and measurement of these services value, Its value is recognized as revenue in the SOFA in a separate item in unrestricted funds, and On the expenditure side The services value appear loaded on certain activities. Or appear in the SOFP in form of an asset if these services are crystallized in the end, in the form of fixed asset, then the nature and accounting treatment of these services must be attached to the financial report.

2.2.5.5. Non- Monetary Contributions:

The CA receives several types of Non-monetary contributions, which are in the form of fixed assets or in-kind. And these contributions should be recognized and recorded in the financial statements. Thus, these contributions should be recorded at market value (fair) at the date of acquisition, where the market value is the price of buying a similar or the same asset at the date of acquisition, and occasionally the NPO gets the right to use certain asset without owning it. (Albaz & Albaz, 2019) In this case, the recognition of these facilities depending on the price Which the NPO can get from the market at the date of acquisition, and recorded in the financial statements as a revenue and expense at the same time. And the evaluation of these services should be with the minimum value.

It is worth mentioning that, if these facilities were granted to the NPO for more than one financial year. Its value appears in each financial year as revenue and expense, and it is sufficient to be referred to the value of the facilities for future years in the financial statements notes, and the value of each year appears in the statements of the relevant year

2.2.5.6. Pledges:

Pledges are promises from donors to contribute with a specific amount of fund to the NPO. Where we find that donors pledge in writing form to the NPO to pay a specific value on secondary payments, these contributions may be in the form of Bills of exchange or promissory notes, where US standard (116) requires NPOs to record pledges as revenue in the financial period of this pledge. But some academic views considered that this treatment may lead to a lack of credibility in the financial statements and distort the financial indicators (Andon, 2015) Where it is necessary to recognize and record these contributions as it arise as assets and unearned revenues at the same time. And reduce both of asset and unearned



revenue annually by the actual amount which received from these pledges (ASB). Thus, the researcher summarized the difference between this treatment and the Standard No. (116) in the time of pledge's recognition as income in the financial statements in order to avoid the risk of uncertainty.

2.2.5.7. Governmental Grants and Subsidies:

Governmental Grants and subsidies are considered one of the main fund-resources for the NPS (Kuruppu & Lodhia, 2020), the Egyptian Accounting Standard No. (12) And international standard No.20 Identified the governmental grants as. "Assistance from the government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity". But here the NPO must distinguish between the concept of subsidy and grant, where the Subsidies are short-term assistance to fund activities associated with the organization's main operations or funding the organization activities in extraordinary circumstances. Meanwhile grants are long-term assistance to fund activities associated with the investment activities, and the NPO should not recognize the governmental grants and subsidies until it has assurance that:

- The NPO will comply with the conditions related to the grants or subsidies.
- The grants or subsidies will be delivered to the NPO at specific time
- the possibility to determine the fair value of the subsidy or grant with a degree of confidence
- The possibility to record the expenses related to the terms of the subsidy.

In the accounting thought, there are two methods for the accounting treatment about the governmental grants that have been discussed (Stănciulescu, 2021) in the International Accounting Standard (IAS20) and the Egyptian Accounting Standard No. (12), the first method is the capital approach, and the second method is the income approach, but the international standard did not give a preference to any approach, the researcher think that the reliance on the income approach is the best method for the NPS in accordance with the following reasons:

- The absence of the traditional concept of capital in the NPS.
- Government grants considered as financial resources received by the NPO and are often in the cash form
- The nature of governmental grants for NPS differs from those provided to FPOs, which are often state recovered after a certain period in contrast to the NPS' grants that are not recovered.
- Governmental grants are restricted, therefore, the NPO gaining government grant through a commitment to certain conditions or commitments linked to the grant, and therefore it should be recognized as income to match the expenses related to it.
- In the case, governmental grants are in the form of in-kind resources grants it's imply non-cash, the recognition of the grant and the asset Shall be with fair value, and record it in the financial statements.

The Researchers summarized the key considerations for the accounting recognition and measurement with the governmental subsidies and grants as follows:

- Tax advantages or reduction granted on governmental benefits or exemptions do not fall within the scope of the governmental subsidies and grants
- The governmental subsidies and grants measured with the fair value of the assets that were acquired by the NPO to commitment to the implementation of the governmental policies or programs
- Governmental cash subsidies and grants should be included in the SOFA in a separate item of revenue

- Governmental in-kind subsidies and grants should be included in the SOFP as a separate item According to the terms of the grant or subsidy granted as an asset (unrestricted; restricted temporarily; permanently restricted), and shall apply the followed depreciation method.
- Governmental Subsidies or grants received in advance, which are for more than one financial period must be included in the SOFP as a separate item and record within the unearned revenue
- cash flows resulting from subsidies related to the operational activities (cash) Classified in the SOCFs in the cash flows of operational activities either cash flows resulting from government grants (assets) recorded within the investment activities.

From the above, there are some considerations should be taken into account when the NPO disclosing the governmental subsidies and grants such as:

- A. The Nature, conditions and commitments associated with the governmental subsidies or grants.
- B. Accounting policies used in the treatment of the governmental subsidies and grants (cash; in-kind)
- C. Conditions or contingent commitments which led to the failure of the NPO's commitment to the subsidy or grant.
- D. The governmental subsidies and grants account at the end of each financial period. and it provide logical justification for this balance

3. Conclusion:

This paper aims to unify the accounting recognition and measurement practices in the NPS and reduce existing differences in order to improve the information quality and increase the reliability to serve the decision-making and performance evaluation as the second Part aims to set the foundations for the accounting presentation and disclosure of the elements of the financial statements and reports in the NPS. The researchers think 'although the NPS' commitment to implement the regulations issued by the Ministry of Social Solidarity and the concerned authorities'', but they note the following:

- The limited role of the Central Auditing Agency in controlling the NPS and its interest only with the formal aspects and the extent of the application of the financial regulations, regardless for the content and substance which decreases the confidence in the financial control over the Private NPOs system.
- The generality of the NPO's financial regulations led each NPO to interpret these regulations according to its view.
- The financial regulations didn't include the accounting treatments for all the NPS' operations
- The dependence on the personal judgment significantly in some accounting treatments, due to the absence of a unified accounting standard for the NPS. which led to the difficulty of making comparisons between the NPS in the economic, social and accounting terms despite the similarity of economic and social activity of NPS in general



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