

Making the switch from accruals (SORP) accounts to cash-based accounts for charity financial statements

This factsheet explores the option for eligible charities to change from accruals to cash-based accounting, identifies some considerations for trustees, and explains what is involved.

Overview

The trustees of the majority of charities in the UK have the option to prepare their financial statements (annual accounts) as receipts and payments (cash based) accounts rather than prepare them on an accruals basis in compliance with the Charities Statement of Recommended Practice (the SORP). This option is not formerly available in the Republic of Ireland as the applicable accounting regulations have yet to be made. The Factsheet is split into a number of sections A to J.

A- Legal basis and the trustees' decision

The legal basis is important in identifying the choice and specifying the extent to which the form and content is proscribed. A feature all jurisdictions have in common is that the option only applies to charities that are firstly not companies established under company law (charitable companies) and secondly have a gross income below a specified threshold. Otherwise, the financial statements must be prepared on an accruals basis in accordance with UK or Ireland Generally Accepted Accounting Practice (GAAP) and in the UK the charity accounting regulations also require adhere to the SORP. (The SORP is currently voluntary in the Republic of Ireland.)

England and Wales: Charities Act 2011 section 133 If a charity's gross income in any financial year does not exceed £250,000, the charity trustees may, in respect of that year, elect to prepare—

- (a) a receipts and payments account, and
 - (b) a statement of assets and liabilities,
- instead of a statement of accounts under section 132(1).

It is notable that there is no authority for the Minister to make regulations as to form and content and therefore, aside from the statement headings, trustees have complete discretion. (Subsequent regulations governing Charitable Incorporated Organisations did though require two specific notes.) A later section of the 2011 Act, section 135, excludes charitable companies from the accounting regime specified in the 2011 Act.

Northern Ireland: Charities Act (Northern Ireland) 2008 (as updated) section 64 (3) Where a charity's gross income in any financial year does not exceed £250,000, the charity trustees may, in respect of that year, elect to prepare the following, namely—

- (a) a receipts and payments account, and
 - (b) a statement of assets and liabilities,
- instead of a statement of accounts under subsection (1).

It is notable that there is no authority for the Minister under this sub section to make regulations as to form and content and therefore, aside from the statement headings, trustees have complete discretion. This section of the 2008 Act also provides that charitable companies are excluded.

Scotland: Charities and Trustee Investment (Scotland) Act 2005 section 44 (4) The Scottish Ministers may by regulations make provision about the matters referred to in subsection (1) including:

- (a) the meaning of “financial year”,
- (b) the information to be contained in the accounting records and statement of account,
- (c) the manner in which that information is to be presented,
- (d) the keeping and preservation of the accounting records,
- (e) the methods and principles according to which, and the time by which, the statement of account is to be prepared,
- (f) the time by which the copy statement of account is to be sent to OSCR,
- (g) examination or audit of the statement of account,
- (h) such other matters in relation to the accounts of a charity as the Scottish Ministers think necessary or expedient.

The Minister has powers to make regulations as to form and content of all forms of charity accounts and it permits the Minister to exempt charities of a particular type from some or all of these requirements. It is to the accounts regulations that we look for the option to prepare cash accounts. Although these regulations apply to charitable companies the regulations cannot disapply company law provisions and since UK company law (Companies Act 2006 section 393) requires financial statements to be prepared to give a ‘true and fair view’ and refers to accounting standards (section 464) the cash-based accounts option cannot be exercised by a charitable company.

The Charities Accounts (Scotland) Regulations 2006 regulation 9 (1) Subject to regulation 14(4) and to paragraph (4), a charity with a gross income of less than £100,000 in a financial year shall prepare a statement of account for that financial year consisting of–

- (a) a receipts and payment account;
- (b) a statement of balances as at the last day of the financial year;
- (c) notes to the accounts; and
- (d) an annual report containing the information listed in Schedule 2.

The £100,000 limit was subsequently increased to £250,000 by an amendment to the 2006 regulations.

Republic of Ireland: Charities Act 2009 (as updated) section 48 (3) (a) Where the gross income or expenditure of a charitable organisation in a financial year does not exceed €100,000, the charity trustees may, instead of preparing an annual statement of accounts in respect of that year, prepare an income and expenditure account in respect of, and a statement of the assets and liabilities of, the charitable organisation.

This section permits the Minister to make regulations as to the form and content of the “annual statement of accounts” of a charity with the exception of charitable companies and charitable education bodies. Until these regulations are made it has not been determined what the form and content of an income and expenditure account and statement of the assets and liabilities will take.

B- Eligibility criteria and approving the option for cash-based accounts

The thresholds differ across the UK and Ireland. Table 1 summarises the current position and notes any known intention at the time of publication to change the threshold.

Table 1: Current thresholds

Jurisdiction	Current threshold	Future intentions
England and Wales	£250,000	Anticipated to change to £500,000 from 29 September 2026 subject to regulations being made.
Northern Ireland	£250,000	-
Scotland	£250,000	-
Republic of Ireland	€100,000	Under consideration to increase to €250,000 subject to regulations being made.

The trustees must exercise an option and so the decision to prepare cash-based accounts needs to be made by and approved by the trustees with a minute kept of this decision.

C- Stakeholder considerations involved in making the decision- telling your story

Eligibility is only one factor to consider. The purpose of the trustees' annual report and accompanying annual accounts is to provide information to stakeholders interested in the charity's work. Stakeholders are principally funders, donors and supporters along with other stakeholders such as beneficiaries, the general public, government, suppliers, staff and volunteers. The annual accounts are part of telling the charity's story and accounts prepared under the SORP include more elements of information than simpler cash-based accounts.

The advantages of cash-based accounts lie in not having to adhere to the SORP, so avoiding the complications of accruals and prepayments and, depending on jurisdiction, omitting accounting for changes in the value of assets and liabilities and associated complexities and, depending on jurisdiction, their brevity in having few, if any, required notes to the accounts. Arguably changes brought in by GAAP and Charities SORP 2026 amplify these advantages with the complexities of lessee accounting and the five step model to income recognition from exchange transactions (trading). However, these advantages in simplifying the accounts and their content may deter some stakeholders, particularly funders, from supporting the charity.

Before exercising the option, trustees may wish to consider their stakeholders and if looking to switch from SORP accounts to cash-based accounts discuss this option with key stakeholders to see whether cash-based accounts are sufficient in allowing those key stakeholders to continue to support the charity. It may be from their knowledge of their stakeholders this is not a consideration, for example a charity that relies on many individuals as donors supporting it. Also, if considering obtaining grants or bidding for contracts the trustees might consider whether the grant-maker or organisation awarding the contracts have a requirement for accounts to be prepared using the SORP.

Other considerations

Cash-based accounts by their nature exclude non-cash items such as gifts of time, goods, and services or property assets. If such non-cash gifts are important to the charity, then in order to celebrate those donations and to provide a better indication of the scale of the

charity's activities accruals accounts based on the SORP may be preferred and so the trustees might decide to not take up the option of cash-based accounts.

Similarly, depending on jurisdiction, gifts of assets that are not cash instruments but can be converted into cash need not be included in cash-based accounts where the valuation of assets not held in cash is optional. It may be that to celebrate those donations and to provide a better indication of the scale of the resources at the trustees' disposal that accruals accounts based on the SORP which value those assets and include changes in value in the accounts provides a better appreciation of the charity and so the trustees might decide to not take up the option of cash-based accounts.

The trustees of a charity which operates a trading subsidiary, where the group income is such that they have prepared group accounts on a voluntary basis may decide that cash-based accounts which cannot incorporate consolidation might not best describe the manner in which the parent charity operates and so decide not to take the cash-based accounts option.

Trustees also need to ensure that switching to cash-based accounts is not prohibited by the charity's governing document or by a funding agreement.

D- The Trustees' Annual Report and cash-based accounts- form and content by jurisdiction

The Charities SORP 2026 is very clear that it does not apply to cash-based accounts. The introduction to the SORP paragraph 20 states: 'Charities preparing receipts and payments accounts are not required to apply the accounting recommendations of this SORP. Such charities must refer to the regulatory requirements of their jurisdiction(s) of registration regarding the format and content requirements for receipts and payments accounts and the trustees' annual report.' Regulations also govern trustees' annual reports and these have to be followed as these are mandatory requirements. In the case of cash-based accounts the requirements often differ from the requirements for accruals (SORP) accounts.'

The form and content of the trustees' annual report for cash-based accounts are specified in regulations made by each jurisdiction. As yet no regulations have been made in the Republic of Ireland and so Irish charities are recommended to refer to the Charity Regulator's website (see annex 1).

Trustees complying with the 2019 SORP will be very familiar with preparing a trustees' annual report. Tier 1 charities looking to report/ reporting under Charities SORP 2026 will be familiar with the additional reporting requirements that will apply.

Trustees switching to cash-based accounting need to ensure all the mandatory requirements set out in the applicable regulations are met. In this respect the guidance issued by each of the UK charity regulators (see annex 1) provides comprehensive coverage of the requirements. The trustees can choose to make additional reporting by retaining some or all of the SORP's reporting requirements if they think it useful in telling their charity's story.

Unlike the new SORP (see module 1 paragraph 1.34) none of the receipts and payments (cash-based accounts) frameworks in the UK require the figures quoted in the trustees' annual report to be consistent with the accounts, although this is good practice. The applicable regulations for the trustees' annual report are:

- England and Wales- Charities (Accounts and Reports) Regulations 2008. Refer to regulation 40.
- Northern Ireland- The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015. Refer to regulation 32.

- Scotland- The Charities Accounts (Scotland) Regulations 2006. Refer to regulation 9 and Schedule 2.

E- Cash-based accounts- form and content of the financial statements by jurisdiction

The UK jurisdictions take different approaches to cash-based accounts. In Scotland there is a great deal of definition as to form and content due to the regulations having detailed requirements. In England and Wales and Northern Ireland it is largely a case of trustee discretion as to form and content.

Four things the frameworks have in common are:

- Fund accounting- differentiating each class of fund: unrestricted funds from restricted funds and within restricted funds differentiating endowment funds from restricted income funds;
- including all items that increase or reduce cash balances in the receipts and payments account and reconciling the amount of cash held (although not all cash items might be included in gross income for example a gift of endowment);
- excluding non-cash items from the receipts and payments account but approaches differ as to the statement of assets and liabilities (statement of balances in Scotland); and
- when calculating gross income excluding the receipt of gifts of endowment or changes to cash balances that represent a change in the form endowment is held (for example due the sale of an asset) but including any conversion of endowment to income.

Unpicking accruals and the considerations of cash balances and gross income for cash-based accounts

The switch to cash-based accounts from accruals requires adjusting the prior year comparatives and current year figures in the cash-based accounts for items that would not have been included in cash-based accounts. (See separate section as to whether these comparative figures are required or are convention and good practice.) For ease if preferred the amount of cash held at the year-end can be used in place of calculating the opening figure by adjusting the total income funds figure for the closing value of items not included in cash-based accounts (see valuation section). An important decision is to determine if the total income funds figure can be a cash balances figure only or if other assets and liabilities must be considered as approaches to this differ across the UK jurisdictions.

Categorising these adjustments is important because depending on the jurisdiction some cash items may count towards gross income which would not have been considered income in the Statement of Financial Activities, for example the repayment of principal on a loan made by the charity to a third party. The derivation of a figure for gross income is important as if gross income exceeds the applicable threshold (see table 1 above) then accruals accounts must be prepared. The approach to calculating gross income differs by jurisdiction.

The suggested categorisation is by whether the item affects cash balances. If you have an item not listed below then it is suggested you identify whether the item affects the cash balances held.

Items that affected the closing cash balances in the reporting period prior to switch:

- Prepayments made or cash received associated with income deferred in the reporting period
- Reduction in debtor or creditor balances

- Loans advanced and loans repaid
- Gains and losses on investments realised in cash balances on disposal
- Acquisition of investments or stock
- Payments made on leased assets by a lessee (Charities SORP 2026 treats these as representing a reduction in lease liability and a financing cost)

Table 2 considers the effect of adjusting for these items in the receipts and payments (R&P) account.

Table 2. Cash adjusting items

Item	Adjustment	Commentary
Prepayments	Prepayments add back to payments (reduces cash balances).	A prepayment is an outlay of cash so is included in R&P.
Cash received associated with deferred income with cash received in the reporting period	Deferred income represents cash paid by a customer in advance of service but this represents an addition to cash receipts (increases cash balances).	Cash coming in counts as a receipt and so is included in R&P.
Reduction in debtor or creditor balances	A debtor settling increases cash balances- an incoming receipt whereas the charity in paying its creditor reduces cash balances in making a payment.	In cash-based accounting the movement in cash is reported either as income or a payment. Unlike accruals, which attribute income and expenditure to a reporting period, R&P accounts simply report on receipts and payments.
Loans advanced and loans repaid	Unlike the SORP which distinguishes between principal (a cash change on the balance sheet) from interest- a transaction shown in the SoFA this is not the case in cash-based accounts where the focus is the total change in cash balances being either a receipt or a payment.	Both SORP and cash-based accounting treat interest received as income and interest paid as an expense, however cash-based accounts treat principal repaid to the charity as a receipt, a new loan to the charity as a receipt, and principal repaid by the charity to another as a payment.
Gains and losses on investments realised in cash balances on disposal	A gain realised in cash is a receipt for the full amount not just the gain (increases cash balances) and similarly a loss is still a receipt if cash is paid across (increases cash balances).	The issue here is the investment has been realised in cash and so is a receipt and not whether it was a good one or not.
Acquisition of investments or stock	An acquisition reduces cash balances and so is included as a payment.	Whereas accruals accounts treat an acquisition of investments as a balance sheet change if it reduces cash balances, R&P accounts simply note cash

		movements and make no distinction between acquiring assets and other payments.
Lessee accounting Charities SORP 2026	The payment is the full amount payable to the lessor (since it reduces cash balances). (The SORP treats this payment as having two elements-financing and a reduction in lease liability.)	The reduction in cash is the full payment the distinction the SORP makes between financing and principal is irrelevant in cash-based accounts.

Items that did not affect the closing cash balances in the reporting period prior to switch:

- Write-off of debtors
- Increase in debtor or creditor balances
- Accruals
- Non-cash gifts
- Change to carrying value of deferred income in relation income where cash was received in a prior period
- Depreciation and impairment
- Distributions from stock and stock impairment
- Change in the value of provisions
- Changes in value of property on revaluation
- Changes in value of investments (unless cash investments)

Table 3 considers the effect of adjusting for these in the receipts and payments (R&P) account.

Table 3. Non-cash adjusting items

Item	Adjustment	Commentary
Write off debtors	Add back to income figure since not affected cash balances.	Cash accounts will only include any cash as a receipt once received.
Increase in debtor or creditor balances	For debtors reduce income and for creditors reduce expenditure.	No cash has changed hands and so in the case of a debtor no cash was received or in case of a creditor no cash payment was made. (Only on settlement when cash balances are affected is an item shown in the R&P account.)
Accruals	An accrual attributes a charge to a period other than the period in which cash settlement is made. Adjust expenditure to remove the accrual.	Accruals, for example utility bills that cross accounting periods, differ from R&P accounts which only include the full amount when it is paid (whether part or fully paid in advance or arrears).

Non cash gifts	Reduce income and, if not capitalised, make a matching reduction in expenditure.	Non-cash gifts have not affected cash balances and so are excluded.
Cash was received in a prior period associated with deferred income where prior period deferred income now recognised in the reporting period	Deferred income represents cash paid by a customer in advance of service but if cash was received prior to the adjusting period (current year and prior comparative year) then this is not a cash receipt and so remove the income attributed.	In accruals accounting you recognise income in the accounting period when receivable whereas cash-based accounts you only consider the timing of a cash receipt.
Depreciation and impairment	Changes for depreciation and impairment do not change the cash balances and so are removed from expenditure in cash-based accounts.	Changes to asset values that do not affect cash balances are not included as an item in R&P accounts.
Stock distributions and impairment	Distributions of items from stock and charges for impairment (loss of stock) are removed from expenditure in cash-based accounts.	Changes to asset values that do not affect cash balances are not included as an item in R&P accounts. (Acquiring stock would be included because it involves a reduction in cash balances.)
Provisions	Expenditure represented by provisions is adjusted to remove the change in provisions because no cash is involved.	Changes to liabilities that do not involve cash balances (for example settling a liability in cash) including adjustments to provisions are not included as an item in R&P accounts. (A provision when settled does reduce cash balances and so is included at that point.)
Changes in property valuation	Changes in value if not realised in cash are not included in R&P accounts.	Changes to asset values that do not affect cash balances are not included as an item in R&P accounts
Changes in value of investments (excluding changes affecting cash)	Changes in value if not realised in cash are not included in R&P accounts.	Changes to asset values that do not affect cash balances are not included as an item in R&P accounts

The nature of a receipt affects whether or not it is included in the figure for gross income or not. In the year of the making the switch to cash-based accounts it is important that the gross income calculated on both an accruals basis and a receipts and payments basis is below the applicable threshold.

In England and Wales

The definition in the Charities Act 2011 in section 353 is: '...in relation to a charity, means recorded income from all sources including special trusts' is ill defined since elsewhere the Act differentiates endowment from income. The regulator offers its own definition in its guidance CC15d (glossary of terms): 'Gross income: the Charities Act defines gross income to mean the gross recorded income from all sources including special trusts. For accounts prepared on a receipts and payments basis gross income is simply the total receipts recorded in the statement from all sources excluding the receipt of any endowment, loans and proceeds from the sale of investments or fixed assets.'

In Northern Ireland

The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 defines income (regulation 2) as: "income" includes revenue and gains'.

The charity regulator in its guidance (CCNI ARR02) interprets gross income as: 'If you prepare receipts and payments accounts then your gross income is the total of all the receipts recorded in the statement of accounts but not including any endowments, loans and proceeds from the sale of investments or fixed assets.'

Scotland

The Charities Accounts (Scotland) Regulations 2006 (regulation 1) defines gross income as: 'gross income means the total recorded income of the charity in all unrestricted and restricted funds but not including resources received as capital funds'.

Unlike the other two UK charity jurisdictions there is a precision in the definition based on differentiating by class of fund which funds contribute to gross income but the composition as to what comprises income is also determined by the type of accounts prepared. The charity regulator in its guidance on accounting definitions notes that: 'A charity's gross income is the total incoming resources of the charity in all restricted and unrestricted funds but excluding the receipt of any donated asset in a permanent or expendable endowment fund.' In the case of cash-based accounts it comprises all forms of cash receipt (see schedule 9 regulation 3) with certain receipts required to be separately identifiable.

F- Valuation principles

Approaches to valuation of assets and liabilities differ between UK jurisdictions but all have the derivation of cash balances as the foundation of cash-based accounts. The SORP (module 14 paragraph 14.3) defines cash and cash equivalents for use in the Statement of Cash Flows as: 'Cash equivalents are defined as 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. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition'.

In England and Wales

The charity regulator suggests cash comprises: 'In this context 'cash' includes cash equivalents, for example, bank and building society current and other cash accounts into which money is banked or used to make payments' (CC16 guidance notes). The key aspect here is the ability of the trustees to readily access the charity's money to make payments. By inference fixed term savings accounts where this is no access prior to maturity or any financial instrument (such as a shareholding) that has to be sold first would not be included in cash balances.

For the approach to valuing items, other than cash, in the Statement of Assts and Liabilities (SAL) the regulator suggests: 'if valuations are provided in the statement of assets and liabilities, they should be relevant, reliable and understandable' and 'A description of assets

held may be sufficient, unless an amount or value is needed to provide a meaningful understanding of the asset. For example, in the case of cash and other monetary assets such as building society deposits, the cash value would be given. Trustees should take a reasonable approach to a valuation. Possible approaches could be assets' cost, insurance value or market value (e.g. for listed shares). No professional valuations are required but if one is available (perhaps as a result of an insurance survey) then this may be used.'

In Northern Ireland

The charity regulator in its guidance (CCNI ARR03) advises that: '...In this context, 'cash' includes cash equivalents such as money held in a bank or building society account.' The emphasis here appears to be on the equivalent of a holding being a current account and deposit or savings account.

For the approach taken to valuing items, other than cash, in the Statement of Assts and Liabilities (SAL) the regulator suggests (CCNI ARR03): 'A description of assets held may be sufficient unless an amount or value is needed to provide a meaningful understanding of the asset. For example, in the case of cash and other monetary assets, such as building society deposits, the cash value would be given. Trustees should take a reasonable approach to a valuation. Possible approaches would be using the assets' cost or insurance value or, for listed shares, the market value. Professional valuations are not required, but if one is available, perhaps as a result of an insurance survey, then this may be used.'

In Scotland

Neither Regulation 1 nor Schedule 3 to the Charities Accounts (Scotland) Regulations 2006 does give a definition of what comprises cash balances. The regulator's receipts and payments pack offers this advice as to what comprises cash: 'In this context "cash" includes cash equivalents, for example, bank and building society balances where cash can be readily withdrawn to pay for liabilities or expenditure as they become due.' The key aspect here is the ability of the trustees to readily access the charity's money to make payments. By inference the judgment may be made that fixed term savings accounts where this is no access prior to maturity or any financial instrument (such as a shareholding) that has to be sold would not be included in cash balances.

Schedule 3 to the Charities Accounts (Scotland) Regulations 2006 includes some specific requirements as to valuing certain items. These are referred to in the regulator's receipts and payments pack which states that: 'In addition, the statement of balances must also:

- summarise the investments held by the charity at their market valuation
- summarise the other assets held by the charity, including gifted assets, stating either the cost of these assets or the valuation if it is lower than the cost
- include a total estimate of the liabilities of the charity at the financial year end with contingent liabilities being shown separately.'

This framework is not as comprehensive in terms of the detail on definitions, recognition and measurement as set out in the SORP and so it leaves a degree of latitude in how to value gifted assets and in the measurement of liabilities.

Valuation options for assets and liabilities

Unless specified (see Scotland above) the preparer has a number of options in attributing a value to assets and liabilities. The suggested options to consider are:

- Known or expected cash settlement value for example in valuing debtors and creditors including lease payments
- Historical cost for property, plant and equipment
- Cost to the donor for gifts of property, plant and equipment
- Replacement cost

- Rebuild cost for a property
- Carrying values at the date accruals accounts ceased for property, plant and equipment
- Valuation of property held for the charity's own use (as valued by a valuer or suitably qualified trustee)
- Valuation or market value for investment property
- Insured value
- Valuation for investments (other than cash investments)
- Recent transaction value for a similar or equivalent item for example a used vehicle
- Auctioneer's estimate for example for an art work
- Estimate to settle a provision for example a provision made for dilapidation costs under a lease
- Realisable value for stocks held for sale or estimated proceeds of sale less costs to sell
- Cost to the donor for gifted items held as stock for distribution

Where no measurement basis is specified by regulation (as is the case in Scotland) it is open to the preparer to continue using an approach based on the SORP if in their judgment this provides the best method of valuing an item (see section on a hybrid approach below).

G- Providing comparative figures

The SORP requires comparative figures (module 3 paragraph 3.8) in the accounts and notes to the accounts but these are not always a similar legal requirement in cash-based accounts. ACCA considers comparative figures to be essential good practice and this includes providing them in the year of switching to cash-based accounting and so the preparer should be providing comparatives on a restated basis.

In England and Wales

The regulator's R&P pack CC16 includes comparative figures in its advisory accounts template.

In Northern Ireland

The regulator's R&P template CC16 includes comparative figures in its advisory accounts template.

In Scotland

Neither Regulation 1 nor Schedule 3 to the Charities Accounts (Scotland) Regulations 2006 specifically state that comparative figures are required. The regulator's however does state that: 'to allow comparisons to be made, any figures in the accounts must include the corresponding amount for the previous financial year' and so its Receipts and Payments Work pack includes comparative figures in its advisory accounts template.

H- Financial statements

The Financial Statements comprise a Receipts and Payments Account and a Statement of Assets and Liabilities (SAL) or Receipts and Payments Account and Statement of Balances (SOB) in Scotland.

In England and Wales

The advisory pro forma receipts and payments accounts provided by the regulator is in a columnar layout by class of fund type with an opening balance given. It distinguishes between cash receipts and those cash receipts from asset and investment sales. One section deals with a distinction between payments and those payments made to acquire assets or investments, and a separate section details transfers between classes of fund. The closing balance being the net position.

The advisory proforma statement of assets and liabilities has several sections with sections for assets: cash funds (which reconciles to the R&P account), other monetary assets, investment assets, and assets retained for the charity's own use. There is one section for liabilities. It is simply a list and so unlike the SORP no total funds figure is given.

In Northern Ireland

The advisory pro forma receipts and payments accounts provided by the regulator is in a columnar layout by class of fund type with an opening balance given. It distinguishes between cash receipts and the cash receipts from asset and investment sales. A distinction between payments and those payments made to acquire assets or investments is made, and a separate section details transfers between classes of fund. The closing balance being the net position.

The advisory proforma statement of assets and liabilities has sections for assets: cash funds (which reconciles to the R&P account), other monetary assets, investment assets, and assets retained for the charity's own use. There is one section for liabilities. It is simply a list and so unlike the SORP no total funds figure is given.

In Scotland

Schedule 3 to the Charities Accounts (Scotland) Regulations 2006 requires: 'The receipts and payments account shall set out the total receipts and payments for the financial year in sufficient detail as may reasonably enable a proper appreciation of the transactions and the excess of receipts over payments or payments over receipts for that year and shall distinguish between restricted, unrestricted, expendable endowment or permanent endowment funds.'

Similarly, Schedule 3 specifies that 'the statement of balances shall:

- (a) distinguish between unrestricted, restricted, expendable endowment or permanent endowment funds;
- (b) reconcile the cash and bank balances at the beginning and end of the financial year with the surplus or deficit shown by the receipts and payments account;
- (c) summarise the holding of investments and market valuation;
- (d) summarise other assets including gifted assets and state the cost or a valuation of the assets if available, and where the charity trustees consider the valuation to be lower than the cost, state the valuation;
- (e) state an estimate of the liabilities at the end of the financial year showing separately any contingent liabilities.'

The advisory pro forma receipts and payments accounts provided by the regulator is in a columnar layout by class of fund type with an opening balance given. It distinguishes between cash based with the items specified in the regulations and distinguishes in a separate section those receipts from asset and investment sales. Similarly, the section dealing payments specifies the items in accordance with the regulations and distinguishes those payments made to acquire assets or investments. A separate section details transfers between classes of fund. The closing balance being the net position.

The advisory proforma statement of balances follows the sequence specified in the regulations and has five sections with three sections for assets: cash funds (which reconciles to the R&P account), investments and other assets. There is one section for liabilities and one section for contingent liabilities. It is simply a list and so unlike the SORP no total funds figure is given.

I- Notes to the accounts

Even if notes are not required it is recommended that six notes are considered:

- In the year of change, a note to explain switch from accruals to cash-based accounts and the basis of comparative figures provided
- In the year of change, a note to reconcile opening funds balance to closing fund for the cash-based accounts with the equivalent closing funds balance on an accruals basis
- A note explaining the approach taken to recognising and measuring the values of assets and liabilities
- A note advising that the trustees expect to be able to settle all foreseeable financial cash obligations as they fall due in the next reporting period (financial year) or not and if not what the consequences of this is likely to be for their charity
- A note that attributes the closing (year-end) values of listed assets and liabilities to each class of fund: unrestricted income, restricted income and endowment funds
- A note to explain any related party transactions in the reporting period

In England and Wales

Notes are advisory with the exception of Charitable Incorporated Organisation which must provide two notes: 'The Charitable Incorporated Organisations (General) Regulations 2012 do require the following information to be given by way of note: a) particulars of any guarantee given by the CIO, where any potential liability under the guarantee is outstanding at the date of the statement of assets and liabilities; and b) particulars of any debt outstanding at the date the statement of assets and liabilities which is owed by the CIO and which is secured by an express charge on any of the assets of the CIO'.

In Northern Ireland

Notes are advisory and not required.

In Scotland

Part 2 of Schedule 3 to the Charities Accounts (Scotland) Regulations 2006 requires notes to the accounts: 'Additional information to be provided by way of notes to the accounts: 'In respect of the receipts and payments account and statement of balances, except where provided in the annual report—

- (a) the nature and purpose of each of the funds including any restrictions on these funds;
- (b) the number and amount of grant or grants paid, the type of activity or project supported and whether the grant or grants was or were made for the benefit of an individual or an institution;
- (c) the amount of remuneration paid to a charity trustee or person connected with a trustee, the authority under which the remuneration was paid, and if no remuneration was paid to a charity trustee or a person connected to a trustee, a statement of that fact;
- (d) the aggregate amount, if any, of expenses paid to the charity trustees, detailing the number of charity trustees paid and if no expenses were paid, a statement of that fact;
- (e) the nature of any transactions between charity trustees and persons connected with a trustee, the nature of the relationship, the transaction amount and any outstanding balances at the end of the financial year of the charity;
- (f) such other information as may reasonably assist the user to understand the statement of accounts.'

A cash-based take on going concern

The assessment of going concern is a requirement for SORP accounts (see module 3 paragraphs 3.17 to 3.19) but is not a formal requirement for cash-based accounts. Trustees of all charities are responsible for acting in the best interests of the charity and fulfilling their trustee duties which includes responsibility for the oversight of the charity and stewardship of its resources. Trustees will need to manage the charity in such a way that it can meet its

obligations and pay its debts as they fall due. This is important because, except for Charitable Incorporated Organisations and Scottish Charitable Incorporated Organisations, trustees are personally liable for any outstanding debts if the charity runs out of funds.

Although not required, the trustees may wish to include a note in the accounts that reassures stakeholders that the charity is able to meet its foreseeable obligations to make cash payments in the following reporting period (financial year) or include a comment to this effect in discussing the charity's reserves in the trustees' annual report.

For more information about assessing going concern refer to the ACCA Factsheet: Going concern and the alternative basis of accounts preparation for charities reporting under UK-Ireland Generally Accepted Accounting Principles (GAAP).

Using notes to the accounts to support a hybrid approach

The purpose of the receipts and payments account (or equivalent in cash-based accounts) is to explain the movement from the opening cash balance to the closing cash balance. It follows that the preparation of hybrid cash-based accounts that include some accruals for example of trade creditors and debtors is not supported by any of the frameworks for the receipts and payments account. However, all the frameworks in the UK suggest or require assets and liabilities to be valued. Blending cash and non-cash items is implicitly supported for the SAL / SOB and so, depending upon the approach taken to valuation (see above), there is scope for a hybrid approach in the treatment of assets and liabilities.

SORP accounts provide a basis for valuing assets and liabilities and non-cash items such as donated goods and services and time. The initial recognition and any changes in valuation due to depreciation, impairment or change in market value are incorporated in the Statement of Financial Activities and so the reader can track the change in the value of assets and liabilities from the opening to the closing position. The receipts and payments account does not allow this which means that for assets and liabilities other than cash where a value is attributed if a total for fund balances is given then the balancing figure has to be the total fund balances.

Valuing assets and liabilities other than cash, is voluntary in England and Wales and Northern Ireland but required in Scotland. The valuations can best be explained by the use of notes to the accounts reconciling opening and closing values for non-cash assets and liabilities such as property, plant and equipment and investments or in the level of debtors and creditors. The notes also offer a solution to explaining constructive commitments for example to pay grants and to support the calculation of a figure for the charity's reserves.

Trustees wishing to retain some aspect of accruals accounting where valuation is optional may wish to use notes to show the opening and closing balance and in year adjustments for each item, for example if continuing to base the valuation of property, plant and equipment on an accruals basis by calculating depreciation.

J- External scrutiny options

Charity law in the UK jurisdictions allows eligible charities below the threshold criterion (criteria in England and Wales) to opt for independent examination in place of having an audit. The audit option is available for cash-based accounts but the auditor's report differs from that for SORP accounts because cash-based accounts do not give a 'true and fair' view and so the auditor's report covers other specific matters set out in the applicable accounting regulations.

If either the trustees choose an audit or the charity's governing document requires one, a conversation with the auditor is recommended when switching to cash-based accounts as the auditor will need to adapt their approach for the audit.

Annex 1 Sources of advice cited in the Factsheet

Charities Regulator (Republic of Ireland) guidance landing page:
<https://www.charitiesregulator.ie/en/guidance>

Charity Commission for England and Wales guidance on report and accounts preparation:
<https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-november-2016-cc15d> (likely to be updated later in 2026) and model report and accounts pack: <https://www.gov.uk/government/collections/receipts-and-payments-accounts-pack-cc16>

Charity Commission for Northern Ireland guidance on report and accounts preparation and model report and accounts pack: <https://www.charitycommissionni.org.uk/guidance-a-to-z/a-to-z-of-commission-guidance/>

Office of the Scottish Charity Regulator guidance on report and accounts preparation and model report and accounts pack: <https://www.oscr.org.uk/managing-a-charity/charity-accounting/>

ACCA Factsheet: [Going concern and the alternative basis of accounts preparation for charities reporting under UK-Ireland Generally Accepted Accounting Principles \(GAAP\)](#)

About the author

The author of this factsheet, Nigel Davies FCCA DChA, is a director of the Association of Church Accountants and Treasurers (ACAT) and a member of the INPRF (formerly IFR4NPO) Practitioners' Advisory Group. He is regular speaker on financial reporting and regulation and was until January 2022 joint chair of the Charities SORP Committee and of the SORP-making body responsible for the development of the Charities SORP. Prior to being joint chair, he provided the SORP secretariat and was co-author of the 2014 Charities Statement of Recommended Practice (FRS 102). He was also the principal author of the 2015 ACCA Companion Guide for Not-for-profits to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), which was the forerunner initiative to INPAS and gave advice to non-profits on how to report under IFRS for SMEs.

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