10. Balance sheet

Introduction

10.1. The reporting tiers applied for Module 10 are as specified in the table below.

Table 10.1A: Tiered reporting requirements for module 10

All tiers	The reporting requirements for the balance sheet apply fully to all charities.

10.2. All charities preparing accruals accounts must prepare a balance sheet at the end of each reporting period which gives a true and fair view of their financial position. The balance sheet provides a snapshot statement of a charity's assets and liabilities and how these are represented by the different classes of funds held by a charity.

10.3. The objective of the balance sheet is to show the resources available to the charity and whether these are available for all purposes of the charity or have to be used for specific purposes because of legal restrictions placed on their use.

10.4. This module applies to all charities and sets out:

- Structure of the balance sheet
- Fixed assets – classification and disclosures
- Current assets – classification and disclosures
- Liabilities – classification and disclosures
- Funds of the charity – classification and disclosures

10.5. Each section explains:

- the detail to be included in each line item of the balance sheet
- the recognition principles and the measurement methods used for balance sheet items
- the information that must be, or should be, provided in the notes if not shown on the face of the balance sheet

10.6. For information on the recognition and measurement of financial assets and liabilities charities must refer to the SORP module 11 'Accounting for financial assets and financial liabilities'.

Structure of the balance sheet

10.7. Table 7 sets out the format of a charity's balance sheet and the headings used to present its assets, liabilities and funds. A charity's balance sheet must:

- adopt the same format in subsequent reporting periods unless there are special reasons for a change that are explained in the notes

- provide corresponding amounts for the previous reporting period for each line item disclosed in the balance sheet

10.8. Additional requirements apply to charitable companies. For more information see the SORP module 15 ‘Charities established under company law’.

Table 7: Balance sheet

Note ref.		Total funds	Prior year funds	Further details
		£	£	
	Fixed assets:			A
	Intangible assets			A1
	Property, plant and equipment			A2
	Heritage assets			A3
	Investments			A4
	Total fixed assets			
	Current assets:			B
	Stocks			B1
	Debtors			B2
	Investments			B3
	Cash at bank and in hand			B4
	Total current assets			
	Liabilities:			C
	Creditors: Amounts falling due within one year			C1
	Net current assets or liabilities			
	Total assets less current liabilities			
	Creditors: Amounts falling due after more than one year			C2
	Provisions			C3
	Lease liabilities			C4
	Net asset or liabilities excluding pension asset or liability			
	Defined benefit pension scheme asset or liability			C5
	Total net assets or liabilities			
	The funds of the charity:			D
	Endowment funds			D1
	Restricted income funds			D2
	Unrestricted funds			D3
	Revaluation reserve			D4
	Pension reserve			D5
	Total unrestricted funds			
	Total charity funds			

10.9. If there is a nil amount for a particular balance sheet line item in the current reporting period, a corresponding amount for the reporting period must still be disclosed unless that amount is also nil. If the amount for both the current and previous reporting periods is nil, then the line item should be omitted from the balance sheet.

10.10. The balance sheet must be signed by one or more trustees, each of whom has been authorised to do so by the trustee body, and must specify the date the accounts, including the balance sheet, were approved by the trustee body.

10.11. Where necessary to give a true and fair view of a charity's financial position, additional information must be provided in an additional line item in the balance sheet or given in a note to the accounts. Charities may choose to analyse the items included in any balance sheet line item in greater detail either on the face of the balance sheet or in a related note. The balance sheet may also be presented in a columnar format that analyses balance sheet items by class of fund: unrestricted, restricted income and endowment.

10.12. Where the corresponding amount for the previous reporting period is not comparable due to a change in accounting policy it must be adjusted if material and the reason for the adjustment explained in the notes to the accounts.

10.13. The sections that follow are cross-referenced to the line items shown in Table 7.

A: Fixed assets – classification and disclosures

10.14. Fixed assets provide an economic resource to the charity on an on-going basis (i.e. for more than one reporting period) through their ability to:

- generate income and/or gains
- contribute to furthering the charity's objectives

10.15. Charities that hold or have received donated fixed assets in the reporting period must refer to the SORP module 6 'Donated goods, facilities and services, including volunteers'.

10.16. Fixed assets are generally recognised when:

- a present economic resource is controlled by the charity as a result of past events, for example the purchase of equipment by a charity;
- it is probable that the expected future economic benefits associated with the asset will flow to the charity; and
- the historical cost or fair value of the asset can be measured reliably

Alternatively, a fixed asset is recognised when it qualifies as a right-of-use asset (refer to SORP module 10B 'Lease accounting').

Recognition criteria for intangible assets are set out at paragraph 10.22 below.

Disclosure in the notes applying to all classes of fixed assets

10.17. The following analysis must also be provided for each class of fixed assets that is subject to depreciation, amortisation, or impairment provisions:

- the cumulative amount of depreciation or impairment provided at the beginning of the reporting period
- amount adjusted on disposal
- amount of depreciation or amortisation provided in the reporting period

- amount of any impairment provision in the reporting period
- amount of any impairment reversals in the reporting period
- amount of any transfer or other adjustment in the reporting period
- the cumulative amount of depreciation, amortisation or impairment provided at the end of the reporting period

10.18. The carrying amount for each class of fixed assets must also be provided at the beginning and end of the reporting period.

10.19. In regard to right-of-use assets if these are not shown separately in the balance sheet from other property, plant and equipment assets then the lessee shall:

- include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned
- disclose which line items in the balance sheet include those right-of-use assets

A1: Intangible assets

10.20. Intangible assets are non-monetary assets that do not have physical substance but are identifiable and are controlled by the charity through custody or legal rights. Intangible assets include goodwill purchased on the acquisition of a business and/or purchased intangible assets such as concessions, patents, licences, trademarks and similar rights. Although such assets lack physical substance they provide an on-going economic benefit to the charity. The recognition, measurement and disclosure requirements for intangible assets are included in Section 18 of FRS 102.

10.21. A charity is required to recognise an intangible asset as an asset if, and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the charity
- the cost or value of the asset can be measured reliably

10.22. Internally generated intangible asset is a type of intangible asset that is created through the charity’s own activities, rather than being acquired externally. To assess whether an internally generated intangible asset, for example, development costs, meets the criteria for recognition, a charity classifies the generation of the asset into:

- a research phase
- a development phase

For more on the recognition of an internally generated intangible assets see paragraphs 18.8A to 18.8K of FRS 102.

10.23. The cost of internally generated goodwill or intangible assets such as brands and logos must not be capitalised and is written off as expenditure as incurred. Expenditure on research must always be written off but the costs incurred in the development phase of an internal project may in certain circumstances be recognised as an intangible asset.

10.24. Intangible assets must be initially measured at cost. The residual value of intangible assets is nil when calculating the charge for amortisation unless reliable evidence exists to the contrary. **Amortisation** on intangible assets must be charged as an expense to the relevant statement of financial activities (SoFA) category reflecting the use of the asset.

10.25. Charities may opt, after initial recognition at cost, to use the revaluation model; for more information refer to paragraphs 18.18B to 18.8H of FRS 102.

10.26. Capitalised goodwill and intangible assets must be amortised on a straight-line (or a more appropriate systematic) basis over their useful lives, which must be reviewed at each reporting date. If, in exceptional cases, the useful life cannot be estimated reliably the life shall not exceed 10 years.

Disclosures

10.27. The notes to the accounts for all charities must:

- explain the accounting policies adopted for intangible assets, including the measurement basis adopted, the useful lives or amortisation periods and methods used, the reasons for choosing those amortisation periods and, where relevant, the policies for the recognition of any capitalised development expenditure
- for intangible assets acquired by way of grant, their value on initial recognition and their carrying amount
- the carrying amounts of any intangible assets to which the charity has restricted title or that are pledged as security for liabilities
- the amount of contractual commitments for the acquisition of intangible assets
- the amount of research and development expenditure recognised as expenditure in the year
- the heading(s) in the SoFA in which a charge of amortisation of intangible assets is included
- if an accounting policy of revaluation is adopted, the effective date of the revaluation, whether an independent valuer was involved and the methods applied
- for each revalued class of intangible assets, the carrying amount that would have been recognised had the assets been carried under the cost model
- a description of any individual intangible asset that is material, together with its carrying amount and remaining amortisation period
- provide a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately:

- additions, indicating separately those from internal development and those acquired separately
- disposals
- acquisitions through business combinations
- revaluations
- amortisation
- impairment losses recognised or reversed in profit or loss (refer to SORP module 12 ‘Impairment of assets’)
- other changes

This reconciliation need not be presented for prior periods.

A2: Property, Plant and Equipment

10.28. Property, plant and equipment, such as land and buildings, plant, vehicles and equipment, are held to provide an on-going economic benefit to a charity through their contribution, directly or indirectly, to the provision of goods or services by the charity. The recognition, derecognition, measurement and disclosure requirements of property, plant and equipment described in this SORP as tangible assets are included in Section 17 of FRS 102.

10.29. Charities leasing these assets, for example land or buildings, must also refer to SORP module 10B ‘Lease accounting’ for the required accounting treatment for lessees in respect of initial recognition and subsequent measurement of right-of-use assets and disclosures relating to right-of-use assets.

10.30. Property, plant and equipment must be measured initially in the balance sheet at cost. All costs incurred to bring a property, plant and equipment into its intended working condition must be included in the measurement of cost.

10.31. A charity may adopt an accounting policy of capitalising borrowing costs, including interest, that are directly attributable to the acquisition, construction or production of property, plant and equipment that meet the definition of a qualifying asset, or may write off such borrowing costs as an expense in the SoFA as they are incurred in accordance with the requirements of Section 25 of FRS 102.

10.32. Where a charity has acquired an item of property, plant and equipment to satisfy future performance obligations in a contract and it does not meet the definition of property, plant, and equipment under Section 17 of FRS 102, the charity may instead recognise a contract asset if these costs are recoverable from the customer.

10.33. A charity must account for the costs incurred in fulfilling a contract with a customer in accordance with the relevant Section of FRS 102 for those costs (e.g. for example Section 13 Inventories, Section 17 Property, plant and equipment, or Section 18 Intangible assets other than goodwill). On occasion a charity may incur costs in fulfilling a contract which are not within the scope of these sections and would recognise those costs as an asset. In these circumstances the charity must refer to paragraphs 23.117 to 23.123 of FRS 102.

Accounting for depreciation

10.34. A charity must allocate the depreciable amount of an item of property, plant and equipment on a systematic basis over its useful life. The depreciable amount is the cost of an asset, or other amount substituted for cost (in the financial statements), less its residual value. The residual value of an asset is the estimated amount that a charity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The charity must choose a depreciation method which reflects the use of the asset and the expected timing or pattern of consumption of its economic benefits.

10.35. Paragraph 17.21 of FRS 102 provides guidance on the factors which determine the useful life of an item of property, plant and equipment.

10.36. Land is not normally subject to depreciation because it will not generally wear out and its residual value is likely to be at least equal to its cost or valuation. However, land is tested for impairment when there is an indicator of impairment.

10.37. Where an asset comprises two or more major components which have substantially different useful lives, each component must be depreciated separately over its useful life.

10.38. The depreciation charged for the reporting period must be recognised as an expense in the SoFA. The expense is charged or apportioned to the relevant SoFA line item(s) reflecting the asset's use.

Accounting for the revaluation of property, plant and equipment

10.39. A charity may choose to adopt an accounting policy of revaluing one or more classes of the property, plant and equipment it holds. For example, a charity may choose to revalue land and buildings but not motor vehicles. If a policy of revaluation is adopted, then all assets within that particular class must be revalued. Buildings of a similar nature, function or use held by the charity constitute a class of property, plant and equipment.

10.40. In some cases, there may be an active second-hand market for the asset, or appropriate indices may exist, allowing a valuation to be made with sufficient reliability.

10.41. If a policy of revaluation is adopted, then charities must:

- carry all assets within the relevant class of property, plant and equipment at their revalued amount, its fair value (see Section 2A of FRS 102) at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. However, if there is no market-based evidence of fair value then the charity may need to estimate fair value using an income or depreciated replacement cost approach
- undertake valuations, with sufficient regularity, to ensure that the

carrying amount does not differ materially from the fair value of the asset at the end of the reporting period. For example, a charity may undertake a review of land and buildings on a rolling basis over a five-year period. This appraisal of land and buildings is normally undertaken by professionally qualified valuers

10.42. If a policy of revaluation is adopted, then revaluations and recognised gains and losses must be presented in the accounts as follows:

- a separate revaluation reserve must be provided within the funds section of the balance sheet
- revaluation gains must be recognised as ‘Gains on the revaluation of fixed assets’ within the SoFA, unless they reverse a charge for impairment that has previously been recognised as a cost within the expenses line items in the SoFA
- revaluation losses must be recognised as an expense in the relevant expenses line items in the SoFA except to the extent to which they offset any previous revaluation gains, in which case the loss is shown in the ‘Gains/(losses) on the revaluation of fixed assets’ section of the SoFA

Accounting for the derecognition of property, plant and equipment

10.43. A charity must derecognise an item of property, plant and equipment:

- on disposal
- when no future economic benefits are expected from its use or disposal

10.44. A charity must determine the gain or loss arising from the derecognition of an item of property, plant and equipment as the difference between the net disposal proceeds, if any, and the carrying amount of the item. This gain or loss on disposal must be recognised in ‘Other’ income in the SoFA.

Disclosures of property, plant and equipment

10.45. The notes to the accounts must:

- set out the depreciation method used and the useful lives of assets or the depreciation rate used
- state the amount of borrowing costs, if any, capitalised in the construction of property, plant and equipment assets and, where applicable, the capitalisation rate used
- state the amount of contractual commitments to acquire property, plant and equipment
- provide a reconciliation (example give in Table 8) of the carrying amount at the beginning and end of the reporting period showing separately:
    - additions
    - disposals

- acquisitions through business combinations
- revaluations
- transfers to or from investment property (see paragraphs 16.9 to 16.9C of FRS 102)
- impairment losses recognised or reversed in profit or loss (refer to SORP module 12 ‘Impairment of assets’)
- depreciation
- other changes

This reconciliation need not be presented for prior periods.

10.46. The disclosures in paragraph 10.45 are also relevant to a charity that chooses to measure investment property rented to another group entity under the cost model, as permitted by paragraph 10.59.

10.47. This SORP requires that the notes to the accounts identify the existence and carrying amounts of property, plant and equipment to which the charity has restricted title or that are pledged as security for liabilities.

Table 8: Analysis of opening and closing carrying amounts for property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost or valuation					
At beginning of the year					
Additions					
Disposals					
Revaluations					
Transfers					
At end of the year					
Depreciation and impairments					
At beginning of the year					
Disposals					
Depreciation					
Impairment					
Transfers					
At end of the year					
Net book value at beginning of the year					
Net book value at end of the year					

10.48. If any class of property, plant and equipment has been revalued, charities must disclose:

- the effective date of the revaluation
- whether an independent valuer was involved
- the methods and significant assumptions applied in estimating the items' fair value
- for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the historical cost model

A3: Heritage assets

10.49. A heritage asset is a tangible asset or intangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

10.50. Heritage assets are a distinct class of property, plant and equipment or intangible asset. Charities holding heritage assets must refer to the SORP module 18 'Accounting for heritage assets'. This module explains the recognition, measurement and disclosures relevant to heritage assets.

A4: Investments

10.51. Fixed asset investments are held to generate income or for their investment potential, or both. This includes investment property owned by the charity and also right-of-use assets that the charity holds as an investment property and leases out to other parties. Investments may include ‘social investments’ where the purpose of making the investment is both to generate a financial return and to further the investing charity’s purposes.

10.52. Fixed asset investments exclude those investments held specifically for sale or those investments which the charity expects to realise within 12 months of the reporting date.

10.53. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading ‘Gains/(losses) on investments’ in the SoFA.

Investments listed or traded on a recognised stock exchange

10.54. Fixed asset investments in quoted shares, traded bonds and similar investments must be measured initially at cost and subsequently at fair value in accordance with Section 2A of FRS 102 at the reporting date. This treatment is in accordance with paragraph 11.14(d) of FRS 102.

Investment properties

10.55. An investment property is property (land or a building or both) held by the owner or by the lessee under a lease to earn rentals or for capital appreciation, or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business.

10.56. Land and/or buildings are excluded from investment properties and treated as property, plant and equipment instead if:

- the construction work and development has not been completed
- the property is occupied by the charity for its own purposes
- the property is held for sale in the ordinary course of business (in which case the property must be included as a current asset)

10.57. Mixed use property must be separated between investment property and property held for operational use as an item of property, plant and equipment if the resulting portions could be sold separately (or leased out separately under a finance lease). However, if the fair value of the investment property component cannot be measured reliably, the entire property shall be accounted for as property within property, plant and equipment or in the case of property held by the charity as lessee, as a right-of-use asset. Investment properties must be measured initially at cost and subsequently at fair value at the reporting date (see Section 2A of FRS 102 for the measurement at fair value), except where that property is rented to another group entity. Depreciation is not provided on investment property measured at fair value.

10.58. A charity that rents investment properties to another group entity may choose to account for those properties in its individual financial statements either: at fair value with any gain or loss taken through the SoFA; or transfer them to property, plant and equipment, and measure them using the cost model. Investment property measured using the cost model is carried at cost less any accumulated depreciation and any accumulated impairment losses.

10.59. When only part of a property is rented to another group entity, paragraph 10.58 only applies to the component of that property that is rented to another group entity.

Unlisted investments

10.60. Unlisted equity investments must be measured initially at cost and subsequently measured at fair value unless fair value cannot be measured reliably in which case it is measured at cost less impairment (see FRS 102 11.14(d)(iv) and (v)). Where the charity holds an interest in subsidiaries, associates and joint venture entities, it must refer to the relevant SORP module(s) for consideration of the recognition and measurement of their interests in these entities (refer to modules 23 to 29 of this SORP).

Social investments

10.61. Charities holding social investments must refer to the SORP module 21 'Accounting for social investments', which explains their recognition, measurement and disclosure.

Disclosure of investments and investment properties

10.62. The notes to the accounts must:

- state the accounting policies for investments, including the basis on which investments are measured
- provide an analysis of investments by class of investment identifying the amounts held within each class, with those investments held at fair value differentiated from those held at historical cost less impairment
- provide an analysis reconciling the opening and closing carrying amounts of each class of fixed asset investment held

10.63. The classes of investments disclosed in the note will vary from charity to charity reflecting the differing nature of the investments held. This SORP requires that the analysis must as a minimum identify material amounts held in the following classes of investment:

- cash or cash equivalents
- listed investments
- investment properties
- lease receivables
- loans to group undertakings
- equity investment in group undertakings
- social investments

- other investments

10.64. Charities must also refer to the SORP module 11 ‘Accounting for financial assets and financial liabilities’ for the further disclosures that apply to investments in financial instruments.

10.65. Charities holding investment property must also disclose:

- the methods and significant assumptions applied in determining the fair value of investment property
- the extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the property being valued (or if there has been no such valuation this fact must be disclosed)
- the existence and amounts of any restrictions on the ability to realise investment property or on the remittance of income and proceeds of disposal
- any contractual obligations for the purchase, construction, or development of investment property or for repairs, maintenance or enhancements
- the carrying amount at the end of the reporting period of investment property rented to another group entity, where the charity has chosen to account for such property using the cost model
- a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing separately:
  - additions, disclosing separately those additions resulting from acquisitions through business combinations
  - net gains or losses from fair value adjustments
  - transfers to and from property, plant and equipment (see paragraphs 16.9 to 16.9B of FRS 102)
  - transfers to and from inventories (see paragraphs 16.9, 16.9A and 16.9C) of FRS 102
  - other changes

This reconciliation need not be presented for prior periods.

B: Current assets – classification and disclosures

10.66. Current assets are the assets of the charity which are not intended for use on a continuing basis in the charity’s activities and are usually consumed, realised or expended as part of the charity’s activities, within 12 months of its reporting date. Current assets include stocks, debtors, investments held for sale and cash. The sections that follow set out how these categories of assets are measured and disclosed in the accounts.

10.67. Charities that hold donated assets for distribution or resale or have received them in the reporting period must refer to the SORP module 6 ‘Donated goods, facilities, and services, including volunteers’.

B1: Stocks

10.68. Stocks are items that will be used by the charity in providing goods and services. Stocks may include goods held for distribution to beneficiaries, or educational literature or brochures for distribution.

10.69. Stocks held for sale as part of a non-charitable trade must be measured at the lower of the cost and estimated selling price less costs to complete and sell of the separate items of stock or groups of similar items.

10.70. When goods are provided as part of a charitable activity either at no or nominal consideration, they shall be measured at the lower of cost adjusted, when applicable, for any loss of service potential and replacement cost. For example, if goods are held for free distribution and the item continues to meet the need(s) for which it was purchased, then it should not be written down to a nil selling price except where the item of stock is damaged or obsolete. Damaged or obsolete stocks should be written down as an expense and charged to the relevant SoFA line items(s) reflecting their intended use.

Disclosures

10.71. The notes to the accounts must disclose:

- the accounting policies adopted in measuring the value of stocks and, if applicable, work in progress and any cost formulae used
- the carrying amount of stocks and, if applicable, work in progress analysed between activities
- any charges for impairment or reversal of impairment losses
- the carrying amount of any stocks pledged as security for liabilities

B2: Debtors

10.72. Debtors include amounts owed to the charity for the provision of goods and services or amounts the charity has paid in advance for the goods and services it will receive. Debtors also include amounts receivable on grant funding. For more information refer to the SORP module 11 ‘Accounting for financial assets and financial liabilities’.

Disclosures

10.73. The notes to the accounts must set out, within the disclosure of accounting policies, the basis on which debtors are measured.

10.74. This SORP requires that the notes to the accounts must also provide an analysis of the amounts, including comparatives for the previous reporting period, of the following items:

- trade debtors
- amounts owed by group and associated undertakings

- prepayments and accrued income
- other debtors

10.75. If material to the disclosure of debtors, the amount of debtors recoverable more than a year after the reporting date, if not shown as a separate line on the balance sheet, must be separately disclosed in the notes to the accounts.

10.76. A lessor must disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.

B3: Current asset investments

10.77. Current asset investments are:

- investments which a charity holds for resale or pending their sale
- cash or cash equivalents with a maturity date of less than one year that are held for investment purposes rather than to meet short-term cash commitments as they fall due

10.78. To be classified as a current asset, the charity should not intend to hold the cash or cash equivalents as part of its on-going investment activities for more than one year from the reporting date. However, cash and cash equivalents that are held from time to time as part of a fixed asset investment portfolio should be presented as part of fixed asset investments. Current asset investments which do not qualify as ‘basic’ financial instruments must be measured at their fair value. For more information refer to the SORP module 11 ‘Accounting for financial assets and financial liabilities’.

Disclosures

10.79. The notes to the accounts must explain, within the disclosure of material accounting policies, the basis on which current asset investments are measured and how the charity has defined any short-term, highly liquid investments as current asset investments.

10.80. This SORP requires that the notes must provide an analysis of amounts, including comparatives for the previous reporting period, of the following items included within current asset investments:

- cash equivalents on deposit
- investment properties held for sale (charities may opt to include any properties previously classified as investment properties which have been redesignated as held for sale)
- investment in group undertakings held for sale
- listed investments
- other investments

B4: Cash at bank and in hand

10.81. Cash at bank and in hand is held to meet short-term cash commitments as they fall due rather than for investment purposes and includes cash equivalents held in the form of short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. A cash equivalent will normally have a short maturity of, say, three months or less from the date of acquisition.

Disclosures

10.82. The notes to the accounts must explain, within the disclosure of material accounting policies, how the charity has identified any short-term, highly liquid investments included as cash at bank and in hand, including cash equivalents.

C: Liabilities (C1 to C4) – classification and disclosures

10.83. A liability is a present obligation of the charity to transfer an economic resource as a result of past events. Typically, liabilities for charities are amounts due to creditors and any provision made as a result of an obligation to transfer economic resources, often in the form of a cash payment, to a third party. Obligations to transfer an economic resource also include obligations to deliver goods and services and obligations to transfer an economic resource if a specified uncertain future event occurs. For a charity, liabilities must be measured at their settlement amount except for certain types of financial liabilities. A liability is recognised for the amount that the charity anticipates it will pay to settle the debt or the amount it has received as an advance payment for goods or services it must provide.

10.84. A provision is a liability where the amount and/or timing of its settlement is uncertain (see SORP module 10A ‘Provisions, contingent liabilities and contingent assets and funding commitments’ and Section 21 Provisions and contingencies of FRS 102 for the recognition, measurement and disclosure requirements of provisions and contingent liabilities).

Disclosures

10.85. In the balance sheet, creditors and provisions must be analysed between:

- (C1) creditors: amounts falling due within one year
- (C2) creditors: amounts falling due after one year
- (C3): provisions
- (C4): lease liabilities (lessee) for liabilities

10.86. The notes to the accounts must explain, within the disclosure of material accounting policies, the basis on which creditors are recognised and measured.

10.87. A lessee must show any outstanding lease liabilities (C4) as a separate item in the balance sheet. Refer to module 10B ‘Lease accounting’ for more information.

10.88. A lessee that adopts the simpler accounting approach (as permitted by Section 20 of FRS 102) for short-term leases or leases of low-value assets must disclose separately the amount of its lease commitments for short-term leases and for leases of low-value assets at the end of the reporting period, for each of the following periods:

- not later than one year
- later than one year and not later than five years
- later than five years

10.89. This SORP requires that in the notes, creditors falling due within one year and after one year must be analysed between:

- accruals for grants payable
- bank loans and overdrafts
- trade creditors
- amounts owed to group and associated undertakings
- payments received on account for contracts or grants with performance related conditions
- accruals and deferred income
- taxation and social security
- other creditors

C5: Defined benefit pension scheme asset or liability

10.90. Charities that participate in a defined benefit pension scheme must refer to the SORP module 17 ‘Retirement and post-employment benefits’ for the recognition, measurement and disclosure of defined benefit pension scheme assets and liabilities.

D: Funds of the charity (D1 to D5) – classification and disclosures

10.91. The assets and liabilities administered by a charity are referred to as its funds.

10.92. Charities must refer to the SORP module 2 ‘Fund accounting’, which sets out the required disclosures for the separate funds a charity may hold. A charity may choose to disclose the amount identified in its reserves policy statement as its reserve fund under a sub-heading of its unrestricted funds provided that this amount is positive.

10.93. A revaluation reserve arises on the revaluation of an asset subsequent to its initial recognition. While a revaluation reserve will often form part of the unrestricted funds of the charity, any part of the reserve derived from the revaluation of assets held within a restricted fund must be shown as part of restricted funds.

10.94. Charities participating in a defined benefit pension scheme may show the equivalent value of the pension asset or liability as a separate pension reserve. The pension reserve will often form part of the unrestricted funds of the charity. The circumstances when part of a pension reserve may be allocated to a restricted fund are set out in the SORP module 17 ‘Retirement and post-employment benefits’. In the case of those multi-employer pension schemes, where sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, the pension reserve may also include the value of any provision made to meet the obligation resulting from a funding agreement to make good a deficit related to a defined benefit pension scheme.