



## Guide to Accounting and Reporting: Frequently Asked Questions

### 1. What is my financial year?

As a Church of England parish it starts on 1<sup>st</sup> January and ends on the 31<sup>st</sup> December.

### 2. I am in a Team Ministry. Do I need to produce a Report and Accounts?

The general principle is that an Annual Report and Accounts must be produced by each PCC. Where there are daughter churches, or DCCs, responsibility for managing their own finances can be delegated to them by the PCC, but each year the accounts of the PCC must be produced in the statutory format, aggregating all subsidiary accounts within it. When considering thresholds, e.g. for registration with the Charity Commission, it is the aggregated gross income of the PCC that should be compared with the thresholds.

### 3. What is the opening balance for my accounts?

This is the snapshot of your financial position at the beginning of the financial year. As your accounts should be consistent year after year the opening balance will always be the closing balance for the year before. For example, the 2009 closing balance is the opening balance for 2010.

### 4. What is the closing balance for my accounts?

This is the snapshot of your financial position at the end of the financial year so it is:

1. the balance shown on each bank account statement on the 31<sup>st</sup> December
2. plus any cheques received before on or before that day but not yet banked
3. less any cheques written and issued before that day but not yet cashed/met.

If you have any deposit accounts or investments the same principle applies.

The cut-off point for your financial year is 31<sup>st</sup> December so your accounts will enable people to see how the parish is progressing from year to year.

### 5. What are notes to the accounts?

If something unusual has been recorded in the accounts for example an unusual receipt or payment or movement of money then you need to write a short note to explain the situation and put it with the accounts. This will make it easier for people to understand what has been happening to the parish's money. Instead of writing a separate note this information could be included in the TAR which enables it to be seen in the context of what the parish is doing.

### 6. How do you decide how much an investment or property is worth so that they can show on the accounts?

You don't have to do that for Receipts and Payments accounts. But they are required to be prepared in a similar and consistent way so that you can compare each year easily. This is important when considering any valuations you do show for such assets (and also for any uncertain liabilities) – they should be relevant, reliable and understandable. This does not mean that you need to spend money on valuing your assets each year. The alternative to showing a valuation is simply to identify each investment or property and add how long

you have owned it or when you acquired it and its purchase cost (unless it was a gift, in which case you only need to say so).

**7. What I don't need to show in my receipts and payment accounts:**

- You do not have to record any non-monetary items, nor any revaluations each year.
- You do not have to depreciate the value of assets over their useful life.
- You do not have to show gifts in kind.
- You do not have to show money that you should have received but didn't
- You do not have to show the money you made or lost (compared with their cost) when you have sold investments or assets such as property in the year.

**8. When I sell an asset such as investments how do I show this in the accounts?**

Even if you immediately use the money to buy another investment for the same value, you do still need to record the receipt of the money (also if it doesn't come into your bank account but only passes through the bank account of your investment manager, who is then simply acting as your agent, as does your banker), as well as the payment for the new investment. If it is a very large amount it may also be helpful to mention it in the Trustees Annual Report.

However, while you need to show it as a receipt, any proceeds of sale of investments or property is to be on a separate line under receipts, below Church Activities, with Other Receipts. It does not represent new money for Church Activities that is coming into the parish - it is only the conversion of an investment (or property etc), which has now become cash (even if only temporarily before being turned into another investment).

**9. What do I do with interest on an endowment fund?**

You do **not** record it as increasing the endowment fund itself.

If there is no restriction on how the endowment interest can be used then you record it as income to the General Fund. However if the endowment was set up for a special purpose for example the youth work of the church then the interest has to be recorded as income to the Youth Work restricted fund.

**10. What is the legal basis for restricted funds?**

A fund of restricted income is an unspent balance of money donated to the parish for spending on a specified Public Benefit purpose. (An endowment fund is money or assets given to the PCC to be retained and used for its benefit in the longer term – whether for its general purposes or for some special purpose.) A proper account of all such trust funds must be kept under the ancient common law of trusts, which protects and upholds the wishes and expectations of donors that are intended to be binding on the recipient as trustee. Although the SORP does not apply to annual accounts prepared on the Receipts & Payments basis, the same principles of trust law that it explains do apply to how such trust funds are used - even though there are no detailed statutory rules for accounting for them on this (R&P) basis.

**11. How do I treat "Incumbent and Churchwardens" or similar Trusts?**

Where the Trust is controlled by the PCC, it must be included within the PCC Accounts, an explanatory note should be included where the trust is of material size. Where the Trust is not under the control of the PCC, but is connected to it, the existence of that Trust should be disclosed within the Trustees Annual Report.