

ACCOUNTING GLOSSARY

S/N	Accounting Terms	Definitions
RECEIPT		
1.	Donations	<p>Gifts to Charities / IPCs comprise of donations in cash and in kind. In order for a gift of property to qualify as a donation, the ownership of the property must pass to the recipient.</p> <ul style="list-style-type: none">➤ Cash donations include cash, cheques, drafts, postal orders and any monetary instruments received by the Charities / IPCs without any conferment of benefit in return to the donors.➤ Donations in kind are donations or gifts other than cash. Where the value of donations in kind can be estimated with sufficient reliability, they shall be recorded as income. This value will usually be the price that the charities estimate that they would have to pay in the open market for an equivalent item. When the value of donations in kind cannot be estimated with sufficient reliability, the charities shall disclose this fact in the notes to the financial statements. <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>Charities / IPCs should retain relevant documents to support their valuation.</p>

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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.

Donations figures to be captured in the online financial template should also include any resources being received into the restricted funds such as building funds and endowment funds. While such resources may not be recognised as income (for accounting purposes) in the current year as they could be capital in nature, these are nonetheless incoming resources for the charity/IPC and hence should be reported accordingly.

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2.	Government Grants	<p>A grant is any voluntary payment (or other transfer of resources) in favour of an institution from whom the government does not receive appropriately equal value in return. The payment or transfer may be for the general purposes of the recipient, or for some specific purpose such as the supply of a particular service that is directed at the achievement of its charitable objects. It may be unconditional, or subject to conditions which, if not satisfied by the recipient, may lead to the grant or asset (including property) acquired with the aid of the grant, or part of it, being reclaimed.</p> <p>This excludes the lump-sum Government grant received for capital items (e.g. for land and buildings). The amortisation of such government capital grant should be included in the subsequent relevant years (applicable for charities adopting FRS only).</p>
3.	Investment Income	<p>Investment income includes income from investment assets (including dividends, interest and rents).</p> <p><u>Examples:</u></p> <p>Interest income received from fixed deposit accounts and savings / current accounts that the Charities / IPCs hold in their names.</p> <p>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.</p>

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4.	Programme fees	<p>This refers to fees / income that Charities / IPCs 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.</p> <p><u>Examples:</u></p> <p>Fees charged to clients / patients for use of service(s) provided by the Charities / IPCs, e.g. patient fees, dialysis fees, treatment fees and ward charges.</p> <p>Where the charities / IPCs 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>

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5.	Other Income	This includes the receipt of any other income, which does not fall within any of the earlier classifications. <u>Examples:</u> Membership fees, investment gains.
6.	Total Receipts	This refers to the gross recorded receipts of the Charities / IPCs for the financial year. It includes the gains on the disposal of property, plant and equipment and excludes investment asset revaluation gains.
7.	Receipts which are capital in nature	This refers to the total receipts which are capital in nature, such as donations to restricted funds which can only be expended for specific purposes, capital injection into endowment funds etc. This includes building funds and endowment funds. Total Income and Receipts which are capital in nature should be equal to Total Receipts.

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EXPENSES		
8.	Fund-raising expenses	<p>Both direct and indirect expenses incurred for fund-raising.</p> <p>Direct fund-raising expenses refer to costs directly incurred and paid for in the fund-raising.</p> <p>They include but not limited to the following:</p> <ul style="list-style-type: none"> ▪ Advertisements ▪ Printing of tickets and posters ▪ Supplies and material cost e.g. publicity materials ▪ Rental of premises ▪ Logistics e.g. cost of setting up stalls ▪ Hiring of commercial third-party fund-raisers <p>Indirect fund-raising expenses refer 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.</p>
9.	Charitable Activities/ Programme Expenses	<p>Expenditure on charitable activities / programmes comprises all the resources applied by the Charity /IPC in undertaking its work to meet its charitable objectives. Such costs include expenses incurred for the benefit of local and overseas community and should include both direct costs and support costs:</p> <p>i) Direct Costs: These are costs incurred directly for the provision of services</p>

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or the running of activities/programmes. Example would be an arts group's cost of productions; the amount spent by a Voluntary Welfare Organisation (VWO) on its youth and family event; and grants/scholarships/bursaries given out by a grant-making charity/IPC.

- ii) **Support Costs:** These are expenses which, whilst necessary for the delivery of activities/programmes, do not produce or constitute the output of the charitable activity of the charity/IPC. An example will be payroll of personnel involved in the specific programme. Sometimes, such costs may also be attributed to and apportioned between various programmes. For example, office rental expenses may be apportioned between different programmes which utilise specific areas in the charity's premises. Another example would be the apportionment of the remuneration of a staff who is involved in both administrative duties and the running of programmes.
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10.	Other Expenses	This will include the payment of any expenditure that the Charity/ IPC has not been able to analyse within the main expenditure categories and cannot be attributed to any specific activity/programme. This category shall not be used for support costs that can be apportioned to other activity cost categories.
ASSETS		
11.	Land and Buildings	<p>This includes land and buildings owned by Charity's / IPC's. For the purpose of posting key information online, Charities / IPCs 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 description for a Freehold land.</p>
12.	Other Tangible Assets	Other tangible assets include furniture and fixtures, equipment, motor vehicles etc. Value should be stated at cost / market value less accumulated depreciation and less accumulated impairment losses.
13.	Investments	An investment is an asset held by Charities / IPCs 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.

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14.	Inventories	Inventories are assets that are: <ol style="list-style-type: none"> Held for sale in the ordinary course of business; In the process of production for such sale; or In the form of materials or supplies to be consumed in the production process or in the rendering of services.
15.	Accounts Receivable	This refers to amounts owing to the Charities / IPCs, either for supplies of goods or services provided, or for grants and donations receivable at financial year-end. Value stated at total receivables less provision for doubtful debts and bad debts written off.
16.	Cash & Deposits	This includes savings in a banking institution and term deposits.
17.	Others	This includes any other assets, which do not fall within any of the earlier classifications. <u>Examples:</u> Prepayments, rental deposits, utility deposits.

FUNDS

18.	Funds	This refers to a pool of income, held and maintained separately from other pools because of the circumstances in which the income was originally received or the way in which they have subsequently been treated. At the broadest level, a fund will be one of two kinds: a restricted fund or an unrestricted fund.
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19.	Total Unrestricted Funds	<p>This refers to funds that are expendable at the discretion of the governing board members in furtherance of the charity’s objects. Unrestricted funds comprise:</p> <ol style="list-style-type: none"> a. Unrestricted income funds; and b. Designated funds. <p>Designated fund is an unrestricted fund that has been set aside for designated purpose(s) based on the governing board members’ discretion. Designated funds may also be used where donors have expressed a preference without imposing a trust. Such funds so designated remain unrestricted since the governing board members can remove the designation at any time.</p>
20.	Total Restricted Funds	<p>This refers to funds that are subjected to specific trusts, which may be declared by the donor(s) or with their authority (e.g. in a public appeal) or created through legal process, but still within the wider objects of the charity. Restricted funds comprise:</p> <ol style="list-style-type: none"> a. Restricted income funds; and b. Endowment funds.
21.	Endowment Funds	<p>This refers to a capital fund that is to be retained for the benefit of the charity. Endowment funds generally comprise of permanent and expendable endowment funds.</p>

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LIABILITIES		
22.	Total Current Liabilities	<p>This refers to a present obligation of the Charities / IPCs to make a transfer of value to another party as a result of past transactions or events.</p> <p><u>Examples:</u> Trade and sundry creditors, accruals, short term loans, interest payables, bank overdrafts, grants / income received in advance and current portion of leases.</p>
23.	Total Non-Current Liabilities	<p>A liability shall be classified as Long-Term or Non-Current if it is expected to be settled in more than twelve months after the balance sheet date or owed by Charities / IPCs that are due in more than a year.</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 in more than a year etc.</p>
OTHER INFORMATION		
24.	Donations, Grants and Sponsorships given to other registered charities	The total amount of cash donations or donations in-kind, grants and sponsorships made to other charities.

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25.	Number of Employees	Total number of employees (full-time, part-time and contract staff) in the organisation. Please indicate the number applicable to each category of employee.
26.	Fund-raising Efficiency Ratio	<p>The total fund-raising expenses of a charity / IPC shall not exceed 30% of the total receipts from fund-raising and sponsorships for that financial year.</p> <p>Fund Raising Efficiency Ratio = $\frac{\text{(Total Expenses + Sponsorships)}}{\text{(Total Donations + Sponsorships)}}$</p> <p>The purpose of including sponsorship in income and expenditure is to show the true cost of fund-raising.</p> <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> <p>For more information:</p> <ol style="list-style-type: none"> For Charities, please refer to Section 7 of the Charities (Fund-raising Appeals for Local and Foreign Charitable Purposes) Regulations For IPCs, please refer to Section 15 of the Charities (IPC) Regulations.

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27.	Reserves	This refers to the part of the Charity / 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, and restricted funds.
28.	Total Employee Costs	This includes salaries, bonuses, allowances, Central Provident Fund (CPF) contribution, staff gratuity, staff training and development as well as other entitlements such as benefits, allowances and overtime.

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29.	Total Related Party Transactions	<p>A Related Party Transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.</p> <p>A party is related to an entity if:</p> <ol style="list-style-type: none"> a. Directly, or indirectly through one or more intermediaries, the party: <ol style="list-style-type: none"> i. Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); ii. Has an interest in the entity that gives it significant influence over the entity; or iii. Has joint control over the entity; b. The party is an associate of the entity; c. The party is a joint venture in which the entity is a venture; d. The party is a member of the key management personnel of the entity or its parent; e. The party is a close member of the family of any individual referred to in (a) or f. The party is an entity that is 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 g. The party is a post-employment benefit for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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