



T3SC Factsheet 27

accounts and book-keeping

For a voluntary organisation a set of accounts normally consists of the following:

- 1: An Income and Expenditure Account**
- 2: A Balance Sheet**
- 3: Notes to the Accounts**

In addition a charity may have an additional document called a “**statement of financial activities**” or **SOFA**. This is broadly similar to an income and expenditure account with last years reserve funds added to this years surplus or deficit.

1: Income and Expenditure Account

This shows the operating position of the company in the year. It shows all income due (whether or not received) and all expenses incurred (whether or not actually paid). In other words it reflects the transactions **relating** to that period not just amounts physically paid and received.

2: Balance Sheet

This shows the **net worth** of the company at a specific point in time, normally the year end. The balance sheet shows:-

Fixed Assets

These are items that the company physically owns eg. minibus, computers etc. These are shown at **net book value**, that is cost less an amount written against income each year to reflect the use of the asset.

Other Assets

Current Assets are amounts in the company’s favour that are easily convertible into cash, e.g. a fee that is due to you.

Debtors are amounts owed to the company e.g. an outstanding instalment of a grant.

Accrued Income occurs where monies are accumulating and will be due to you on a certain date after the period end, (e.g. bank interest). It is an accounting estimate of the amount relating to the financial period.

Prepayments are amounts paid in advance, e.g. insurance premiums.

Liabilities

These are classified into **current** and **long term liabilities**.

Current Liabilities are due within the next year.

Liabilities are amounts you owe or amounts that belong to a future period.

e.g. bank overdrafts, loans and hire purchase agreements

Creditors are people to whom the organisation owe money.

Deferred Income is income that belongs to a future accounting period, eg. a grant received in advance.

Accruals are estimates of amounts owed where the bill has not yet been raised.

The organisation should always aim to have current assets greater than current liabilities, i.e. in simple terms,

MONEY DUE IN + CASH BALANCES IS MORE THAN MONEY DUE OUT

Reserves are unspent funds and are made up of cash, fixed assets and other net assets (amounts owed to company less amounts owed by company).

The reserves figure should (hopefully) always be a positive figure. A negative figure would suggest the organisation has overspent or over-committed itself and you should seek further advice from your accountant.

3: Book-Keeping

What records do I need? The best point to start at is to set up a “cash book”. You don’t need an expensive hardback book. Paper with columns or a spreadsheet will do.

What is a cash book? At its simplest this is a record of cash coming in on one side and cash going out on the other. For example:

INCOME: JULY TO SEPTEMBER 2006

Date	Description	Pay in Ref	Total	Grant	Donations	F/raising	Sundry
20xx							
Jul-17	Telethon Donation	7	1000.00		1000.00		
Aug-15	Street Collection	8	142.35			142.35	
Sep-19	Bank Interest	9	89.32				89.32
Sep-29	Manchester City Council	10	9000.00	9000.00			
	This Quarter Totals		10231.67	9000.00	1000.00	142.35	89.32

A similar record can be kept for payments.

Cheques and Petty Cash Most people keep a separate record for cheque transactions and one for loose cash (petty cash). This makes it easier to check the bank statement.

Do I keep my receipts? Yes. It is very important to keep any remittance advices/letters that are sent with your incoming cheques. You should also keep a copy of any receipt or invoice that you issue to anyone, e.g. to acknowledge a donation. When you purchase something you should be given a receipt or invoice. If you are not using a ledger system it will probably be easiest to keep these in date or cheque number order. You may wish to give each one your own reference number and write this number beside the payment in the cash book. Keep your system simple as others may need to use it if you are away.

Petty Cash Vouchers Petty cash vouchers purchased from a stationery shop can be attached to small till receipts. These have a space to add details and also for your treasurer/ manager to approve the payment. Number these in the space provided and reference it to your petty cash book.

Bank Statements These should be kept safely and checked to your cash book records as they arrive. You can add to your cash book if you find something on the statement that is not in your records, e.g. bank interest or a direct debit that you have missed. If there are any unexpected items on the statement you can then query them. You may have written out some cheques that have not yet cleared the bank. Remember to follow these through the next month. If cheques do not clear after six months you can cancel them

**for more info please contact T3SC
tel 0161 339 4985 email info@t3sc.org**