4. Statement of financial activities

Introduction

4.1. All charities preparing their accounts on an accruals basis to give a true and fair view of their financial activities and financial position must prepare a SoFA for each reporting period. The structure, format and headings of the SoFA (when prepared on an activities basis) are set out in Table 2.

4.2. The column in Table 2 headed “Further details” provides references to later sections of this module that set out those activities and transaction(s) falling within each of the SoFA’s headings.

4.3. The statement of financial activities (SoFA) is a single accounting statement that includes all income, gains, expenditure and losses recognised for the reporting period. It provides the user with an analysis of the income and endowment funds received and the expenditure by the charity on its activities, and presents a reconciliation of the movements in a charity’s funds for the reporting period.

4.4. The SoFA should be prepared with the needs of the charity’s stakeholders in mind (see the SORP module ‘Accounting and reporting by charities – the statement of recommended practice (SORP) scope and application’). Those charities reporting on an activity basis should ensure that those activities reviewed in the trustees’ annual report are also reported on the face of the SoFA or in the notes to the accounts.

4.5. Expenditure is normally reported on an activity basis to show how the charity has used its resources to further its charitable aims for the public benefit. However, charities below the charity audit threshold may opt to report their charity’s expenditure in a different way, for example by the nature of expenditure rather than on an activity basis. Whichever presentation basis is used, the SoFA must clearly separate unrestricted funds, restricted income funds and endowment funds.
### Table 2: Statement of financial activities

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds</th>
<th>Restricted funds</th>
<th>Endowment funds</th>
<th>Total funds</th>
<th>Prior period total funds</th>
<th>Further details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income and endowments:</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A1</td>
</tr>
<tr>
<td>Earned from charitable activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A2</td>
</tr>
<tr>
<td>Earned from other activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A3</td>
</tr>
<tr>
<td>Investment and other income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditure:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of raising funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B1</td>
<td></td>
</tr>
<tr>
<td>Expenditure on charitable activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B2</td>
<td></td>
</tr>
<tr>
<td>Other expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net incoming resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(resources expended) before investment gains/(losses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B4</td>
<td></td>
</tr>
<tr>
<td>Net gains/(losses) on investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net incoming resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(resources expended)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers between funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>C</td>
<td></td>
</tr>
<tr>
<td><strong>Other recognised gains/(losses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains/(losses) on revaluation of fixed assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>D1</td>
<td></td>
</tr>
<tr>
<td>Actuarial gains/(losses) on defined benefit pension schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>D2</td>
<td></td>
</tr>
<tr>
<td>Other gains/(losses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>D3</td>
<td></td>
</tr>
<tr>
<td><strong>Net movement in funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reconciliation of funds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>E</td>
<td></td>
</tr>
<tr>
<td>Total funds brought forward</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total funds carried forward</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.6. The module is divided into two parts as follows:

- **Presentation of information:**
  - structure of the SoFA – all charities;
  - accounting for material and exceptional items – all charities;
  - accounting for losses from fraud and financial crime – all charities;
  - accounting for extraordinary items – all charities;
  - accounting for discontinued operations – charities following FRS 102;
  - structure of the SoFA – charities below the audit threshold; and
  - structure of the SoFA – all charities reporting on an activity basis.

- **Activity headings used in the statement of financial activities:**
  - A1 Donations;
  - A2 Income earned from charitable activities;
  - A3 Income earned from other activities;
  - A4 Investment and other income;
  - Analysis of income in the notes to the accounts;
  - B1 Cost of raising funds;
  - B2 Expenditure on charitable activities;
  - B3 Other expenditure;
  - B4 Gains and losses on investments;
  - Analysis of expenditure in the notes to the accounts;
  - C Transfers between funds;
  - D1 Gains/(losses) on revaluations of fixed assets;
  - D2 Actuarial gains/(losses) on defined benefit pension schemes;
  - D3 Other gains/(losses) on investments; and
  - E Reconciliation of funds.
Presentation of information

Structure of the SoFA – all charities

4.7. A charity’s statement of financial activities (SoFA) must:
   - adopt the same format in subsequent reporting periods unless there are special reasons for a change that is explained in the notes to the accounts;
   - provide comparative amounts for the previous reporting period for the total of each heading shown on the face of the statement; and
   - omit headings where there is nothing to report in both the current and preceding reporting period.

4.8. The columns of the SoFA must be used to distinguish restricted income funds, which may only be spent for a particular purpose of the charity, from unrestricted funds, which can be spent on any of its purposes, and endowment funds. Endowment funds are restricted funds which either cannot be spent (permanent endowment) or where there is no actual requirement to spend or apply the capital unless, or until, the trustees decide to spend it (expendable endowment). For more information refer to the SORP module ‘Fund accounting’.

4.9. All of the charity’s income and expenditure, transfers and other recognised gains and losses must be analysed between these classes of funds, but a charity will not necessarily have funds of all three classes.

4.10. A charity may vary the order in which it presents headings within the income and expenditure sections of the SoFA to meet its own presentational needs. Some charities may also find it informative to their users to insert additional subtotals.

4.11. A charity may add additional columns to the SoFA to present material funds or activities on the face of the statement rather than in notes. Any additional analysis of this type provided on the face of the SoFA must make clear the class of fund (unrestricted, restricted or endowment) in the column title. In providing additional information, a balance needs to be struck between the provision of additional information and the resulting complexity of the statement.

Accounting for material and exceptional items – all charities

4.12. All charities must disclose the nature and amount of any material item(s) of income or expenditure when this information is relevant to an understanding of the charity’s financial performance.

4.13. The FRSSE uses the term “exceptional items” to describe amounts derived from events or transactions that are part of a charity’s ordinary activities but are exceptional due to their size or incidence.

4.14. The disclosure of material or exceptional items must be made either in the notes or by the insertion of an additional line within the relevant activity heading on the face of the SoFA when necessary for the presentation of a true and fair view of a charity’s financial activities.
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Accounting for losses from fraud or financial crime – all charities

4.15. Any material loss through theft, fraud or other illegal payment must be disclosed. Details of the nature and amount of the loss must be set out in the notes to the accounts if not disclosed on the face of the SoFA.

Accounting for extraordinary items – all charities

4.16. Events and transactions falling outside a charity’s ordinary activities are by their nature extremely rare and are referred to as extraordinary items.

4.17. Extraordinary items are material events or transactions that:

- fall outside of the charity’s ordinary activities;
- are abnormal in their nature; and
- are not expected to recur.

4.18. In the unlikely event of their occurrence, extraordinary items must be disclosed on the face of the SoFA immediately after the total of net incoming resources (resources expended). The nature of each extraordinary item should be explained in the notes to the accounts.

Accounting for discontinued operations – charities following FRS 102

4.19. Charities are established to pursue one or more charitable purposes for the public benefit. Decisions as to the use of resources and the relative priority given to the charity’s aims may differ from year to year to reflect the demands placed on the charity by its beneficiaries and social and economic circumstances. Such changes in the way in which activities are provided, or goods or services are delivered, or the range or extent of the activities pursued, do not represent discontinued operations.

4.20. For example, a charity providing disaster relief and humanitarian assistance may operate on a global basis and carry out its activities in different countries in different years. Similarly, a charity providing services to the elderly may alter the way in which it delivers its services, for example by switching from residential care to supporting the elderly in their own homes. Neither charity is discontinuing its charitable purpose; they are fulfilling it in a different way.

4.21. Discontinued operations represent the complete discontinuation of, or disposal of, a separate line of business activity or charitable activity. In the unlikely event of a charity having a discontinued operation, an analysis of continuing and discontinued operations must be provided in the SoFA either by way of additional column(s).

Structure of the SoFA – smaller charities below the charity audit threshold

4.22. The analysis of income and expenditure by activity is encouraged for all charities preparing accruals accounts. However, charities not subject to statutory audit are not required to report their expenditure on an activity basis and may instead adopt an alternative approach to their analysis.

4.23. This analysis may be based on the nature of the income and expenditure. For example, expenditure could be analysed by salary-related costs, premises-related...
costs, interest expenses, transport costs and grants made. Alternatively, the headings used by the charity to record expenditure in its own accounting records could be used.

4.24. Where an alternative approach to analysis is adopted, the SoFA must disclose:

- total income of the charity;
- a relevant analysis of the components of income;
- total expenditure of the charity;
- a relevant analysis of the components of expenditure;
- net income/expenditure before transfers;
- gains/(losses) on investments (where applicable);
- transfers between funds;
- gains on the revaluation of fixed assets (where applicable);
- actuarial gains/(losses) on any defined benefit pension scheme (where applicable);
- net movement in funds;
- total funds brought forward from previous reporting period; and
- total funds carried forward at end of the reporting period.

4.25. If a material component of income or expenditure is not presented on the face of the SoFA, the nature and amount of the item must be disclosed in the notes to the accounts.

4.26. Charities preparing their accounts using a natural or other alternative basis of analysis must also provide those disclosures required by other modules relevant to the charity. For example, a charity must disclose any remuneration, benefits or expenses paid to trustees and any related party transactions.

Structure of the SoFA – all charities reporting on an activity basis

4.27. Larger charities above the charity audit threshold (see Appendix 3, ‘Thresholds for the UK and the Republic of Ireland’) and those smaller charities opting to a report on an activity basis must classify their income and expenditure by activity.

4.28. Income must be analysed according to the activity that produced the resources. Expenditure must be analysed by the nature of the activities undertaken.

4.29. Where relevant to the understanding of material activities, the expenditure analysis headings should enable the user of the accounts to understand the relationship with income earned from the activity. For example:

- a charity selling donated goods through a shop could use the description “Shops” within row A3 (Income earned from other activities) and row B1 (Cost of raising funds);
- a charity running a care home could use the description “Residential care fees” within row A2 (Income earned from charitable activities) and “Residential care costs” in row B2 (Expenditure on charitable activities);
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- an arts charity providing a mix of paid-for and free services could use the description “Admission fees for galleries and exhibitions” within row A2 (Income earned from charitable activities) and use the heading “Operation of art gallery and touring exhibitions to schools and community” in row B2 (Expenditure on charitable activities); and
- an endowed grant-making charity mainly making grants to advance education could use the description “Investment income” within row A4 (Investment and other income) and “Grants to education and research institutions, student bursaries and other grants” in row B2 (Expenditure on charitable activities).

4.30. In most cases, it will be clear which activity generated the income or expenditure. Expenditure shared between two or more activities should be apportioned between them on a reasonable, justifiable and consistent basis (see the SORP module ‘Allocating costs by activity in the statement of financial activities’).

Activity headings used in the statement of financial activities

A: Income and receipt of endowment

A1: Donations

4.31. Donations include all income received by the charity that is, in substance, a gift made to it on a voluntary basis. The gift may be for any purpose of the charity (unrestricted funds) or for a particular purpose of the charity (restricted income funds or endowment funds).

4.32. Donations do not provide any significant benefit to the donor in return for their payment other than the knowledge that the charity must use the gift to further its purposes. Income from donations includes:

- donations and gifts made by individuals and corporations, including any related tax refund or Gift Aid claimed on gifts made by individuals;
- legacies receivable by the charity;
- grants of a general nature provided by government and charitable foundations which are not conditional on delivering certain levels or volumes of a service or supply of charitable goods;
- membership subscriptions and sponsorships where these are, in substance, donations rather than payment for goods or services; and
- donated goods, services and facilities.

A2: Income earned from charitable activities

4.33. Income earned from charitable activities includes income earned both from the supply of goods or services under contractual arrangements and from performance-related grants which have conditions that specify the provision of particular goods or services to be provided by the charity. To fall within this analysis heading, the activities specified by the contractual terms or grant conditions must be undertaken for the charitable purposes of the charity.
4.34. Income earned from charitable activities includes but is not limited to:

- the sale of goods and services as part of the charitable activities of the charity (also known as primary purpose trading), whether the sale is intended to make a profit or is at or below cost;
- contractual payments from government or public authorities and other parties which fund the provision of particular goods or services, for example the provision of care;
- the sale of goods or services made or provided by the beneficiaries of the charity;
- performance-related grants where the income is conditional on delivering certain levels or volumes of a service or supply of goods;
- ancillary trades connected to primary purpose trading; and
- the letting of non-investment property in furtherance of the charity’s purposes.

A3: Income earned from other activities

4.35. Income earned from other activities includes income earned from both trading activities to raise funds for the charity and income from fundraising events. To fall within this analysis heading, the income must be earned in exchange for supplying goods and services in order to raise funds for the charity. While selling donated goods is legally considered to be the realisation of a donation in kind, in economic terms it is similar to a trading activity and should therefore be included in this analysis heading.

4.36. Income earned from other trading activities includes:

- income from non-charitable trading activities, including non-charitable trading activities of subsidiary entities consolidated into group accounts;
- membership subscriptions and sponsorships where the recipient is not a beneficiary and where these are, in substance, a payment for goods or services;
- income from fundraising events such as jumble sales, firework displays and concerts by the charity (or by volunteers working under the charity’s management direction) or its agents;
- shop income from selling donated and bought-in goods;
- income from letting and licensing arrangements for property held primarily for functional use by the charity but temporarily surplus to operational requirements; and
- income from sponsorships and social lotteries which cannot be considered pure donations.

A4: Investment and other income

4.37. Investment income is earned from holding assets for investment purposes and includes dividends, interest, and rents from investment property. Where income from investments is material, it should be presented as a separate heading on the face of the SoFA or in the notes to the accounts.
4.38. While income must be presented gross in the SoFA before the deduction of any costs incurred, it is often not practicable for charities to identify the investment management cost incurred within collective investment schemes, such as unit trusts or common investment funds, prior to the distribution of income. Where it is not practicable to identify the actual or notional apportionment of investment management costs incurred within the scheme with reasonable accuracy, the investment income should be reported net.

4.39. This heading should also include all other sources of income unless the amount is sufficiently material as to require its presentation as a separate SoFA heading. Other income may include:

- a gain on the disposal of a tangible fixed asset held for the charity’s own use;
- a gain on the disposal of a programme related investment;
- any royalties from the exploitation of intellectual property rights; and
- any other income not falling into the other income categories.

4.40. Other income may also include the conversion of endowment funds into income with the equivalent offsetting reduction to endowment funds shown as a deduction under other income in the “Endowment funds” column. This approach may be helpful in those jurisdictions that include such items in the calculation of gross income for audit threshold purposes. Alternatively, a conversion of endowment funds into income may be included under the heading “Transfers between funds”.

4.41. The conversion of endowment into income includes:

- capital funds released to an income fund from expendable endowment; and
- the release of funds to income from the ‘unapplied total return fund’ held within the permanent endowment fund where a charity has authority to adopt a total return approach to investment.

**Analysis of income in the notes to the accounts**

4.42. Unless analysed on the face of the SoFA, the notes to the accounts must provide an analysis of the material components of income included within each analysis heading of the SoFA. Amounts for similar activities should be aggregated so as to provide an analysis of:

- donations, distinguishing between the types of gift receivable, for example the amount of donations receivable as gifts, grants and legacies;
- income earned from charitable activities, identifying the nature of the activities undertaken and the income produced;
- income earned from other trading activities, identifying the nature of the trading or fundraising activity and income produced; and
- investment and other income, analysed according to each class of investment shown on the balance sheet or in the investment note to the accounts, and the nature and amount of other income receivable.
4.43. Where applicable, the notes to the accounts must give the amount and reason for the conversion of all or part of any endowment fund converted into income in the reporting period.

B: Expenditure

B1: Cost of raising funds

4.44. The cost of raising funds includes all expenditure incurred by a charity to raise funds for its charitable purposes. It includes the costs of all fundraising activities and events and non-charitable trading activities. However, any costs incurred in providing goods or services as a charitable activity must not be included in this heading, even if a charge is made for their provision.

4.45. The cost of raising funds includes those costs incurred in:
- seeking donations, grants and legacies;
- operating membership schemes and social lotteries;
- staging events, including the performance fees, licence fees and other related costs;
- contracting with agents to raise funds on behalf of the charity;
- operating charity shops selling donated and/or bought-in goods;
- operating a trading company undertaking non-charitable trading activities;
- advertising, marketing and direct mail materials, including publicity costs not associated with educational material designed wholly or mainly to further the charity's purposes; and
- investment management costs.

4.46. Investment management costs include the costs of:
- portfolio management;
- obtaining investment advice;
- administration of the investments;
- costs of licensing intellectual property; and
- rent collection, property repairs and maintenance charges.

4.47. Where investment management costs are material, they should be presented as a separate heading on the face of the SoFA or in the notes to the accounts.

4.48. Costs associated with acquiring and disposing of investments would normally form part of the acquisition cost of the investment or reduce the return on disposals. These costs are therefore not part of investment management costs. Where investment managers deduct management fees from investment income, the charity should report the gross investment income before fees and report the management fees charged in this cost category. However, charities are not expected to prorate investment management fees charged to a collective investment scheme to identify the notional cost attributable to its own holding in scheme.
4.49. Investment management costs associated with endowment fund investments should generally be charged to the endowment fund in the SoFA. Further guidance on the charging of investment management costs to endowment funds is provided in the SORP module ‘Fund accounting’.

4.50. Fundraising costs may be incurred in starting up a new source of future income such as legacies, or in developing a supporter database. In most cases these start-up costs should not be carried forward as prepayments or deferred expenditure. Instead, such costs are charged to the SoFA as incurred. Data capture costs of an internally developed database must not be capitalised. The costs of a database that has been purchased or donated to the charity can be capitalised where it is probable that it will generate economic benefits, for example generating income, and the resulting database has a readily ascertainable cost or value.

**B2: Expenditure on charitable activities**

4.51. Expenditure on charitable activities includes all costs incurred by a charity in undertaking activities that further its charitable aims for the benefit of its beneficiaries, including those support costs and costs relating to the governance of the charity apportioned to charitable activities. Costs involved in negotiating contracts or grants that require the charity to provide specific charitable services should also be regarded as part of the cost of carrying out that activity.

4.52. Additional sub-headings should be added to the analysis of charitable activities to identify the significant charitable activities undertaken which have been reviewed in the trustees’ annual report. The sub-headings used should reflect the nature of the activity undertaken.

4.53. On occasions, a subsidiary entity may undertake activities specifically to further the purposes of a parent charity rather than as a fundraising activity. Expenditure incurred by a subsidiary on activities that fall within the parent charity’s purposes should be analysed as charitable activity when consolidated accounts are prepared.

4.54. Charities may carry out their activities through a combination of direct service provision and the grant funding of third parties to undertake work that contributes to the charity’s aims or programme of work. The cost of charitable activities presented in the SoFA includes the costs of both direct service provision and the payment of grants. Charities making grants must refer to the SORP module ‘Presentation and disclosure of grant-making activities’, which sets out the particular disclosures required for grant making in the notes to the accounts.

**B3: Other expenditure**

4.55. Other expenditure includes all expenditure that is neither related to raising funds for the charity nor part of its expenditure on charitable activities. Where an amount is material or its presentation on the face of the SoFA is necessary for an understanding of a charity’s financial performance, an addition sub-heading should be used. Other expenditure may include:
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- a loss on the disposal of a tangible fixed asset held for the charity’s own use; and
- any other expense not falling into another expenditure heading.

Analysis of expenditure in the notes to the accounts

4.56. The notes to the accounts must provide a relevant analysis of the activities included within each expenditure heading provided on the face of the SoFA. The analysis provided should aggregate the cost of similar activities and provide the user of the accounts with an understanding of the charity’s main activities.

4.57. The analysis must give details of the support costs charged to an activity and the cost of grant funding to third parties that have been included within the cost of charitable activities. The total provided within the analysis must reconcile with the amounts presented within the relevant expenditure headings of the SoFA. This information may, for example, be presented in a tabular format (see Table 3).

Table 3: Analysis of expenditure on charitable activities

<table>
<thead>
<tr>
<th>Activity or programme</th>
<th>Activities undertaken directly</th>
<th>Grant funding of activities</th>
<th>Support costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Activity 1</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Activity 2</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Activity 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B4: Gains/ (losses) on investment assets

4.58. This heading is used to record any realised and unrealised gains or losses on investment assets, including those gains or losses arising from their revaluation in the reporting period.

C: Transfers between funds

4.59. All transfers between the different classes of funds must be shown in the transfer row of the SoFA. The transfer line must always net to nil. Transfers between funds may be made for several reasons, including:

- where restricted assets have been lawfully released and reallocated to unrestricted funds;
- to transfer assets from unrestricted funds to finance a deficit on a restricted fund; and
- to transfer the value of fixed assets from restricted to unrestricted funds when the asset has been purchased from a restricted fund donation but is held for a general and not a restricted purpose.
4.60. The transfer row may also be used to record the conversion of endowment funds (including the release of any unapplied total return where a total return approach to investment is adopted) into income. Alternatively, charities may choose to present the conversion of endowment funds in row A4 (Investment and other income).

D: Other recognised gains/ (losses)

D1: Gains/ (losses) on the revaluation of fixed assets

4.61. This heading includes gains or losses on the revaluation of property, plant and equipment used by a charity, and heritage assets and intangible assets. This heading should not be used when adjusting for a reversal in a previous charge for impairment.

D2: Actuarial gains/ (losses) on defined benefit pension schemes

4.62. This heading is used to record actuarial gains or losses on defined benefit pension schemes and post-employment benefit plans.

4.63. Charities which operate defined benefit pension schemes must refer to the SORP module ‘Retirement and post-employment benefits’, which provides recommendations on the recognition of pension costs, assets and liabilities and their disclosure in the accounts.

D3: Other recognised gains/ (losses)

4.64. A charity must insert additional headings to report any other gains and losses required by accounting standards or that company law (when the charity is a company) requires to be recognised outside of a charity’s income and expenditure account.

4.65. Items presented within this category include:

- where hedge accounting is adopted for that portion of the change in fair value of the hedging instrument that cannot be recognised as income or expenditure; and
- foreign exchange losses arising on conversion of non-monetary assets at the end of the reporting period where the valuation, gains or losses on those assets are not accounted for in headings B4, D1 and D2.

E: Reconciliation of funds

4.66. The opening and closing balances for each class of fund must be shown with the difference reconciled by the movement in funds in the reporting period. The closing fund balances presented in the SoFA must agree with the equivalent totals shown in the “Funds” section on the balance sheet.