

## Draft Update Bulletin 2 – proposed amendments to Accounting and Reporting by Charities: Statement of Recommended Practice (SORP)

An invitation to comment (ITC) issued by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator in February 2018.

Comments from ACCA  
29 March 2018

### About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 200,000 members and 486,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 101 offices and centres and more than 7,200 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

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ACCA welcomes the opportunity to provide views in response to the consultation. This has been done with the assistance of the members of ACCA's Charities Technical Advisory Group. They have considered the questions raised and their views are reflected in the following comments.

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## SPECIFIC QUESTIONS ON WHICH COMMENTS ARE REQUESTED

**Question 1 Do you agree with how the amendments to FRS 102 have been reflected in the proposed amendments to the Charities SORP (FRS 102) in draft Update Bulletin 2? If not, which of the proposed changes do you not agree with, and why?**

We generally agree with the amendments proposed, though we have a few suggestions for changes to reflect the charity context.

However we consider it important that the amendments to the SORP are incorporated into the SORP and not left as an Update Bulletin. Users of the SORP want to be able to customise and download an authoritative and complete version. They will not want to comply with the SORP and a series of Update Bulletins which may or may not be applicable to their circumstances. The SORP has been designed essentially to be a 'one stop shop' and to avoid users having to refer to both the SORP and FRS102, as is exemplified by the amendments being proposed in this ITC. Compliance with the SORP is more likely to be good if it remains that essentially single source of guidance and incorporates any amendments within its text. It cannot be difficult to do this with the on-line version and highlight in some way any of the amendments which might have a separate mandatory application date.

In our view Table 10A as supporting material for the net debt reconciliation required by FRS102, should be reconsidered for the following issues.

- For the great majority of charities we consider that the headings in Table 10A are not going to be applicable. Rather than provide a pro forma which covers all possible circumstances, one which is restricted to something more relevant to

the majority of charities would be better and less likely to clutter the financial statements with irrelevant material.

- Paragraph 14.17A defines net debt as borrowings with just cash and cash equivalents as the deduction. Table 10A also includes current asset investments as a deduction against borrowings.
- Table 10A refers to bank loans whereas for charities we think there may a wider range of sources of borrowings that should be involved – for example loans from supporters or from grant-making bodies.

The presentation of the clarification in Module 13 concerning Gift Aid payments by trading subsidiaries deserves a fuller explanation so that charities can understand how the different possibilities are to be accounted for.

**Question 2 Are there any other amendments to the Charities SORP (FRS 102) that you consider to be necessary based on the recent amendments to FRS 102? If so, please state the amendment to FRS 102 and the relevant SORP paragraph(s).**

We are supportive of the general approach that amendments at this point should be restricted to those arising directly from changes to FRS102. We have no further amendments to put forward.

