

## Bulletin 2016 / 1

The new disclosure checklists are here

With apologies for the lateness, the following disclosure checklists are now published:

- **Charity accounts disclosure checklist 1A** – This checklist is for use by a **small charity which is not a company** producing accounts for a period commencing on or after 1 January 2015 using FRSSE 2015 and SORP (FRSSE), i.e. not early adopting the company law changes and FRS 102.

Note that this option will no longer be available for periods commencing on or after 1 January 2016. See below for a discussion as to whether or not your charity, or charity client should early adopt FRS 102.

- **Charity accounts disclosure checklist 1B** – This checklist is for a **small limited company charity** producing accounts for a period commencing on or after 1 January 2015 in accordance with FRS 102 and the SORP FRS 102. It is **required** for medium and large charities and is available for small charities early adopting FRS 102.
- **Charity accounts disclosure checklist 2A** – This checklist applies to an unincorporated charity of any size producing accounts, under FRS 102 and SORP (FRS 102).

It is therefore mandatory for medium and large charities for periods commencing on or after 1 January 2015, and is available for small charities choosing to early adopt FRS 102.

- **Charity accounts disclosure checklist 2B** - As checklist 2A, but including the additional requirements for a **small** charitable company.

The following checklists will follow shortly:

- **Charity accounts disclosure checklist 2C** - As checklist 2A, but including the additional requirements for a **medium or large** charitable company.
- **Charity accounts supplementary checklist 1 – Related undertakings.** This supplementary checklist applies where a small company has an investment in a subsidiary, associate or other related undertaking.

Until these checklists are issued you can use the medium / large company checklists to supplement the SORP checklist if required.

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Editor

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Understanding the changes and options

The Charity Commission and OSCR initially published two SORPs, one intended for those charities moving to FRS 102, and the other for small charities following FRSSE. Following a consultation, SORP Update Bulletin 1 announced the withdrawal of the FRSSE version. This is consistent with the withdrawal of FRSSE itself for small entities and its replacement by FRS 102 Section 1A.

The question for the small charity is whether to move straight to FRS 102, thus avoiding the need to make two transitions, one from FRSSE 2008 and SORP 2005 to FRSSE 2015 and the FRSSE SORP, and then a second to FRS 102 and the FRS 102 SORP.

The advantage of using the FRSSE option is, of course, familiarity. However, it should be

noted that there are some differences in accounting and disclosure from the previous version of the SORP. Many commentators have, therefore, been recommending for some time, in anticipation of the formal removal of the FRSSE option, that charities should move straight to the FRS 102 option.

One big change introduced by the FRS 102 option which many small charities may not welcome is the requirement for all larger charities, now defined as a charities with income more than £500,000, to produce a cash flow statement. As this will require comparative figures, a delay in moving to the FRS 102 version gives more time before such a statement is required, as well as giving more time to obtain the necessary information. Similarly, charities with derivative financial instruments may need the extra time allowed by not moving straight to FRS 102 to get to grips with the new valuation and disclosure requirements.

#### Charities and FRS 102 Section 1A

It appears that charities may not adopt the minimum disclosure requirements introduced for small companies by FRS 102 Section 1A, and must include all of the disclosure requirements in the SORP. This is because the restriction on governments and others imposing additional disclosure requirements in small company accounts, does not apply to not-for-profit companies.

Those disclosure relaxations permitted by the revisions introduced by SI 2015/980 which have not been included within the SORP do apply to small charities. These changes are fully reflected within the checklists.

For example, SI 2015/980 removed for small companies, the requirements in Schedule 3 and 4 to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 to disclose information about related undertakings and staff costs and directors' benefits.

Module 9 of the SORP includes disclosures relating to trustees and directors (SORP 9.6, 7 and 32) thus effectively overriding the statutory exemption. On the other hand, since the requirement to disclose the number of directors accruing pension benefits has not been included in the SORP, it does not need to be disclosed in a small charitable company's accounts.

#### Interaction between company law and accounting standards

It is essential to note that FRS 102 1.15 was inserted following the implementation of the company law changes and consequent amendments to FRS 102 itself, (known as the July amendments), in relation to early application of the revisions as follows:

- FRS 102 **permits** a company to early adopt FRS 102 for small entities, provided that it also applies the revised company law requirements from the same date.
- It also **requires** an entity to adopt FRS 102 for small entities if it adopts the company law changes for a period beginning before 1 January 2016.

This is particularly important for a charity which would not have qualified as small under the old company law limits, but would under the new. It can only adopt the new small company accounting under company law, if it adopts FRS 102, and hence the FRS 102 SORP. It cannot adopt FRSSE 2015 and FRSSE SORP!

Hence the checklists are FRS 102 and SORP 102 **or** FRSSE 2018 and FRSSE SORP. You cannot mix and match.

#### Useful Charity Commission guidance

The Charity Commission and OSCR have a very useful microsite [www.charitySORP.org](http://www.charitySORP.org). In particular, those involved in charity accounts should read (and download for reference?) the following:

- SORP helpsheet 1 – mapping SORP 2005 to SORP (FRS 102).
- SORP helpsheet 2 – Outlines the major changes form SORP 2005 to SORP (FRS 102)
- SORP helpsheet 3 – Outlines major differences between SORP (FRS 102) and SORP

(FRSSE).

In addition, there are two useful sets of illustrative accounts (and two Scottish charities) prepared under both SORP versions:

- Arts Theatre Trust – a charitable group with a trading subsidiary producing group accounts;
- Rosanna Grant Trust – a trust with permanent and expendable endowment using a total return basis.

These have been adapted for Scottish charity law and the Scottish versions also appear on the microsite. Note that the Scottish version of the grant making trust is named Allmond Grant Trust.