



FACT SHEET 15

Accounts and Book-keeping

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

- An Income and Expenditure Account
- A Balance Sheet
- 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 it has been received) and all expenses incurred (whether or not they have actually been paid). In other words it reflects the transactions relating to that period not just to 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, e.g. minibus, computers, etc. These are shown at net book value, that is the 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, e.g. a grant received in advance

Related Cumbria CVS Fact sheets

FACT SHEET 14, Drawing up a Budget

FACT SHEET 16, Cash Flow Forecasts and Budgets

Further Support and Advice is available from Cumbria CVS Locality Offices in:

Barrow: 72-74 Scott Street, Barrow-in-Furness, LA14 1QE. Tel: 01229 823144

Carlisle: 27 Spencer Street, Carlisle, CA1 1BE. Tel: 01228 512513

Eden: 6 Hobson Court, Gillan Way, Penrith, CA11 0DT. Tel: 01768 800350

South Lakeland: Stricklandgate House, 92 Stricklandgate, Kendal, LA9 4PU. Tel: 01539 742627

West Cumbria: Community Resource Centre, 12a Selby Terrace, Maryport, CA15 6NF
Tel: 01900 819191

Visit **Cumbria CVS Website** at: http://www.thirdsectorcumbria.org.uk/support_CumbriaCVS.html

Cumbria CVS Training Course information

Is available on our website: www.thirdsectorcumbria.org.uk/support_cumbriacvs_training.html
Tel: 01900 819191