

Introduction

The Charity Commission and the Office of the Scottish Charity Regulator (OSCR), as the joint SORP-making body for charities, have developed two Statements of Recommended Practice (SORPs) – one to support the Financial Reporting Standard for Smaller Entities (FRSSE) (the FRSSE SORP) and one to support the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102) (the FRS 102 SORP). Both these SORPs apply for accounting periods on or after 1 January 2015.

The Charities SORPs provide guidance for charities preparing accounts on an accruals basis.

All charitable companies are required by law to prepare accruals-based accounts and therefore must follow one of the SORPs.

Unincorporated charities with less than £250,000 income have the option of preparing accounts on an accruals or a receipts-and-payments basis. Unincorporated charities choosing to prepare accruals-based accounts must also follow one of the SORPs.

WHICH SORP SHOULD I FOLLOW?

The Charity Commission and the OSCR, as SORP-making bodies, emphasise that it is important to make the right choice of SORP and that charities should speak to their auditor, independent examiner or accountant for their advice on which SORP to use.

To help charities to make their decision, the Charity Commission and the OSCR have produced a helpsheet that explains the main differences between the FRS 102 SORP and the FRSSE SORP and the criteria that must be met to be able to adopt the FRSSE SORP. This helpsheet is available on the SORP microsite (www.charitySORP.org).

Most charities will be able to choose whether to prepare accounts using the FRSSE SORP or the FRS 102 SORP. Charities may use the FRSSE SORP if they meet two of the following three small-company criteria:

- gross income not exceeding £6.5m (€8.8m)
- total assets not exceeding £3.26m (€4.4m)
- employs no more than 50 staff.

It should be noted that charitable companies in the Republic of Ireland are not able to use the FRSSE SORP.

The FRS 102 SORP may be used by any charity.

Although the two SORPs have the same structure and order of modules, the requirements differ significantly due to underlying differences in terminology, accounting policies and disclosures required by the FRSSE and FRS 102. Charities following the FRS 102 SORP are required to make additional disclosures in the notes to the accounts and to provide a cash flow statement. Those following the FRSSE SORP are required to make fewer disclosures and do not have to provide a cash flow statement.

However, the FRSSE, on which the FRSSE SORP is based, will be reviewed or withdrawn by 2016. This may mean that charities following the FRSSE SORP have to make two successive changes to their accounting policies and financial statements in a short period of time.

Further information on SORPs developments can be found in the SORP microsite (www.charitiessorp.org).

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The Disclosure Checklist

This disclosure checklist summarises the disclosure requirements for charities based on the FRS 102 SORP, which applies to accounting periods commencing on or after 1 January 2015.

Charities following the FRS 102 SORP should note that additional disclosures are required for the trustees' annual report for larger charities. These disclosures are separately identified in the checklist, as are the disclosures required for charities based on their jurisdiction.

This checklist, like the SORPs, differentiates between requirements and recommendations, as follows:

- **Must:** mandatory requirements. Non-compliance with a 'must' requirement is a departure from the SORP and will affect the ability of the accounts to give a true and fair view if applied to material transactions or items.
- **Should:** good practice recommendations that are not mandatory. While charities are encouraged to follow good practice, a failure to follow a 'should' recommendation is not regarded as non-compliance with the SORP.
- **May:** optional guidance. Charities can choose to adopt this guidance. Failure to do so is not regarded as non-compliance with the SORP.

The checklist is in the form of a series of questions and is cross-referenced to the relevant paragraphs of the FRS 102 SORP. If the answer is 'yes', the SORP is being complied with. If the answer is 'no', then this indicates either non-compliance with the SORP or that the guidance is best practice or optional. If the former, additional disclosure may be required to explain the reasons for non-compliance and whether the accounts are still 'true and fair'.

The FRS 102 SORP applies to all material transactions or items, and disclosure requirements should be interpreted accordingly. Where immaterial items have not been disclosed, the circumstances are not relevant to the charity or there is optional guidance, then 'N/A' may be the appropriate response on the checklist.

Given the variety of circumstances and the volume of requirements, the disclosure checklist is not intended to be an exhaustive list of requirements. It is recommended that full use of the checklist is made by referencing to the source materials to determine the full accounting requirements and any exceptions.

CONTENTS OF THE CHECKLIST

Contents	Requirements	Tick if applicable
Trustees' Annual Report	Mandatory	
Accounting Policies, Changes in Estimation Techniques and Prior Year Adjustments	Mandatory	
Statement of Financial Activities (SoFA) and Related Notes	Mandatory	
Balance Sheet and Related Notes	Mandatory	
Cash Flow Statement	Mandatory	
Other Notes	Mandatory	
Consolidated Accounts	As applicable	