

An Accounting Update for the SCFDG

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Marion Hopper
Hardie Caldwell LLP



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CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Synopsis

- A brief review of current legislation
- Résumé of SORP 2005
- Common issues in SORP 2005
- FRS 17 – the pension standard



Legislation

Company

Trust/ Unincorporated

- Companies Act 2006
- Charities and Trustee Investment (Scotland) Act 2005
- The Charities Accounts (Scotland) Regulations 2006
- Statement of Recommended Practice – Accounting by Charities 2005 (re accrued accounts)



Legislation

2006 Regulations – 8,9,10,11 Trust / Unincorporated

Gross Income / assets

- < £100,000
- £100,000 - £500,000
- <£500,000 / £2.8m

Requirements

- Independent examination (receipts and payment accounts)
- Independent examination (accrued accounts)
- Audit

Legislation

2006 Regulations – 8,10,11 & 12 Company

Gross Income / assets

- < £90,000
- £90,000 - £500,000
- <£500,000 / £2.8m

Requirements (from 01/04/08)

- Independent examination (accrued accounts)
- Independent examination
- Audit

Legislation

Independent Examination = review
= brings to attention

Audit = independent examination
= gives an opinion



SORP 2005

The Objectives

- Improving the quality of financial reporting by charities;
- Enhancing the relevance, comparability and understandability of the information presented in accounts;
- Providing clarification, explanation and interpretation of accounting standards and of their application in the charity sector and to sector specific transactions and thereby;
- Assisting those who are responsible for the preparation of the Trustees' Annual Report and Accounts.



SORP 2005

- Coverage
- Changes
- **Common Issues**



SORP 2005

Trustee's Report Contents

- Administrative information
- Structure, governance and management
- Objectives and activities
- Achievements and performance
- Financial review
- Plans for the future



SORP 2005

The SOFA

- 3 income streams:
 - Generated funds
 - Charitable activities
 - other
- 3 expenditure streams:
 - Generating funds
 - Charitable activities
 - Governance



SORP 2005

Common Issues

- Income recognition
- Expenditure recognition
- Expenditure disclosure
- Funds and reserves
- Unrealised gains / losses
- Consolidation



SORP 2005

Income Recognition

- Entitlement
- Certainty
- Measurement

Plus:

- Contractual arrangement
- Contractual performance
- Purpose of funding



SORP 2005

Common Issues

- Income recognition
- Expenditure recognition
- Expenditure disclosure
- Funds and reserves
- Unrealised gains / losses
- Consolidation



FRS 17

- Defined Contribution
- Defined Benefit



FRS 17

The SOFA “cost”

Current service cost	(x)
Net return on assets (finance cost)	a / (a)
Actuarial gain or (loss)	b / (b)

The first two replace the employer contribution in the expenditure in the SOFA. The third is a movement on Reserves shown at the foot of the SOFA or STRUGL.

Contact Details

Hardie Caldwell LLP

www.hardiecaldwell.co.uk

Telephone No: 0141 331 9600

Marion Hopper: mhopper@hardiecaldwell.co.uk

Karen Hewitson: khewitson@hardiecaldwell.co.uk

David Lindsay: dlindsay@hardiecaldwell.co.uk



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