

## ACCOUNTING GLOSSARY

S/N	Accounting Terms	Explanations
<b>INCOME</b>		
1.	<p><b>Donations</b></p> <ul style="list-style-type: none"> <li>• <b>Donations in Cash</b></li> <li>• <b>Donations in Kind</b></li> </ul>	<p><b>Gifts to Charities/Approved Institution of A Public Character (hereinafter referred to as IPCs) comprise donations in cash and in kind.</b> In order for a gift of property to qualify as a donation, the ownership of the property must pass to the recipient.</p> <p>- <b>Cash donations include cash, cheques, drafts, postal orders and any monetary instruments received by the Charities/IPC's without any conferment of benefit in return to the donors.</b></p> <p>- <b>Donations in kind will include donations or gifts other than cash.</b> Where such donations are of substantial value and can be reliably and reasonably quantified, they should be recorded as income. The amount recorded should be a reasonable estimate of their gross value to the Charities/IPC's. This value will usually be the price that the Charities/IPC's estimates it would have to pay in the open market for an equivalent item. When a valuation cannot be established, the Charities/IPC's should disclose the information in the notes to the accounts.</p> <p>Where the donation in kind is a fixed asset, it should be capitalised and reflected in the Balance Sheet of the accounts at a reasonable book value.</p> <p><i>Charities/IPC's should retain relevant documents to support their valuation.</i></p>
2.	<p><b>Donations</b></p> <ul style="list-style-type: none"> <li>• <b>Tax Deductible</b></li> </ul>	<p>- <b>Tax-deductible donations are donations to IPCs which qualify for tax deduction under Section 37(3)(b) to 37(3)(f) of the Income Tax Act.</b></p>

S/N	Accounting Terms	Explanations
	<ul style="list-style-type: none"> <li>• <b>Non-Tax Deductible</b></li> </ul>	<p><b>- Donations made to non-IPCs are non-tax deductible. Also, donations made to IPCs are non-tax deductible if they fall into any of these categories:</b></p> <ul style="list-style-type: none"> <li>• Donations where no tax deduction receipts were issued and which are not under the Auto-Inclusion Scheme for Donations e.g. donations collected through flag days;</li> <li>• Donations that entail benefits to the donors. For more details, please refer to IRAS Circular “Tax Treatment on Donations with Benefits” dated 1 May 2006; or</li> <li>• Donations received for overseas purposes.</li> </ul>
3.	<b>Grants</b>	<p><b>A grant is any voluntary payment in favour of a person or institution. It provides core funding and is of a general nature provided by the government and charitable foundations. It may be unconditional, or be subject to conditions, which if not satisfied by the recipient, may lead to the grant being reclaimed. (Source: RAP 6)</b></p> <p><u>Examples:</u> Government grants*, Foundation grants, Bursary grants, Benevolence grants etc.</p> <p>*Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal transactions of the entity.</p> <p><i>(Refer to FRS 20: Accounting for Government Grants and Disclosure of Government Assistance)</i></p>

S/N	Accounting Terms	Explanations
4.	<b>Sponsorships</b>	<p><b>Sponsorship is the value of in-kind support received and which are used in fund-raising exercise.</b></p> <p><u>Examples:</u> Prizes used in a charity auction, cost of a fund-raising dinner, cost of a radio or television programme, waive of administration charges, etc.</p> <p>Where a valuation cannot be established, the Charities/IPC's should disclose the type of sponsorship received in the notes to the accounts.</p> <p>Charities/IPC's may receive sponsorships with conditions attached that must be fulfilled before the entity has unconditional entitlement (control) of the resources. Where meeting such conditions are within the entity's control and there is sufficient evidence that the conditions have been met, then the resources should be recognized as income.</p>
5.	<b>Investment income</b>	<p><b>Investment income includes incoming resources from incoming assets, including dividends, interest and rents, but excluding realised and unrealised gains and losses. (Source RAP 6)</b></p> <p><u>Examples:</u> Interest income received from fixed deposit accounts and savings/current accounts that the Charities/IPC's hold in their names.</p> <p><i>(Refer to FRS 39: Financial Instruments-Recognition and Measurement)</i></p>
6.	<b>Investment gains</b>	<p><b>Gains/profits earned from the sale/disposal of investment or any gain resulting from revaluation of investments to market value at the end of the year.</b></p>

S/N	Accounting Terms	Explanations
<b>OTHER INCOME</b>		
7.	<b>Programme fees /Operating Income</b>	<p><b>This refers to fees/income that Charities/IPC's may receive when they carry out their activities through direct service provision to undertake the work that contributes to the Charity's/IPC's objectives or programme of work.</b></p> <p><u>Examples:</u> Fees charged to clients/patients for use of service(s) provided by the Charities/IPC's e.g. patient fees, dialysis fees, treatment fees and ward charges.</p> <p>Where the Charities/IPC's practice tiered pricing and give discounts to the clients/patients, the gross fees charged and discounts given should be shown separately in the accounts.</p>
8.	<b>Membership fees</b>	<p><b>This includes fees paid by memberships of the Charities/IPC's for services rendered to the members.</b></p> <p>Examples include:</p> <ul style="list-style-type: none"> <li>- the right to use the Charity's/IPC's facilities and services, or</li> <li>- the right to receive useful publications.</li> </ul>
9.	<b>Income from fund-raising activities</b>	<p><b>This includes income generated by activities to raise funds for the Charities/IPC's.</b> These activities generally involve an element of exchange, with the Charities/IPC's receiving income in return for providing goods or services.</p> <p><u>Examples:</u></p> <ul style="list-style-type: none"> <li>- Fund-raising events, such as jumble sales, concerts, or sales of greeting cards</li> <li>- Income from selling donated goods. While selling donated goods is legally considered to be the realization of a donation in kind, in economic terms it is similar to a trading activity and should be included as income from fund-raising activities.</li> <li>- Sponsorships used in fund-raising exercise e.g. prizes used in a charity auction, cost of a sponsored fund-raising dinner.</li> </ul>

S/N	Accounting Terms	Explanations
10.	<b>Others</b>	<b>This includes the receipt of any income, which does not fall within any of the earlier classifications.</b> Example: amortization of government capital grant
<b>EXPENSES</b>		
11.	<b>Direct fund-raising expenses</b>	<b>This refers to costs <u>directly</u> incurred and paid for in the fund-raising.</b> They include such costs: <ul style="list-style-type: none"> <li>• advertisements</li> <li>• printing of tickets and posters</li> <li>• supplies and material cost e.g. publicity materials</li> <li>• rental of premises</li> <li>• logistics e.g. cost of setting up stalls</li> <li>• hiring of commercial third-party fund-raisers</li> <li>• organizing games of chance, etc.</li> </ul>
12.	<b>Indirect fund-raising expenses</b>	<b>This refers to the costs of personnel and administrative/marketing overheads, which are used to support fund-raising activities. It includes expenses such as staff costs and utilities.</b>
13.	<b>Charitable activities expenses</b>	<b>Charitable activities expenses are all resources applied by the Charities/IPC's in undertaking its work to meet its charitable objectives in the delivery of goods and services.</b> Such costs include: <ul style="list-style-type: none"> <li>▪ Direct costs of the charitable activities. Examples are: <ul style="list-style-type: none"> <li>➤ supplies and material costs (Where the Charities/IPC's receive rebates or discounts from its suppliers for supplies and materials, the amount of rebates or discounts should be offset against the cost of the purchase. Only the net discounted price should be reflected in the accounts)</li> </ul> </li> </ul>

S/N	Accounting Terms	Explanations
		<ul style="list-style-type: none"> <li>➤ relevant staff cost</li> <li>➤ rental of premises</li> <li>➤ telecommunication</li> <li>➤ transport</li> <li>➤ utilities</li> </ul> <ul style="list-style-type: none"> <li>▪ Support costs incurred and attributable to the deliverance of an activity. (<i>source: RAP 6</i>)</li> <li>▪ Examples are: <ul style="list-style-type: none"> <li>➤ general management</li> <li>➤ payroll administration and human resource</li> <li>➤ budgeting and accounting</li> <li>➤ information technology</li> </ul> </li> </ul> <p>An explanation should be provided in the notes to the accounts of how these costs have been allocated to the charitable activities. Examples of bases for apportionment that could be applied are:</p> <ul style="list-style-type: none"> <li>▪ Headcount – the number of people employed within an activity</li> <li>▪ Floor area – area occupied by an activity</li> <li>▪ Time – time spent on each activity</li> </ul> <p>The bases for apportionment adopted should be appropriate to the cost concerned and to the particular circumstances of the Charity/IPC and selected to enable its accounts to give a true and fair view.</p> <p>(<i>Source: RAP 6</i>)</p>

S/N	Accounting Terms	Explanations
14.	<b>Other Operating &amp; Administration Expenses</b>	<p><b>This refers to expenses which relate to the general running of the Charities/IPC's that provide the governance infrastructure which allows the Charities/IPC's to operate, to generate the information required for public accountability, and the strategic planning processes that contribute to future development of the Charities/IPC's.</b> Charities/IPC's should ensure that the other operating and administrative expenses remain reasonable and in line with the Charities/IPC's overall expenses.</p> <p>Such expenses may include:</p> <ul style="list-style-type: none"> <li>- relevant staff cost</li> <li>- depreciation</li> <li>- internal and external audit fees</li> <li>- insurance</li> <li>- investment management cost</li> <li>- legal advice (other professional fees and services)</li> <li>- maintenance (land and building/equipment/vehicles)</li> <li>- rental expenses (premises/equipment)</li> <li>- telecommunications</li> <li>- utilities</li> </ul>
<b>ASSETS</b>		
15.	<b>Land and Buildings</b>	<p><b>This includes land and buildings owned and held primarily for Charity's/IPC's use.</b> For the purpose of posting key information online, Charities/IPC's may reflect a combined value for land and building.</p> <p>However, distinction should be made between land and buildings in the financial statements. Generally, buildings are value stated at cost/market value less accumulated depreciation and less accumulated impairment losses (if stated at cost), while there is no depreciation for a Freehold land. <i>(Refer to FRS 16: Property, Plant and Equipment. FRS 40: Investment Property)</i></p>

S/N	Accounting Terms	Explanations
16.	<b>Other Tangible Assets</b>	<b>Other tangible assets include furniture and fixtures, equipment, motor vehicle, etc.</b> Value should be stated at cost / market value less accumulated depreciation and less accumulated impairment losses.
17.	<b>Investments</b>	<p><b>An investment is an asset held by Charities/IPC's for the accretion of wealth through distribution (such as interest, royalties, dividends and rentals), for capital appreciation or for other benefits to the investing enterprise such as those obtained through trading relationships.</b></p> <p>Long-term investments are generally held with the overall intention of retaining them long-term for the continuing benefit of the charity in the form of income and capital appreciation.</p> <p>Investments are classified as short-term if the Charities/IPC's plan to realise without reinvestment of the sale proceeds within the next year.</p> <p><u>Examples:</u> Property, securities, or cash acquired for future financial return or benefit.</p> <p><i>(Refer to FRS 25: Accounting for Investments, FRS 39: Financial Instruments-Recognition and Measurement, FRS 40: Investment Property)</i></p>
18.	<b>Inventories</b>	<p><b>Inventories are assets:</b></p> <ul style="list-style-type: none"> <li><b>(a) Held for sale in the ordinary course of business;</b></li> <li><b>(b) In the process of production for such sale; or</b></li> <li><b>(c) In the form of materials or supplies to be consumed in the production process or in the rendering of services.</b></li> </ul> <p><i>(Refer to FRS 2: Inventories)</i></p> <p>Stocks held are usually not very substantial and should be expensed off when purchased. However, when the stocks are of a material value and are not likely to be used within a year, then, such stocks may be capitalised and reflected as inventory in the Balance Sheet.</p>



S/N	Accounting Terms	Explanations
		<p>Stock value should be stated at cost or net realisable value less provision for obsolescence, if any.</p> <p><u>Examples:</u> School uniforms, raw materials for their work, hearing aids, etc.</p>
19.	<b>Accounts Receivable</b>	<p><b>This refers to amounts owing to the Charities/IPC's, either for supplies of good or services provided, or for grants and donations receivable at financial year-end.</b> Value stated at total receivables less provision for doubtful debts and bad debts written off.</p> <p><u>Examples:</u> Trade debtors; Other debtors, Grant receivable, prepayments etc.</p>
<b>FUNDS</b>		
20.	<b>Funds</b>	<p><b>A "Fund" is a pool of resources, held and maintained separately from other pools because of the circumstances in which the monies were originally received or the way in which they have subsequently been treated.</b> At the broadest level, a fund will be of two kinds: unrestricted or restricted. (<i>Source: RAP 6</i>)</p>
21.	<b>Unrestricted Funds</b>	<p><b>These funds are expendable at the discretion of the trustees/office bearers in furtherance of the Charities/IPC's objects.</b> e.g. General Fund and Designated Fund* (to be shown separately in the Balance Sheet)</p> <p>*Designated Fund is part of unrestricted funds earmarked for a particular project. The designation has an administrative purpose only, and does not restrict the trustees' discretion to apply the fund. In other words, it is not legally a distinct fund and trustees can at anytime redesignate it for other purposes.</p>

S/N	Accounting Terms	Explanations
22.	<b>Restricted Funds</b>	<p><b>These are funds held by the Charities/IPC's that can only be applied for specific purposes.</b></p> <p>Examples:</p> <p><b>Special Trusts</b> which may be declared by the donor(s) or with their authority (e.g. in the public appeal) or created through legal process, but still within the wider objects of the charities/IPC's.</p> <p><b>Income Funds</b> which are expendable at the discretion of the trustees/office bearers in furtherance of some particular aspect(s) of the objects of the charities/IPC's. E.g. Building Fund</p> <p><i>(Source: RAP 6)</i></p>
23	<b>Endowment Fund</b>	<p><b>Endowment Fund is another form of Restricted Fund, held in trust where the capital is required to be invested, or retained for actual use, rather than expended.</b> Generally, only the interest income from Endowment Fund is used, and not the capital sum. <i>(Source RAP 6)</i></p>
<b>LIABILITIES</b>		
24.	<b>Current Liabilities</b>	<p><b>A liability is a present obligation of the Charities/IPC's arising from past events, the settlement of which is expected to result in an outflow from the resources embodying economic benefits.</b></p> <p><i>(Source: FRS 37 Provision, Contingent Liabilities and Contingent Assets)</i></p> <p>A liability shall be classified as current when it satisfies any of the following criteria:</p> <ul style="list-style-type: none"> <li>➤ it is expected to be settled in the Charities/IPC's normal operating cycle;</li> <li>➤ it is held primarily for the purpose of being traded;</li> <li>➤ it is due to be settled within twelve months after the balance sheet date; or</li> <li>➤ the Charities/IPC's do not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.</li> </ul> <p><u>Examples:</u></p> <p>Trade and sundry creditors, accruals, short term loans, interest payables, bank overdrafts, grants/income received in advance and current portion of leases.</p>

S/N	Accounting Terms	Explanations
25.	<b>Long-Term Liabilities</b>	<p><b>A liability shall be classified as Long-Term or Non-Current if it is expected to be settled more than twelve months after the balance sheet date or owed by Charities/IPC's that are due in more than a year.</b></p> <p><u>Examples:</u>            Long-term loans, provision for pensions and gratuities, non-current (long-term) portion of leases.            Long term loan, notes payable maturing &gt;1 year etc.</p>
<b>OTHER INFORMATION</b>		
26.	<b>Donations, Grants and Sponsorships given to other Charities</b>	<b>The total amount of cash donations or donations in-kind, grants and sponsorships made to other charities.</b>
27.	<b>No. of Employees</b>	<p><b>Total number of employees (full-time, part-time and contract staff) in the organisation.</b></p> <p>Please indicate the number applicable to each category of employee.</p>
28.	<b>Total Employee Costs</b>	This includes include salaries, bonuses, allowances, Central Provident Fund, staff gratuity, staff training and development and other entitlements such as benefits, allowances and overtime.
29.	<b>Fund-raising Efficiency Ratio</b>	<p>To maximise the charity dollar, the total expenses incurred on fundraising events shall not exceed 30% of the total donations collected through fund-raising appeals in that year.</p> <p>Fund Raising Efficiency Ratio = <math display="block">\frac{\text{Total Expenses} + \text{Sponsorships}}{\text{Total Donations} + \text{Sponsorships}}</math></p> <p>The purpose of including sponsorship in income and expenditure is to show the true cost of fund-raising. However, sponsorships and expenses should be included when a <u>receipt</u> has been issued.</p>

S/N	Accounting Terms	Explanations
		<p>Total donations should include both donations that qualify for tax deduction and those that do not qualify, such as donations with lottery element.</p>
30.	<p><b>Total Related Party Transactions</b></p>	<p><b>Related Party Transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.</b></p> <p>For example, if a board member of the Charities/IPC's is related to a certain supplier of services for the Charities/IPC's, the value of such related party transaction should be disclosed.</p> <p><b>When is a party related?</b></p> <p>A party is related to an entity if:</p> <ul style="list-style-type: none"> <li>(a) directly, or indirectly through one or more intermediaries, the party: <ul style="list-style-type: none"> <li>(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);</li> <li>(ii) has an interest in the entity that gives it significant influence over the entity; or</li> <li>(iii) has joint control over the entity;</li> </ul> </li> <li>(b) the party is an associate (as defined in FRS 28 Investments in Associates) of the entity;</li> <li>(c) the party is a joint venture in which the entity is a venturer (see FRS 31 Interests in Joint Ventures);</li> <li>(d) the party is a member of the key management personnel of the entity or its parent;</li> <li>(e) the party is a close member of the family of any individual referred to in (a) or</li> <li>(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or</li> <li>(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.</li> </ul> <p><i>(Refer to FRS 24 Related Party Disclosures)</i></p>

S/N	Accounting Terms	Explanations
<b>ADDITIONAL INFORMATION</b>		
31	<b>Reserves</b>	The term " <b>reserves</b> " has a variety of technical and ordinary meanings, depending on the context in which it is used. <b>We use "reserves" to describe that part of the Charity's/IPC's income funds that is freely available for its operating purposes not subject to commitments, planned expenditure and spending limits. "Reserves" normally excludes: permanent endowment funds, expendable endowment funds, designated and restricted funds.</b>
32.	<b>Total Income</b>	<b>This refers to the <u>gross</u> recorded income of the Charities/IPC's for the financial year.</b>  It excludes following items: <ul style="list-style-type: none"> <li>▪ gains on the disposal of property, plant and equipment</li> <li>▪ investment asset revaluation gains</li> <li>▪ any resources being received into the endowment funds. It will however include funds released from endowments</li> </ul> <i>(Source: RAP 6)</i>
33.	<b>Total Expenditure</b>	<b>"Total Expenditure" means the total gross recorded expenditure of the Charities/IPC's for the financial year.</b>  It excludes the following items: <ul style="list-style-type: none"> <li>▪ losses on the disposal of property, plant and equipment</li> <li>▪ amounts paid out for the acquisition of property, plant and equipment</li> <li>▪ amounts paid out of the endowment fund</li> </ul> <i>(Source: RAP 6)</i>
34.	<b>Total accumulated funds and reserves</b>	<b>This refers to the total of <u>all</u> funds (unrestricted, restricted, endowment, etc) and reserves.</b>