

**Cambodian Financial Reporting Standard Accrual for Not-for Profit Entities
(CFRSA for NFPEs)**

This Standard was issued by National Accounting Council

Draft

Appendix A: Specific Requirements

This Appendix contains the requirements for Simple Format Reporting - Accrual (Not-For-Profit). It is an integral part of the Standard.

Section 1: Introduction

- A1. This part of the Standard sets out the requirements for the preparation of financial report.
- A2. This Standard comprises a number of sections (as shown in the Table of Contents). These refer to specific aspects of reporting. Within each section information is presented in numbered paragraphs to enable cross-referencing within this Standard.
- A3. Terms are defined in the Glossary in section 11 to assist with the understanding of this Standard.

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Section 2: Objective of Reporting and Overview of Reporting Requirements

Users and Their Needs

- A4. The performance report for a NFPE is designed for those users who cannot require the entity to disclose the information needed for accountability and decision making. Most users fall into two groups:
- (a) Providers of resources to the entity; and
 - (b) Recipients of services from the entity.
- A5. Examples of these users are:
- (a) Donors, who contribute to a shelter for the homeless which relies on grants and donations from the community (resource providers); and
 - (b) Service recipients who benefit from the meals and short term accommodation provided at the shelter.

Objective of Reporting

- A6. An entity should prepare a performance report that addresses the following questions:
- (a) “Who are we?” – an overview of the entity;
 - (b) “Why do we exist?” – why the entity was established and what it seeks to achieve (outcomes);
 - (c) “What did we do?” – what the entity did during the year in providing goods or services (outputs);
 - (d) “What did it cost?” – what it cost to provide the goods or services, and to run the entity;
 - (e) “How was it funded?” – the sources of revenue used to pay for its activities in providing goods or services;
 - (f) “When did we do it?” – the period covered by the report, and a comparison of information with previous reporting periods;
 - (g) “How did we do our accounting?” – the accounting policies applied; and
 - (h) “What do we need to continue operating?” – the ability of the entity to continue achieving its objectives and operate in the foreseeable future. This question can be answered by looking at the performance report as a whole.
- A7. The performance report is usually prepared for a financial year (which ends on its “reporting date”). The performance report shall identify and reflect the period to which it refers, and contain only the revenue, expenses and cash flows for that period. It may be prepared for a part year, but this is unusual and occurs only when the entity is formed or ceases to exist during a year, or changes its reporting date. If this is the case, the entity will need to check that the revenue, expenses and cash flows are only for that part year, for example, depreciation and rent.

Required Components of the Performance Report

- A8. An entity shall prepare a performance report every financial year with, at a minimum, the following components:
- (a) Entity information which explains what the entity is and why it exists (section 3);
 - (b) A statement of service performance which explains what the entity was seeking to achieve (outcomes) and what it did (outputs) (section 4);
 - (c) A statement of financial performance showing what the entity has generated (revenue) and the cost of running the entity (expenses), over the year, so that users and preparers know whether the entity has made a surplus or a deficit for that financial year (section 5);
 - (d) A statement of financial position showing what the entity owns (assets), what the entity owes (liabilities) and the difference (accumulated funds) at the reporting date (section 6);
 - (e) A statement of cash flows showing the cash the entity received, and the cash the entity paid out during the year (section 7);

- (f) A statement of accounting policies which explains the accounting rules used to prepare the performance report (section 8); and
- (g) Notes to the performance report explaining some of the amounts shown in the statements in (b)–(e) above, as well as explaining relevant events affecting the financial year including commitments and contingencies (section 9).

A9. An entity may change the titles of these statements if the entity considers that an alternative title is more suitable for the entity and users of the performance report. For example, the statement of financial position is sometimes referred to as the balance sheet, and the statement of financial performance is sometimes referred to as the operating statement.

Presentation of the Entity's Performance

A10. The performance report shall present fairly (or “provide a true and fair view” of) the entity's service performance, financial performance and cash flows over the financial year, and its position at reporting date, in accordance with this Standard. Fair presentation is achieved by compliance with this Standard, and also requires an entity to:

- (a) Select and apply appropriate accounting policies (section 8);
- (b) Present information in the best way to achieve the following goals:
 - (i) **Relevance:** the information can be used to assess the entity's performance.
 - (ii) **Reliability:** the information represents what has happened in a way that most users would see as a fair representation of the situation, with no bias.
 - (iii) **Comparability:** users are able to compare what the entity did this year with what the entity did last year. Users might also want to see how the entity performed compared to similar entities in the same sector this year.
 - (iv) **Understandability:** information is presented so that users can identify the main points of the entity's performance in that year and ask questions about that. Users should not have to be a qualified accountant to do this.

A11. Where the requirements of this Standard have been followed but more information about particular events during the year is needed in order to give users a full picture of what happened, additional relevant information shall be provided.

A12. Timeliness of reporting is important. The performance report should be provided as soon as possible following the end of the financial year so that the information is useful and relatively current. (will be in Prakas)

A13. It is important that the performance report is internally consistent. This is done by cross-referencing each line of a statement to any other information that relates to that line item in the rest of the performance report. For example, the total for property, plant and equipment would be referenced to the note containing the property, plant and equipment schedule. It is also important that any non-financial information, for example, information included within the statement of service performance, is consistent with financial information included elsewhere in the performance report.

General Information

A14. Each component in the performance report specified in paragraph A8 shall be clearly identified.

A15. An entity's performance report shall incorporate all the activities of the entity. The performance report shall include all branches or other operating units, if the entity is structured into more than one unit. This is done by collating and reporting information from all the branches or operating units and excluding all transactions between those units. Identifying the branches or other operating units within the entity is relatively straight forward where the entity has legal form. For unincorporated entities, the entity will need to look at factors such as whether those branches or other operating units are acting as part of the entity, for example, by using the entity's registration number on the Charities Register.

A16. The following information shall be displayed prominently, and repeated at the top of each page of the performance report:

- (a) The name of the entity that is preparing the performance report;
- (b) The date of the end of the financial year covered by the performance report, or the period to which the performance report applies, as appropriate; and
- (c) The level of rounding used in the presentation of the performance report (as a general rule whole Khmer Riels should be used; rounding to the nearest hundred or thousand may be appropriate for larger entities).

Comparative Information

A17. Although the performance report focuses on this year's information, comparative information for the previous year shall be included in the statement of service performance, statement of financial performance, statement of financial position, statement of cash flows and any associated notes to the performance report unless this Standard specifically allows otherwise. Comparative information shall also be provided for the disclosures about related parties in the notes to the performance report. The performance report may contain further comparative information where it is considered useful for users of the report.

A18. An entity may, but is not required to, report budgets or plans as an additional column alongside its actual results as further comparative information.

Consistency of Presentation

A19. An entity shall select and apply its accounting policies consistently for similar transactions and other events, unless this Standard specifically requires or permits categorisation of items for which different policies may be appropriate. If this Standard requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

A20. An entity may prepare its performance report on either a VAT-inclusive or a VAT-exclusive basis, provided that VAT is reported in a consistent way throughout the performance report.

A21. All amounts shall be presented in Cambodian Khmer Riels. If the entity has transactions or balances that are not in Cambodian Khmer Riels, it shall translate amounts to Cambodian Khmer Riels as follows:

- (a) Transactions are to be translated using the exchange rate on the date the revenue, expense or cash flow occurs; and
- (b) Monetary asset and liability balances are to be translated using the exchange rate at reporting date.

A22. An entity shall not change the way the information is presented, or the categories of disclosure, from one period to the next unless:

- (a) There has been a significant change in the entity's operations; or
- (b) This Standard requires that the presentation or a category of disclosure is changed.

A23. Any changes to presentation or categories of disclosure due to the application of paragraph A22 also require similar changes to the comparative amounts, unless it is impracticable to do so.

No Offsetting of Amounts

A24. Users of the performance report should be given as much relevant information as possible about the entity. Therefore, the entity shall report gross amounts for transactions, and not offset (net-off) any associated transactions or balances. This means that:

- (a) Assets and liabilities shall not be offset against each other; and
- (b) Revenue and expenses shall not be offset against each other.

A25. Valuation adjustments such as write-downs of inventory or property, plant and equipment provide for the change in value of an entity's assets. Measuring assets net of valuation adjustments is not considered offsetting. Accounting for the net amount of VAT owing to or from Inland Revenue is also not considered offsetting.

Significant Items

- A26. Items are significant if their omission or misstatement could, individually or collectively, influence the decisions or assessment of users relying on the performance report. Significance is considered in relation to both the nature and size of the item, or a combination of both. For the purposes of this Standard, significance has the same meaning as materiality.
- A27. Significance applies to both financial and non-financial information.

Correction of Errors

- A28. Significant errors shall be corrected as soon as practicable. Errors arising during the reporting period shall be corrected before the performance report is finalised. Errors relating to past periods shall be corrected in the current performance report before the report is finalised by adjusting the opening balance of the relevant asset, liability or accumulated funds at the beginning of the financial year. No adjustments to past periods are required (see paragraph A212).

Changes in Accounting Estimates

- A29. Many items can only be estimated as a result of the uncertainties inherent in delivering services or conducting other activities. The use of reasonable estimates is therefore an essential part of the preparation of the performance report. For example, estimates may be required of:
- (a) Revenue earned to date under a contract;
 - (b) Bad debts arising from uncollected receivables;
 - (c) Out-of-date inventory; and
 - (d) The useful lives of items or categories of property, plant and equipment.
- A30. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. The revision of an estimate does not relate to prior periods and is not the correction of an error.
- A31. The effect of a change in an accounting estimate shall be recorded by including it in the statement of financial performance as part of the relevant revenue or expense item in the current period.
- A32. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or accumulated funds, it shall be recorded by adjusting the amount of the related asset, liability, or accumulated funds for the current period.

Events After the Reporting date

- A33. Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the performance report is finalised. The reporting date is the last day of the financial year to which the statements relate. The date of finalisation is the date on which the statements have received approval from the individual or body with the authority to authorise those statements for issue.
- A34. An entity shall adjust the amounts recorded in its performance report and update the related disclosures to reflect events after the reporting date that provide evidence of conditions that existed at the reporting date. The following are examples of events that require an entity to adjust the amounts recorded in its performance report, or to record items that were not previously recorded:
- (b) The settlement after the reporting date of a court case that confirms that the entity had a liability at the reporting date.
 - (c) The receipt of information after the reporting date indicating that an asset was impaired or damaged at the reporting date. For example:
 - (i) The bankruptcy of a debtor that occurs after the reporting date usually confirms that a loss already existed at the reporting date on a receivable account, and that the entity needs to adjust the carrying amount of the receivable account; and
 - (ii) The disposal of damaged inventories after the reporting date may provide evidence

about their net realisable value at the reporting date.

(d) The discovery of fraud or errors that show that the performance report is incorrect.

A35. An entity shall not adjust the amounts recorded in its performance report to reflect events after the reporting date that are indicative of conditions that arose after the reporting date. The following are examples of such events:

- (a) The entity decides after the reporting date, to make further grants to the community;
- (b) Purchases and disposals of assets that occur after reporting date;
- (c) A decision by a lender made after reporting date to forgive some amounts borrowed by the entity; and
- (d) The entity enters into significant commitments after the balance date, for example issuing significant guarantees after reporting date.

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Section 3: Entity Information

Purpose and Value to Users

A36. The purpose of the entity information is to summarise for users what the entity does and how it is organised. This information will assist users in their understanding of the entity and help particularly with their interpretation of the performance report.

Required Information

A37. The entity information shall provide general descriptive information about the entity and its activities. This information shall comprise:

- (a) The entity's name, type of entity and legal basis (if any);
- (b) The entity's purpose or mission (the key difference the entity is trying to make);
- (c) A description of the structure of the entity's operations (including governance arrangements);
- (d) The main sources of the entity's cash and resources;
- (e) The main methods used by the entity to raise funds;
- (f) The entity's reliance on volunteers and donated goods or services; and
- (g) Any additional information that is considered essential to users' overall understanding of the entity.

A38. The amount of detail will depend on the size of the entity and the complexity of its operations.

Section 4: Statement of Service Performance

Purpose and Value to Users

A39. The purpose of the statement of service performance is to provide mainly non-financial information to help users understand what the entity did during the financial year.

Required Information

A40. Service performance reporting is based around two elements:

- (a) Outcomes: what the entity is seeking to achieve in terms of its impact on society; and
- (b) Outputs: the goods or services that the entity delivered during the year.

A41. The statement of service performance shall:

- (a) Describe the outcome(s) that the entity is seeking to achieve or influence through the delivery of its goods or services. The outcomes are likely to be closely related to the mission/purpose reported in the entity information section of the performance report. The main difference is that the mission/purpose is usually stated in broad or general terms and applies over the life of the entity. By contrast, the description of the outcomes in the statement of service performance should be more specific and focused on what the entity is seeking to achieve over the short to medium-term; and
- (b) Describe, and quantify to the extent practicable, the outputs (goods or services) the entity has delivered for the current year.

A42. The statement of service performance need include only the outputs that are significant to the performance of the entity. It is not expected to include a detailed account of everything the entity does.

Optional Information

A43. An entity may wish to report additional information such as:

- (a) Additional output measures:
 - (i) Appropriate quality measures of goods or services delivered;
 - (ii) A measure of the timeliness of delivery of the entity's goods or services if this is important to the recipient;
 - (iii) An allocation of revenue and expenses related to each category of the entity's outputs; and
 - (iv) A quantification of the contributions from volunteers in terms of hours or full-time staff equivalents (this figure may be estimated, and shall be noted as such if this is the case).
- (b) Comments on those factors which affect the achievement of the outcomes. This might include the working relationships between volunteers and employees, decisions to broaden or narrow the delivery of services, or the impact of factors external to the entity – such as economic, legal and geographical factors;
- (c) The entity's plans for the financial year being reported on, and an explanation of actual performance achieved against the plans set by the entity; and
- (d) Any additional information that is considered to be relevant to users' understanding of the entity's outcome goals, or the delivery of goods or services.

A44. The way in which the statement of service performance is presented can enhance the user's understanding of the entity. Sometimes a pictorial representation of the entity's achievements during the financial year presents the story more clearly than words or numbers only.

Section 5: Statement of Financial Performance

Purpose and Value to Users

A45. The purpose of the statement of financial performance is to report all revenue and expenses of the entity for the financial year. The statement provides users with information about the entity’s financial performance, including its revenue, expenses and the resulting surplus or deficit generated during the financial year.

Format of Statement of Financial Performance

Required Information

A46. The statement of financial performance shall be presented as follows:

Revenue (by category)	xx
Less expenses (by category)	xx

Surplus/(Deficit)	xx

A47. If the entity pays income tax, this shall be shown as a separate line item after surplus or deficit, with a further total called Surplus/(Deficit) after Tax also reported.

Optional Information

A48. Where the making of grants and donations is a major activity of the entity, the following format may be used:

Revenue (by category)	xx
Less expenses (by category)	xx

Surplus/(Deficit) before grants and donations made	xx
Less grants and donations made	xx

Surplus/(Deficit)	xx

A49. Additional line items, headings and subtotals may be presented in the statement of financial performance when such presentation will help users to understand the entity’s financial performance.

Revenue

A50. Revenue is the cash and other resource inflows of the entity, other than inflows from borrowings, sale of assets, or contributions of capital from owners (see paragraph A53).

A51. Revenue can come from various sources. Examples include public donations, grants from philanthropic trusts, donations and fees from members, funding for the provision of goods or services (including government contracts) and proceeds from the sales of goods or services (including trading revenue from commercial activities).

A52. Revenue includes only amounts received and receivable by the entity on its own account. Amounts collected on behalf of others (that is, as agent of another entity) are not revenue of the entity. However, if there is a commission involved in this collection arrangement the commission received would be recorded as revenue (see also paragraphs A83–A86).

A53. Some NFPE have owners and/or members who contribute capital (often occurring at start up). Contributions to the entity by these owners and/or members (other than membership fees, donations and fees for services) are classified as funds contributed by owners or members in the statement of financial position, and not as revenue (see also paragraphs A140–A141).

Required Information

- A54. In order to make information understandable to users, revenue shall be aggregated and separately presented in categories. As a **minimum**, the following aggregated categories shall be reported separately:
- (a) Donations, fundraising and other similar revenue;
 - (b) Fees, subscriptions and other revenue from members;
 - (c) Revenue from providing goods or services; and
 - (d) Interest, dividends and other investment revenue.
- A55. Category (a) above includes grants and donations/koha received from the public and other organisations, for example, central or local government, charitable trusts, foundations and other philanthropic agencies. It also includes any revenue from fundraising activities. Grants received from the government or other agencies that are in substance a contract for delivery of goods or services would be included in category (c) above. Any revenue from members, including donations, would be included in category (b).
- A56. Entities need report only the minimum categories specified in paragraph A54 separately when the category is applicable and significant to the entity.
- A57. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A54, provided that the separate categories are still maintained.
- A58. If there is difficulty in determining the category that should be used for a particular transaction, the entity shall make its best estimate of the appropriate classification. This classification shall then be used consistently in future periods so that the information reported is comparable over time.

Optional Information

- A59. The minimum categories specified in paragraph A54 may be disaggregated, or additional categories may be presented in the statement of financial performance, when such presentation will enhance users' understanding of the entity's financial performance. Possible disaggregated or additional categories are listed below.
- (a) Donations or koha from the public;
 - (b) Fundraising revenue;
 - (c) Grants not directly related to service delivery;
 - (d) Fees and subscriptions from members;
 - (e) Donations, koha or offerings from members;
 - (f) Revenue from grants or contracts for service with central or local government;
 - (g) Revenue from grants or contracts for service with non-governmental agencies;
 - (h) Revenue from sales to the public;
 - (i) Revenue from sales to members;
 - (j) Revenue from commercial activities;
 - (k) Lease or rental revenue;
 - (l) Interest or dividend revenue; and
 - (m) Other revenue.
- A60. Disaggregated or additional categories should be used only where doing so is necessary to provide users with an understanding of the main revenue sources of the entity. Too many categories can make it difficult for users to understand the overall picture. The number of disaggregated or additional categories used should therefore be limited to those that are really necessary.
- A61. Breakdowns of the minimum categories, or the disaggregated or additional categories, may be provided in the notes to the performance report. For example, fundraising from the public may be further disaggregated by fundraising campaign or type, such as by street collection, postal appeal, raffles or charity auction.

The entity may also elect to include in the notes to the performance report a list of donors or grant providers, together with a summary of their contributions, if it considers that this is useful information. The objective is to provide a breakdown that gives the most useful information to users of the performance report.

Accounting for Revenue

A62. Revenue shall be recorded on the occurrence of a recognition event. This is when there is a legal right to receive cash either now or sometime in the future. The timing of the recording of specific revenue types is provided in Table 1.

Table 1: Recording of Specific Types of Revenues

Source	When to Record	Comments
Donations, fundraising and other similar revenue		
Fundraising – cash	If no “use or return” condition attached (that is, no requirements to return the funds if they are not used as intended) record as revenue when cash is received.	May be received in the form of donations or from the sale of goods or services. It is rare that fundraising has a “use or return” condition attached. Funds may be raised for a specific purpose; this is not a condition but a restriction of use.
Fundraising – other	If the entity receives an asset refer to section on “donated assets” below. If the entity receives goods or services refer to section on “donated goods or services (other than donated assets)” below.	As part of a fundraising campaign the entity may receive donations of assets (other than cash) which it may keep, or the entity may receive donated goods which it may sell to raise funds.
Donations and grants with no “use or return” condition attached	Record as revenue when cash received.	Recording as revenue shall not be deferred even if the resources are received in advance of any expense on the activity funded by the donation or grant.
Grants for current operations with no “use or return” condition attached	Record as revenue on receipt.	A grant for current operations might be to help staff a drop-in centre for new mothers, whereas a grant for capital purposes might be to contribute to a new building.
Grants for capital purposes with no “use or return” condition attached	Record as revenue on receipt.	
Grants that are service contracts which have a “use or return” condition attached	On receipt of grant record asset received (generally cash) and a liability. As the conditions are met (i.e. services provided) the liability is reduced and revenue is recorded.	The liability as at reporting date reflects the extent to which obligations under the service contract have not been satisfied.
Grants and donations that have a “use or return” condition attached	On receipt of grant record asset received (generally cash) and a liability. As the conditions are met the liability is reduced and revenue is recorded.	The liability as at reporting date reflects the extent to which conditions have not been satisfied.
Donated assets	<i>Significant donated assets with useful lives of 12 months or more:</i> Record on receipt at readily obtainable values such as rateable value or government value. <i>Significant donated assets that are difficult to value such as intangible assets, highly specialised assets, and heritage assets:</i> Do not record. <i>Other donated assets:</i> Do not record.	<i>Significant donated assets that are recorded:</i> Disclose in the notes to the performance report details of the assets in accordance with the disclosure requirements of this Standard in relation to the particular class of asset (see paragraphs A190–A191). <i>Significant donated asset not recorded:</i> Details are disclosed in the notes to the performance report (see paragraph A192).

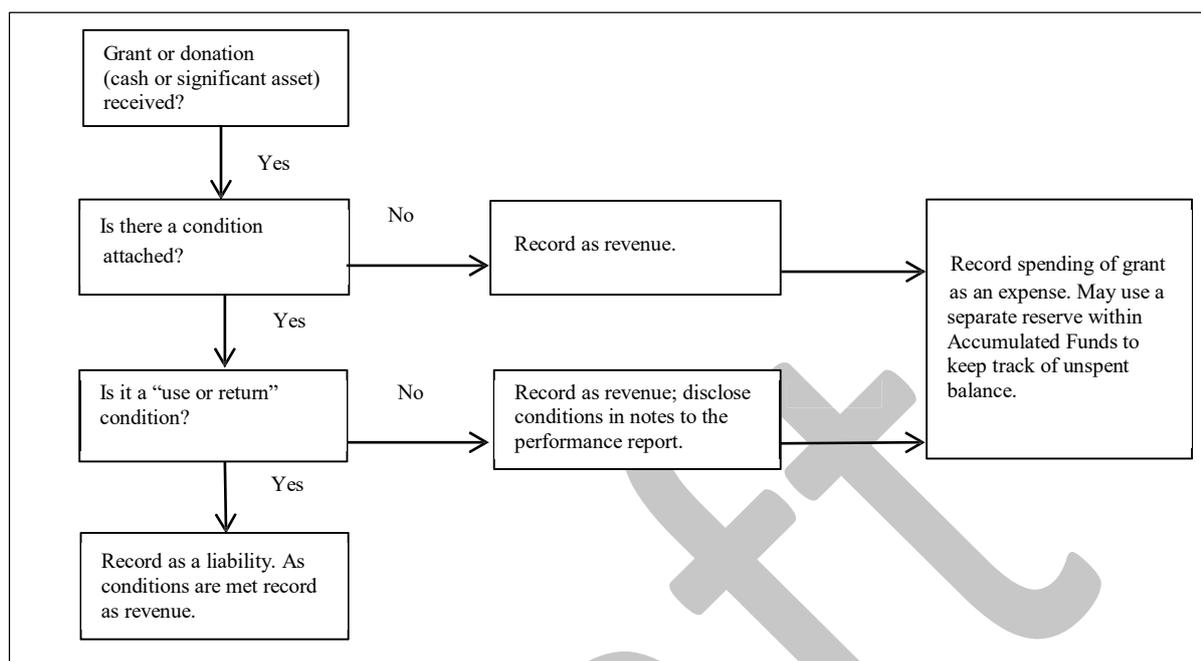
Source	When to Record	Comments
Donated goods or services (other than donated assets)	Do not record	Significant donated goods or services (including services in kind) are to be disclosed in the notes to the performance report (see paragraph A68).
Pledges and bequests	Record as revenue on receipt of the cash or significant asset.	Disclosure of known pledges and bequests not yet received is optional.
Fees, subscriptions and other revenue from members		
Fees and subscriptions in exchange for goods or services or to purchase goods or services at prices lower than those charged to non-members	<i>If the goods or services are of similar value in each time period (for example, a monthly magazine or monthly access to members' facilities):</i> Record as revenue evenly over the period in which the items are provided to the members. <i>If the goods or services vary in value from period to period:</i> Record as revenue proportionally on the basis of the value of each item in relation to the total estimated value of all items covered by the subscription.	Any fees or subscriptions received in advance or the period to which they relate should be recorded as a liability.
Other fees and subscriptions	Record as revenue when cash received.	Any fees or subscriptions received in advance of the period to which they relate should be recorded as a liability.
Donations from members with no "use or return" conditions attached	Record as revenue when cash received.	Recording as revenue shall not be deferred even if the resources are received in advance of any expense on the activity funded by the donation.
Donations from members that have "use or return" conditions attached to them.	On receipt of donation record asset received (generally cash) and a liability. As the conditions are met the liability is reduced and revenue is recorded.	The liability as at reporting date reflects the extent to which conditions have not been satisfied.
Revenue from providing goods or services		
Sale of goods	Record as revenue when the goods are sold (this is usually when the goods are received by the purchaser).	If the purchaser pays before they receive their goods, the entity records a liability. If the purchaser does not pay on receipt of the goods, the entity records a debtor.
Provision of services	Record as revenue by reference to the stage of completion of the service at reporting date, based on the actual service provided as a percentage of the total service to be provided.	The stage of completion of a service may be determined in many ways including: (a) On an event by event basis if that is the basis for charging; or (b) Services performed to date as a percentage of total services.
Entrance fees and one-off fees	Record as revenue when the event takes place.	Any fees received for events that have not yet taken place are recorded as a liability.
Subscriptions to a series of events (including tuition fees)	Record as revenue as events occur, allocating to each event on a basis that reflects the extent to which services are performed at each event.	Any subscriptions received for events that have not yet taken place are recorded as a liability.

Source	When to Record	Comments
Lease or rental revenue	Record as revenue on a straight-line basis over the term of the agreement, unless another systematic basis is representative of the time pattern of the user's benefit.	If the lessee pays in advance, the entity (as lessor) records a liability being the amount of the advance payment. If the lessee pays after the leased asset is used, the entity (as lessor) records as an asset any amount owed to the entity.
Interest, dividends and other investment revenue		
Interest	Record as revenue as it is earned during the period.	If the borrower pays interest in advance, the entity records a liability being the amount of the advance payment. If the borrower pays interest in arrears (after the investment period has elapsed), the entity records as an asset, any amount owed to the entity as a receivable.
Dividends and similar revenue	Record as revenue when receivable, for example when the dividend is declared (which would usually be before it is paid).	Dividends declared after the end of the financial year of the entity are not recorded as revenue.
Other revenue		
Licence fees and royalties	Record as revenue as they are earned in accordance with the substance of the relevant agreement.	As a practical matter, this may be on a straight line basis over the term of the agreement.
Commission for acting on behalf of another entity as the agent of that other entity (the principal)	Record as revenue when receivable, which would usually be defined in the agency agreement.	Revenue includes only amounts received and receivable by the entity on its own account, not the amounts collected for the principal.
Gain on sale of an asset	Record as revenue when control of the asset transfers to the new owner.	The gain is the proceeds from the sale less the amount recorded as the value of the asset prior to its sale.

Revenue with and Without Conditions

- A63. Revenue from donations, grants and fundraising without “use or return” conditions attached is recorded when the cash or significant assets are received.
- A64. Some donations and grants have conditions attached. Sometimes these can be of a general nature, for example to be used for specific purposes by the entity, and the entity is not legally required to return the money if it is not used for that purpose. Other donations and grants can be received on a “use or return” basis, for example when the entity is required to either use the donation/grant as specified by the donor/grantor or return the donation/grant to the donor/grantor.
- A65. Where revenue has conditions attached, it is necessary to determine whether those conditions lead to a liability. Revenue that has a “use or return” condition, shall initially be recorded as a liability until the condition has been met, at which point the revenue shall then be recorded.
- A66. For the purposes of this Standard donations or grants with conditions attached, but which are not “use or return” conditions, shall be accounted for in the same way as revenue without conditions (see paragraph A63). In these circumstances entities may elect to keep track of these unconditional but “tagged” donations or grants by establishing a designated reserve within accumulated funds (see paragraph A143). Note, however, that under this approach the donation/grant received is still recorded as revenue and any subsequent spending is recorded as an expense of the entity; the reserve fund is just a vehicle to keep track of the amount of the unused donation/grant.
- A67. Figure 1 illustrates the process an entity should undertake to determine how to record revenue with or without conditions attached.

Figure 1: Decision Tree: Accounting for Revenue with and without Conditions



Goods or Services in Kind

A68. Entities are not required (but may if they wish) to record as revenue goods or services received in kind, unless they are significant donated assets (see paragraph A111). However, entities shall provide information about significant goods or services received in kind in the notes to the performance report (see paragraph A189).

Expenses

A69. Expenses are the cash and other resource outflows from the entity, other than outflows to settle liabilities or purchase assets, or which are distributions of capital to owners (see paragraph A147).

A70. Expenses do not include prepayments. Executory contracts are also excluded (an executory contract is one where neither party has performed their obligation under the contract, for example, inventory that has been ordered but not received and therefore not paid for).

A71. Expenses include only amounts paid and payable by the entity on its own account. Amounts paid on behalf of others (that is, as agent of another entity) are not expenses of the entity (see paragraphs A83-A86).

Required Information

A72. In order to make information understandable to users, expenses shall be aggregated and separately presented in categories. As a **minimum**, the following aggregated categories shall be reported separately:

- (a) Expenses related to public fundraising;
- (b) Volunteer and employee related costs;
- (c) Costs related to providing goods or services; and
- (d) Grants and donations made.

A73. Entities need report only the minimum categories specified in paragraph A72 separately when the category is applicable and significant to the entity.

A74. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A72, provided that the separate categories are still maintained.

A75. If there is difficulty in determining the category that should be used for a particular transaction, the entity shall make its best estimate of the appropriate classification. This classification shall then be used consistently in future periods so that the information reported is comparable over time.

A76. Reimbursements for expenses incurred by employees on behalf of the organisation are not classified as employee expenses. For example, reimbursing an airfare for an employee to attend a conference. This is recorded in the appropriate category of expenses (for example, expenses relating to providing goods or services if that was the reason the travel took place).

Optional Information

A77. The minimum categories specified in paragraph A72 may be disaggregated, or additional categories may be presented in the statement of financial performance, when such presentation will enhance users’ understanding of the entity’s financial performance. Possible disaggregated or additional categories are listed below.

- (a) Administration and overhead costs;
- (b) Lease and rental expense;
- (c) Affiliation fees;
- (d) Interest expense;
- (e) Bad debts;
- (f) Depreciation;
- (g) Impairment charges; and
- (h) Other expenses.

A78. Disaggregated or additional categories should be used only where doing so is necessary to provide users with an understanding of the main expenses of the entity. Too many categories can make it difficult for users to understand the overall picture. The number of disaggregated or additional categories used should therefore be limited to those that are really necessary.

A79. Breakdowns of the minimum categories or the disaggregated or additional categories may be provided in the notes to the performance report. For example, employee related payments could be disaggregated into salaries and wages, employer superannuation contributions and other costs relating to employees. The objective is to provide a breakdown that gives the most useful information to users of the performance report.

Accounting for Expenses

A80. Expenses shall be recorded on the occurrence of a recognition event. This is where there is a legal obligation to pay cash either now or sometime in the future (this is normally referred to as the point at which an expense is “incurred”). The timing of the recording of specific expense types is provided in Table 2.

Table 2: Recording of Specific Types of Expenses

Source	When to Record	Comments
Expenses related to public fundraising		
Advertising costs, printing of fundraising materials, staff training	Record the expense when the advertising service is received or the other expense is incurred.	This category would include expenses associated with seeking gifts or donations.
Amounts paid to third party fundraisers	Record the expense when it is incurred.	

Source	When to Record	Comments
Volunteer and employee related costs		
Wages and salaries, annual leave, performance related bonuses, and any benefits such as medical care, housing, and free or subsidised goods or services for current employees for operating activities	Record the expense as staff provide services and become entitled to wages and salaries and leave entitlements.	Amounts for leave entitlements are recorded as liabilities. Amounts deducted from staff wages and salaries and held to pay to a third party (for example, Inland Revenue, Kiwisaver) are recorded as liabilities.
Wages and salaries related to the production of inventory or other assets	Do not record as an expense – include in cost of asset.	
Wages and salaries paid in advance	Record the expense when the staff provide services.	Record as an asset (prepayment) until the relevant services are provided.
Bonuses	Record the expense when the employee is notified that the bonus has been granted.	
Superannuation contributions	Record the expense as staff provide services.	This category comprises the entity's contribution to KiwiSaver or other superannuation schemes on behalf of staff. Amounts not yet paid over are recorded as liabilities.
Honoraria	Record the expense when the honoraria are paid.	The payment of honoraria is usually discretionary so there is no obligation on the entity prior to payment.
Vouchers provided to volunteers (such as petrol vouchers)	Record the expense when the voucher is purchased.	
Other (including ACC levies)	Record the expense in accordance with the relevant agreement.	Often recorded as an expense evenly over the period of the agreement.
Costs related to providing goods or services		
Inventory sold or distributed	Record the expense when the goods are sold or distributed.	Where donated inventory is not recorded as an asset, there is no expense to record on sale or distribution.
Inventory written down or written off	Record the expense when it is determined that the amount on the statement of financial position is greater than the value of the inventory (either as a sale or a distribution).	Inventory may lose value as: (a) It ages (for example, fresh food); (b) Future customers would not pay as much for the inventory; (c) Stock becomes obsolete; and (d) The inventory is less valuable to service recipients.
Administration and overhead costs	Record the expense when the cost is incurred.	Examples include premises rental, utilities (rates, power, phone), maintenance, IT costs, stationery etc.
Other costs associated with the delivery of services	Record the expense when the cost is incurred.	
Grants and donations made		
Grants and donations made	Record the expense when the grant or donation has been approved and the recipient advised.	

Source	When to Record	Comments
Other expenses		
Affiliation fees	Record the expense when the fees are due to be paid.	
Interest expense	Record the expense as it is incurred during the period.	This category is the amount paid during the period which relates to borrowings. Includes any interest amount owing but not yet paid.
Impairment charges (changes in the value of assets)	Record the expense when it is apparent that an asset is recorded at an amount that is greater than its net realisable value.	The impairment expense is the amount by which the asset's recorded amount is reduced. Impairment charges relate mostly to property, plant and equipment, inventory, and receivables (which become bad debts). See also Table 3 for further discussion on impairment.
Depreciation	Record the expense at year end based on the established depreciation rate.	See also Table 3 for further discussion on depreciation.
Tax expense	Record the expense in the financial year to which the tax payable relates.	If a tax return is filed, record the tax payable at the amount in the tax return. Otherwise, record at an estimated amount.
Loss on sale of an asset	Record the expense when control of the asset transfers to the new owner.	The loss is the amount recorded as the value of the asset prior to its sale, less the proceeds from the sale.
Other expenses	Record the expense when it is incurred.	It may be useful to consider the above principles.

Other Information

Required Information

A81. The statement of financial performance shall include any additional information that the entity considers necessary for users to understand the financial performance of the entity.

Optional Information

A82. An entity may include the entity's budgets or plans for the current financial year if they are available.

Amounts Payable or Receivable on Behalf of Others

A83. Revenue and expenses include only the amounts relating to the entity on its own account, that is, where it is the "principal". Where the entity is acting as an "agent" for another party (for example, the Government, another entity, or some other third party), the amounts collected or paid belong to that other party rather than the entity.

A84. An entity is a principal (that is, acting on its own behalf) when:

- (a) The entity has the primary responsibility for providing the goods or services to the beneficiary or customer;
- (b) The entity establishes the prices, either directly or indirectly, for those goods or services; and

- (c) The entity bears the customer's credit risk for any amount receivable from the customer.
- A85. An example of the entity as principal is when the entity organises a conference for a group of NFP entities, receives the conference fees, and is responsible for all the conference-related payments such as advertising and catering.
- A86. An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the transactions. One feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

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Section 6: Statement of Financial Position

Purpose and Value to Users

A87. The purpose of the statement of financial position is to provide a snapshot of the entity’s assets, liabilities and accumulated funds (the difference between assets and liabilities) at a certain point in time (being the reporting date). This is what the entity owns, what the entity owes, and the value of the members’ financial interests in the entity. The statement provides users with information about the financial sustainability of the entity, including the assets that can be used to run the entity in the future, and the liabilities that will have to be met in the future from cash balances and other assets.

Format of Statement of Financial Position

Required Information

A88. The statement of financial position shall be presented as follows:

Assets (by category)	xx
Less Liabilities (by category)	xx
Assets less Liabilities	xx
Accumulated Funds (by category)	xx

A89. Alternatively if the entity considers it more relevant to users of the performance report, the entity may use the following format:

Assets (by category)	xx
Liabilities (by category)	xx
Plus Accumulated Funds (by category)	xx
Total Liabilities and Accumulated Funds	xx

A90. Additional line items, headings and subtotals may be presented in the statement of financial position when such presentation will help users to understand the entity’s financial performance and position.

Assets

A91. Assets are resources of the entity that are expected to provide benefits to the entity in the future.

Required Information

A92. In order to make information understandable to users, assets shall be aggregated and presented separately in categories. As a **minimum**, the following aggregated categories shall be reported separately and split between current and non-current (see paragraph A102):

- (a) Bank accounts and cash;
- (b) Debtors and prepayments;
- (c) Inventory;
- (d) Property, plant and equipment; and
- (e) Investments.

A93. Bank Accounts and cash comprise petty cash, cheque or savings accounts, and deposits held at call with banks.

A94. Debtors (sometimes called accounts receivable) comprise amounts owed to the entity by customers or others. This includes any VAT receivable from Inland Revenue.

- A95. Prepayments are expenses paid in advance of a good or service being received by the entity (such as rent, insurance or salaries and wages).
- A96. Inventories are materials or supplies that are to be consumed in producing goods or services, held for sale or distribution in the ordinary course of operations, or are in the process of production for sale or distribution. Inventories include food, clothing or goods held for distribution, stocks held in opportunity and charity shops, information brochures printed for the entity but not yet distributed, goods purchased for resale, consumable stores, maintenance materials, spare parts for plant and equipment, and work-in-progress, such as educational/training course materials under development.
- A97. Property, plant, and equipment (sometimes called fixed assets) are tangible items that are used in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one financial year.
- A98. Investments are shares, term deposits, bonds, units in unit trusts, or similar instruments held by the entity.
- A99. Entities need report only the minimum categories specified in paragraph A92 separately when the category is applicable and significant to the entity.
- A100. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A92, provided that the separate categories are still maintained.
- A101. If there is difficulty in determining the category that should be used for a particular transaction, the entity shall make its best estimate of the appropriate classification. This classification shall then be used consistently in future periods so that the information reported is comparable over time.
- A102. In presenting the statement of financial position the entity shall identify those assets which are intended to be converted to cash within 12 months of the reporting date, for example, debtors that are expected to be collected within a few months of reporting date, or inventories that are expected to be sold or used within the next year. These shall then be classified as “current assets”. The remaining assets shall then be classified as “non-current assets”.

Optional Information

- A103. The minimum categories specified in paragraph A92 may be disaggregated, or additional categories may be presented in the statement of financial position, when such presentation will enhance users’ understanding of the entity’s financial position.
- A104. The main asset category where this is likely to be useful is property, plant, and equipment. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity’s operations. Possible classes of property, plant and equipment that could be reported separately (either in the statement of financial position or in the notes to the performance report) are:
- (a) Land;
 - (b) Buildings;
 - (c) Motor vehicles;
 - (d) Furniture and fixtures;
 - (e) Office equipment;
 - (f) Computers (including software); and
 - (g) Machinery.
- A105. Disaggregated or additional categories should be used only where doing so is necessary to provide users with an understanding of the main assets of the entity. Too many categories can make it difficult for users to understand the overall picture. The number of disaggregated or additional categories used should therefore be limited to those that are really necessary.
- A106. Breakdowns of the minimum categories, or the disaggregated or additional categories, may be provided in the notes to the performance report, for example, classes of property, plant and equipment, or different types of inventory (such as inventories held for consumption versus inventories held for sale). The objective is to provide a breakdown that gives the most useful information to users of the performance report.

Accounting for Assets

A107. Assets shall be recorded on the occurrence of a recognition event and reported using the measurement basis appropriate for the asset type. Details for recording and measuring specific asset types are provided in Table 3.

Table 3: Recording of Specific Types of Asset

Bank Accounts and Cash (note: bank overdrafts should be separately recorded as a liability)	
When to record	When the cash is received (either in hand or in the bank account).
Measurement	At the amount held.
Debtors	
When to record	When action is taken (such as goods or services sold) to give the entity the right to collect cash in the future. Compensation due from third parties (such as insurers) for assets that were impaired, lost, or given up should also be recorded as a debtor (and included as revenue in the statement of financial performance).
Initial measurement	At the amount owed.
When to record impairment	When it is likely that the amount owed (or some portion) will not be collected. Record the loss as a bad debt expense.
Change measurement at reporting date	Consider whether any amounts are impaired (see paragraph A108). If the entity charges interest on overdue amounts, add this to the amount of the debtor and record revenue.
When to no longer record	When amount is collected or written off.
Prepayments	
When to record	When payment made.
Initial measurement	At the amount relating to the future goods or services to be received.
When to record impairment	If the entity is unlikely to get the service it has paid for.
Change measurement at reporting date	Re-measure at the amount relating to the future services still to be received at that date.
When to no longer record (when to expense)	Once the entity receives the benefit for which it has paid, the prepayment (or portion thereof), is transferred from prepayments and is recorded as an expense.
Inventories	
When to record	When acquired.
Measurement	Purchased inventories: At cost.
When to record impairment	<i>Goods for sale:</i> Write-down to lower of cost and selling price. <i>Goods for use or distribution:</i> Write-down if the value to the entity decreases (for example, materials to be distributed are out of date or damaged).
Change measurement at reporting date	Only if impaired.
When to no longer record (when to expense)	When sold, distributed or written off.

Property, Plant and Equipment (including Heritage Assets)	
When to record	When purchased or donated.
Initial measurement	<i>Purchased:</i> Cost (cash price equivalent). <i>Donated:</i> Current value (such as rateable value or government value).
When to record impairment	<i>Asset to be sold:</i> If the market price for an equivalent asset falls below the carrying amount of the asset. <i>Asset to be used:</i> If the value to the entity in using the asset falls below the carrying amount of the asset (for example, the entity no longer provides the service supported by the asset).
Change measurement at reporting date	<i>Record depreciation</i> – spread the cost of the asset over the expected useful life of the asset, using a structured method such as straight line or diminishing value. Note that land is not depreciated.
When to no longer record	When sold, otherwise disposed of or written off.
Investments	
When to record	When purchased.
Initial measurement	At the amount paid.
When to record impairment	If it appears that the carrying amount of the investment will not be recovered, it shall be written down to the current market price.
Change measurement at reporting date	If the current market price falls below cost.
When to no longer record	When sold, otherwise disposed of, or written off.
Other Assets	
When to record	When: (a) The asset is acquired; and (b) The asset has a cost or value that can be measured reliably.
Initial measurement	At the amount paid or other value that can be measured reliably.
When to record impairment	If it appears that the carrying amount of the asset will not be recovered, that is, it is more than the current market value (if it can be determined).
When to no longer record	When the asset is sold or otherwise disposed of.

Calculating Debtors

A108. In calculating the value of debtors at the end of each financial year, the entity shall assess whether there is evidence that a receivable may not be collected. The factors to consider are:

- (a) Financial difficulty of the other party;
- (b) A breach of contract by the other party, such as a default in interest or principal payments;
- (c) The entity granting to the other party a concession relating to debt payment; or
- (d) Other information indicating that the receivable may not be collected.

Heritage Assets

A109. Some classes of property, plant and equipment may be described as heritage assets because of their cultural, environmental, or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art.

A110. Heritage assets shall be accounted for in the same manner as other property, plant and equipment (that is, at cost or if donated then at readily obtainable current values). Heritage assets for which current values

are not readily obtainable, do not need to be recorded in the statement of financial position but shall be disclosed in the notes to the performance report (by class if appropriate).

Donated Assets

- A111. Significant donated assets, such as significant items of property, plant and equipment, shall be recorded at readily obtainable current values, such as rateable or government valuation, where it is practicable to obtain such current values.
- A112. Significant donated assets for which values are not readily obtainable, do not need to be recorded in the statement of financial position but shall be disclosed in the notes to the performance report (by class if appropriate).

Revaluation of Property, Plant and Equipment

- A113. As specified in Table 3, purchased property, plant and equipment is to be measured on the cost basis. However, an entity may elect to revalue a class of property, plant and equipment. Entities are more likely to make such an election when the value of an asset had increased significantly over that asset's life (such as land or a building).
- A114. If an entity wishes to revalue an asset, it shall apply the relevant requirements of IPSAS 17 *Property, Plant and Equipment*, except that the entity may use the current rateable or government valuation (rather than fair value as required by IPSAS 17) when revaluing. Where this is the case, the entity shall disclose the source and date of the valuation in the notes to the performance report.
- A115. It is important to note that once property, plant and equipment is revalued, the requirements of IPSAS 17 Accounting Standards mean that it is likely that the entity will need to continue measuring those assets at revalued amount thereafter (rather than reverting back to asset cost).
- A116. If the entity chooses not to revalue property, plant and equipment but considers that a current value of some assets is useful information for users of the performance report, the entity may choose to disclose that current value, and the basis (such as the, rateable or government valuation) and date of that valuation in the notes to the performance report.

Assets Held on Behalf of Others

- A117. Assets held as an agent on behalf of another person, entity or other third parties are not recorded as assets of the entity. The statement of financial position should include only assets held by the entity on its own account as principal (see paragraphs A83–A86 for a discussion on principals and agents).

Liabilities

- A118. Liabilities are the amounts owed by the entity at reporting date.

Required Information

- A119. In order to make information understandable to users, liabilities shall be aggregated and presented separately in categories. As a **minimum**, the following aggregated categories shall be reported separately and split between current and non-current (see paragraph A128):
- (a) Bank overdraft;
 - (b) Creditors and accrued expenses;
 - (c) Employee costs payable;
 - (d) Unused donations and grants with conditions; and
 - (e) Loans.
- A120. Creditors (sometimes called accounts payable) are amounts owing to suppliers to pay for goods or services that have been acquired in the course of the entity's operations. VAT payable to Inland Revenue is also part of creditors.

- A121. Accrued expenses are costs incurred but not yet paid. This includes electricity, gas, telephone services used but not yet paid, water and local authority rates payable but not yet paid, and rent for the use of premises not yet paid.
- A122. Employee costs payable are amounts owing to, but not yet paid to employees. This category includes wages and salaries earned but not yet paid, holidays earned but not yet taken (holiday pay accrual), ACC contributions owing, PAYE withheld from employees' remuneration but not yet paid over to Inland Revenue, and contributions to superannuation schemes (such as KiwiSaver) or other post-employment benefit schemes collected but not paid over.
- A123. Unused donations and grants with conditions attached are donations or grants that have a "use or return" condition attached to them. This creates a binding obligation on the entity that is recorded as a liability (see paragraphs A63–A67 for a further discussion on revenue with conditions). This category includes unused revenue for service delivery contracts that have a "use or return" condition attached.
- A124. Loans are amounts borrowed by the entity.
- A125. Entities need report only the minimum categories specified in paragraph A119 separately when the category is applicable and significant to the entity.
- A126. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A119, provided that the separate categories are still maintained.
- A127. If there is difficulty in determining the category that should be used for a particular transaction, the entity shall make its best estimate of the appropriate classification. This classification shall then be used consistently in future periods so that the information reported is comparable over time.
- A128. In presenting the statement of financial position the entity shall identify those liabilities which are due to be paid within 12 months of the reporting date, which shall then be classified as "current liabilities". The remaining liabilities shall then be classified as "non-current liabilities".

Optional Information

- A129. The minimum categories specified in paragraph A119 may be disaggregated, or additional categories may be presented in the statement of financial position, when such presentation will enhance users' understanding of the entity's financial position.
- A130. Disaggregated or additional categories should be used only where doing so is necessary to provide users with an understanding of the main liabilities of the entity. Too many categories can make it difficult for users to understand the overall picture. The number of disaggregated or additional categories used should therefore be limited to those that are really necessary.
- A131. Breakdowns of the minimum categories, or the disaggregated or additional categories, may be provided in the notes to the performance report, for example, a breakdown of loans. The objective is to provide a breakdown that gives the most useful information to users of the performance report.

Accounting for Liabilities

- A132. Liabilities shall be recorded on the occurrence of a recognition event and reported using the measurement basis appropriate for the liability type. Details for recording and measuring specific liability types are provided in Table 4.

Table 4: Recording of Specific Types of Liability

Bank Overdraft	
When to record	When the overdraft occurs.
Measurement	At the amount of the actual overdraft (not the overdraft facility).

Creditors and Accrued Expenses	
When to record	When transaction occurs that creates the payment obligation, for example on the receipt of goods or services from a supplier.
Initial measurement	At the amount owing. If the entity has not received a supplier invoice it shall record an accrual for an estimate of the amount to be paid
Change measurement at reporting date	Review in case some part has been paid or is no longer owed (for example, a supplier changes the arrangement to donations of goods therefore revenue will be recorded).
When to no longer record	When settled.
Employee Costs Payable	
When to record	When an employee has earned the entitlement or the entity has withheld amounts from wages and salaries already paid. It is uncommon for entities with paid employees to have no employee costs payable.
Initial measurement	At the amount to be paid.
Change measurement at reporting date	If employees have been granted increased wages and salaries, amounts owing may change (for example, annual leave is based on amounts to be paid when the employee is expected to take the leave).
When to no longer record	When settled.
Unused Donations and Grants with Conditions	
When to record	When the grant or donation is received.
Initial measurement	At the amount to be returned if the conditions are not fulfilled.
Change measurement at reporting date	Assess whether the conditions have been fulfilled. If not, assess the amount of the grant that relates to conditions that haven't yet been fulfilled.
When to no longer record	When the conditions are fulfilled.
Provisions	
When to record	When an event has occurred that leads to an obligation.
Initial measurement	At the entity's best estimate of the amount to be paid.
Change measurement at reporting date	Review the estimate of the amount of the obligation in light of conditions at reporting date.
When to no longer record	When no obligation remains.
Loans	
When to record	When the amount borrowed has been received.
Initial measurement	At the amount borrowed from the lender (usually referred to as the loan principal).
Change measurement at reporting date	Include any loan principal outstanding and any interest owing that has not yet been paid.
When to no longer record	When all principal and interest has been paid.

Provisions

A133. A provision is a liability of uncertain timing or amount. For example, an entity's lease of office premises may contain conditions that require the premises to be renovated at the end of the lease, so a provision for this is established.

A134. A provision shall be recorded as a liability when:

- (a) The entity has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that the entity will have to settle the obligation; and
- (c) The entity can make a reliable estimate of the amount of the obligation.

A135. The use of estimates is an essential part of the preparation of performance reports, and does not undermine their reliability. This is especially true in the case of provisions, which by their nature are more uncertain than most other liabilities. Except in extremely rare cases, an entity should be able to make an estimate of the obligation that is sufficiently reliable to use in recording a provision.

Possible Future Liabilities

A136. The only liabilities recorded in an entity's statement of financial position are those where obligations exist at the reporting date as a result of a past event. Therefore, no provision should be made for liabilities that might result from a future event as these liabilities don't yet exist. For example, costs likely to be incurred in the future in order to continue an entity's activities in the future are not liabilities. Neither are expected future operating losses.

Contingent Liabilities

A137. Contingent liabilities are not recorded in the statement of financial position but are reported in the notes to the performance report (see paragraphs A199–A201).

Accumulated Funds

A138. Accumulated Funds are the owners' or members' financial interest in the entity. It is the component that balances the statement of financial position.

Required Information

A139. In order to make information understandable to users, accumulated funds shall be aggregated and presented separately in categories. As a **minimum**, the following aggregated categories shall be reported separately:

- (a) Capital contributed by owners or members (if any);
- (b) Accumulated surpluses or deficits; and
- (c) Reserves.

A140. Contributions from owners means contributions to the entity by external parties that establish a financial interest in the equity of the entity, which:

- (a) Conveys to owners the entitlement to:
 - (i) Distributions by the entity during its life; and/or
 - (ii) Distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or
- (b) Gives the owner or member a voice in the management of the entity as an owner; and/or
- (c) Can be sold, exchanged, transferred, or redeemed.

A141. A contribution from owners (see paragraph A53 for a further discussion) may, but does not necessarily need to, be evidenced by a formal ownership document, such as a share certificate.

A142. Accumulated surpluses or deficits are the total of all the surpluses and deficits from the commencement of the entity, excluding returns of capital or other distributions paid to owners/members in their capacity as owners/members (if any), and amounts transferred to other reserves.

A143. Reserves are of two types:

- (a) Restricted reserves which may be used only for a particular purpose (the restriction). The restriction may apply to the use of revenue from the funds such as interest received, or to changes to the capital fund, or to both. To be a restricted reserve the restriction must be set by an external

party, for example:

- (i) The express wishes of a donor (including in relation to endowment funds);
 - (ii) A specific purpose agreed with a donor; or
 - (iii) The terms of a fundraising appeal.
- (b) Discretionary reserves that have been created by a transfer from accumulated surpluses or deficits as a decision of the entity so that it sets aside resources for a particular purpose. A feature of this type of reserves is that they may be transferred back to accumulated surpluses or deficits whenever the entity chooses.

A144. Entities need report only the minimum categories specified in paragraph A139 separately when the category is applicable and significant to the entity.

A145. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A139, provided that the separate categories are still maintained.

Accounting for Accumulated Funds

A146. Contributed funds shall be recorded at the amount contributed by, less any contributed capital returned to, owners/members.

A147. Accumulated surpluses or deficits shall be recorded at the opening balance plus the current period's surplus or deficit from the statement of financial performance, less distributions paid to owners/members, less amounts transferred to reserves, plus amounts transferred from reserves.

A148. Reserves shall be recorded at the opening balance of the reserve for the period plus transfers to/from accumulated surpluses or deficits. The amount of the transfer should be equal to the amount of any revenue or expenses relating to the purpose of the reserve that were recorded in the statement of financial performance and therefore included in the current period's surplus or deficit.

Other Information

Required Information

A149. The statement of financial position shall include any additional information that the entity considers necessary for users to understand the financial position of the entity.

Optional Information

A150. An entity may include the entity's budgets or plans for the current financial year if they are available.

Section 7: Statement of Cash Flows

Purpose and Value to Users

A151. The purpose of the statement of cash flows is to provide information about the cash flows of the entity, which can have a different timing to the accruals that are reported in the statement of financial performance. Cash flow information allows users to determine how the entity has received cash, and how the cash was used during the year. An understanding of the timing and certainty of cash flows is helpful to users in making decisions about the sustainability of the entity and whether resources have been allocated effectively.

A152. The difference between the statement of cash flows and the statement of financial performance is that:

- (a) The statement of cash flows reflects the cash movements during the period, regardless of when the transaction or event is recorded in the statement of financial position or statement of financial performance; and
- (b) The statement of financial performance reflects the revenues and expenses that relate to the financial year, regardless of the timing of the associated cash flows.

Format of Statement of Cash Flows

Required Information

A153. The statement of cash flows shall be presented as follows:

Cash Flows from Operating Activities (by category)	XX
Cash Flows from Investing and Financing Activities (by category)	XX
Net Increase/(Decrease) in Cash	XX
Add Opening Cash Balance	XX
Closing Cash Balance	XX

A154. Alternatively, if the entity considers it more relevant to users, the entity may report cash flows from investing activities (by category) separately from cash flows from financing activities (by category).

A155. Investing activities are the acquisition and disposal of long-term assets and other investments not included in the cash balance. For example, the purchase of property, plant and equipment, or investments. Financing activities comprises receipts and payments relating to long-term borrowing by the entity (the principal amount only), and any capital contributions to/from owners or members (if any).

A156. Operating activities are the activities of the entity that are not investing or financing activities. They include the normal operations of the entity, for example, providing goods or services.

A157. The statement of cash flows does not include:

- (a) Cash receipts collected and payments made on behalf of others when the cash flows reflect the activities of the other party rather than those of the entity (see paragraphs A83–A86). For example, rent collected on behalf of, and paid over to, the owners of properties; and
- (b) Transactions not involving cash, for example depreciation and donated goods or services.

Cash Flows from Operating Activities

Required Information

A158. In order to make information understandable to users, cash flows from operating activities shall be aggregated and presented separately in categories. As a **minimum**, the following aggregated categories shall be reported separately:

Cash Receipts:

- (a) Donations, fundraising and other similar receipts;
- (b) Fees, subscriptions and other receipts from members;

- (c) Receipts from providing goods or services; and
- (d) Interest, dividends and other investment receipts.

Cash Payments:

- (e) Payments to suppliers and employees; and
- (f) Donations or grants paid.

A159. Entities need report only the minimum categories specified in paragraph A158 separately when the category is applicable and significant to the entity.

A160. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A158, provided that the separate categories are still maintained.

A161. If there is difficulty in determining the category that should be used for a particular transaction, the entity shall make its best estimate of the appropriate classification. This classification shall then be used consistently in future periods so that the information reported is comparable over time.

Optional Information

A162. The minimum categories specified in paragraph A158 may be disaggregated, or additional categories may be presented in the statement of cash flows, when such presentation will enhance users' understanding of the entity's cash flows.

A163. Disaggregated or additional categories should be used only where doing so is necessary to provide users with an understanding of the main cash flows of the entity. Too many categories can make it difficult for users to understand the overall picture. The number of disaggregated or additional categories used should therefore be limited to those that are really necessary.

A164. Breakdowns of the minimum categories or the disaggregated or additional categories may be provided in the notes to the performance report, for example, a breakdown of cash payments to suppliers. The objective is to provide a breakdown that gives the most useful information to users of the performance report.

Cash Flows from Investing and Financing Activities

Required Information

A165. In order to make information understandable to users, cash flows from investing and financing activities shall be aggregated and presented separately in categories. As a **minimum**, the following aggregated categories shall be reported separately:

Cash Receipts:

- (a) Receipts from the sale of property, plant and equipment;
- (b) Receipts from the sale of investments;
- (c) Proceeds from loans borrowed from other parties; and
- (d) Capital contributed from owners or members.

Cash Payments:

- (e) Payments to acquire property, plant and equipment;
- (f) Payments to purchase investments;
- (g) Repayments of loans borrowed from other parties; and
- (h) Capital repaid to owners or members.

A166. Investments are shares, term deposits, bonds, units in unit trusts, or similar instruments held by the entity. They include loans made by the entity.

A167. Entities need report only the minimum categories specified in paragraph A165 separately when the category is applicable and significant to the entity.

A168. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A165, provided that the separate categories are still maintained.

A169. If there is difficulty in determining the category that should be used for a particular transaction, the entity shall make its best estimate of the appropriate classification. This classification shall then be used consistently in future periods so that the information reported is comparable over time.

Cash Balances

Required Information

A170. Cash balances is the same amount reported as “bank accounts and cash” less bank overdrafts as reported in the statement of financial position. It includes petty cash, cheque or savings accounts, deposits held at call with banks, and bank overdrafts (see paragraph A93).

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Section 8: Statement of Accounting Policies

Purpose and Value to Users

A171. The purpose of the statement of accounting policies is to disclose the specific policies and practices applied by the entity in preparing its performance report. This provides users with an understanding of the basis on which the performance report has been prepared.

Format of Statement of Accounting Policies

Required Information

A172. The statement of accounting policies shall comprise two components:

- (a) Accounting policies applied; and
- (b) Changes in accounting policies.

Accounting Policies Applied

A173. Accounting policies applied are the specific policies and practices used by the entity in preparing its performance report for the reporting period.

Required Information

A174. As a **minimum**, the following shall be included in the statement of accounting policies.

Basis of Preparation

A175. The statement of accounting policies shall disclose that:

- (a) The entity is eligible to apply this Standard, the criteria specified in relevance regulation that allows it to do so, and the fact that it has elected to do so;
- (b) All transactions are reported using the accrual basis of accounting; and
- (c) The performance report has been prepared on the assumption that the reporting entity is a going concern, or if this is not the case the fact that the performance report has been prepared on the basis that the entity will not continue to operate for more than 12 months in the future (see paragraph A176).

A176. The performance report is normally prepared assuming that the entity will continue in operation for the foreseeable future (normally considered to be a minimum of 12 months from reporting date). This assumption may not be appropriate in some circumstances. For example, it may not be appropriate if the governing body determines after the reporting date either (a) that there is an intention to liquidate the entity or to cease operating, or (b) that there is no realistic alternative but to do so. If the assumption of continuity is not appropriate this needs to be disclosed in the statement of accounting policies (additional disclosures are also required in the notes to the performance report – see paragraph A210). The entity shall consider whether different specific accounting policies are more appropriate in these circumstances, for example valuing assets at fire sale value.

Value Added Tax (VAT)

A177. The statement of accounting policies shall disclose:

- (a) Whether the entity is registered for VAT; and
- (b) Whether the performance report is prepared on a VAT-inclusive or VAT-exclusive basis.

Specific Accounting Policies

A178. The statement of accounting policies shall disclose the accounting policies for each significant type of transaction or balance. These policies shall be consistent with the requirements of this Standard (including the requirements of paragraph 6).

A179. The policies may be reported at an appropriate level of aggregation, for example, “revenue from the sale of services” as a category of accounting policies.

A180. Where an entity has elected to apply a provision of the IPSAS 19 Accounting Standards in place of a requirement of this Standard (see paragraphs 7–9), the IPSAS 19 Accounting Standard applied shall be disclosed.

Changes in Accounting Policies

A181. A change in the accounting treatment, recording, or measurement of a transaction or other event is regarded as a change in accounting policy. For example, the initial application of a policy to revalue assets (rather than measuring them at cost) is a change in accounting policy.

A182. An entity shall change an accounting policy only if the change:

- (a) Is required by this Standard; or
- (b) Is in accordance with this Standard and results in the statements providing more reliable or more relevant information about the effects of transactions or other events and conditions on the entity's service performance, financial performance, financial position, or cash flows.

Required Information

A183. When an entity changes its accounting policy an entity shall disclose:

- (a) The reason for the change, a description of the change in policy, and how and from when this change in policy has been applied; and
- (b) For the current period, for each statement line item affected, the amount as calculated under the previous accounting policy.

A184. Where there have been no changes to accounting policies during the reporting period, that fact shall be reported.

Accounting for Changes in Accounting Policies

A185. Changes in accounting policies shall be applied from the beginning of the current reporting period.

Section 9: Notes to the Performance Report

Purpose and Value to Users

A186. The notes to the performance report contain information that expands on the information included in other parts of the performance report as well as providing any additional relevant information. This is designed to provide users with a greater understanding of the information reported in the statements of service performance, financial performance, financial position and cash flows.

Required Information

A187. The following matters shall be included in the notes to the performance report.

Significant Grants and Donations with Conditions which have not been Recorded as a Liability

A188. Where the entity has (i) received a significant grant or donation (including donated assets) with conditions attached which have not been fulfilled at reporting date, and (ii) the significant grant or donation was recorded as revenue because the conditions were not “use or return” conditions that resulted in the recording of a liability (see paragraph A63–A67), the entity shall disclose in the notes to the performance report:

- (a) In the case of cash donations and grants, the amount of the grant or donation and the amount for which the conditions have not been fulfilled;
- (b) In the case of significant donated assets, details of the donated assets and, if recorded, the amount of the donated assets; and
- (c) A description of the purpose and nature of the conditions of the grant or donation.

Goods or Services in Kind Provided to the Entity

A189. An entity shall disclose in the notes to the performance report a description of any significant goods or services in kind provided to the entity during the financial year, such as free professional services. A Khmer Riel quantification may be provided as an optional disclosure.

Property, Plant and Equipment

A190. For each class of property, plant and equipment recorded in the statement of financial position, the entity shall disclose in the notes to the performance report:

- (a) A description of the asset class (for example, equipment, furniture);
- (b) The carrying amount of the asset class at the beginning of the financial year;
- (c) The depreciation and/or impairment expense recorded for the asset class for the financial year; and
- (d) The carrying amount of the asset class at the end of the financial year.

A191. The entity shall disclose the source and date of the valuation of assets for any assets recorded at valuation (such as significant donated assets) and any other assets for which the entity has chosen to disclose a current value (see paragraphs A113–A116).

Significant Donated Assets not Recorded

A192. Where significant donated assets have not been recorded in the statement of financial position because values are not readily obtainable (see paragraph A112), the entity shall disclose in the notes to the performance report a description of the asset, categorised by class where appropriate.

Significant Heritage Assets not Recorded

A193. Where significant heritage assets have not been recorded in the statement of financial position because values are not readily obtainable (see paragraph A110), the entity shall disclose in the notes to the performance report, a description of the asset, categorised by class where appropriate.

Assets Used as Security for Liabilities

A194. If an entity has used any of its assets as security for loans borrowed, the entity shall disclose in the notes to the performance report information about:

- (a) The nature and amount of the loan that is secured; and
- (b) The nature and amount of the asset(s) used as security.

Assets Held on Behalf of Others

A195. Where an entity is acting on behalf of another entity as its trustee, nominee or agent, the following matters shall be disclosed in the notes to the performance report:

- (a) A description of the assets which it holds in this capacity; and
- (b) The name of the entity on whose behalf the assets are held.

Changes in Accumulated Funds

A196. The notes to the performance report shall include an explanation of the movements between the opening and closing balances of all categories of Accumulated Funds. An entity shall also disclose the nature and purpose of each reserve.

Commitments

A197. Commitments are legal obligations to make payments in the future. Although commitments (operating or capital) are not yet recorded as liabilities, reporting them is essential for users of reports to gain a proper understanding of the entity's future viability.

A198. An entity shall report in the notes to the performance report the timing and estimated amount of any significant commitments (both operating and capital). Types of commitments which may need to be reported include:

- (a) Commitments to lease or rent assets;
- (b) Commitments to purchase property, plant and equipment; and
- (c) Commitments to provide loans or grants.

Contingent Liabilities

A199. A contingent liability is a possible obligation that arises from past events that is contingent (dependent) on some future event. For example, a court case not yet settled, or a guarantee issued.

A200. For each class of contingent liability at the reporting date an entity shall disclose in the notes to the performance report:

- (a) A brief description of the nature of the contingent liability;
- (b) A best estimate of the amount of the contingent liability (where this can be estimated);
- (c) An indication of the uncertainties relating to the amount or timing of any outflow of resources; and
- (d) The possibility of any reimbursement.

A201. For each guarantee or class of guarantee, an entity shall disclose in the notes to the performance report:

- (a) The nature of the guarantee;
- (b) The maximum amount of any guarantees provided to others; and
- (c) The likelihood of the entity being required to make payment under the guarantee.

Related Party Transactions

Explanation

A202. A related party transaction is a transfer of money or other resource between the reporting entity and a person or other entity that is closely associated with the reporting entity that has the ability to influence the reporting entity. This includes significant normal business transactions as well as significant

transactions below market price (including the provision of free goods or services).

A203. Related parties comprise:

- (a) People that have significant influence over the entity (such as officeholders, committee members, or others that are involved in the strategic management of the entity – whether employed or volunteer), and close members of their families; and
- (b) Other entities that have significant influence over the entity.

A204. Related party relationships exist throughout the NFP sector. Disclosure of related party relationships and related party transactions and the relationship underlying those transactions is necessary for accountability purposes, and to enable users to better understand the entity's performance report. This is because:

- (a) Related party relationships can influence the way in which an entity operates with other entities;
- (b) Related party relationships might expose an entity to risks, or provide opportunities that would not have existed in the absence of that relationship; and
- (c) Related parties may enter into transactions that unrelated parties would not enter into, or may agree to transactions on terms and conditions that differ from those that would normally be available to unrelated parties.

A205. Examples of transactions with a related party that would meet these criteria and therefore would be disclosed are:

- (a) The sale of a significant resource (such as a building) to the spouse of a member of the governing body of the entity;
- (b) The provision of preferential access to services provided by the entity to the child of the president of the entity;
- (c) The provision of finance (including loans, grants and guarantees), for example, a low interest loan, to a related party; and
- (d) A member of the governing body providing professional services (for example, accounting or legal services) to the entity at no cost.

Requirements

A206. An entity shall disclose in the notes to the performance report, transactions with a related party that have occurred during the financial year if:

- (a) The transaction is significant to the entity (individually or in aggregate with similar transactions); or
- (b) The transaction (either significant or insignificant) is on terms and conditions that are likely to be different from the terms and conditions of transactions in similar circumstances between parties that are not related.

A207. For each disclosed transaction the following shall be reported:

- (a) A description of the related party relationship;
- (b) A description and amount of any revenue or expense (and the value of free goods or services provided) related to the transaction during the financial year; and
- (c) Any amounts due from or to related parties at reporting date.

Events After the Reporting date

A208. Where events after reporting date occur (see paragraphs A33–A35), and those events have a significant impact on the information included in the performance report, the entity shall report in the notes to the performance report the following:

- (a) The nature of the event; and
- (b) An estimate of its financial effect, or a statement that such an estimate cannot be made; and

- (c) The effect, if any, on the entity's ability to continue operating.

A209. An entity is not required to provide comparative information for events occurring after the reporting date. That is, an entity is not required to repeat disclosure of events occurring after the previous reporting date.

Ability to Continue Operating

A210. Where the entity plans to stop operating within 12 months from reporting date (see paragraph A176), or it is likely that the entity will be unable to continue operating, the entity shall include in the notes to the performance report the following:

- (a) A statement that the entity intends to stop operating or that it is unlikely the entity will be able to continue operating;
- (b) The reason why the entity intends to stop operating or why it may not be able to continue operating; and
- (c) The estimated effect of the entity's circumstances on the amounts of the entity's assets and liabilities.

A211. The impact of such a change will depend upon the particular circumstances of the entity. For example, the impact on the recorded amounts of assets will depend upon whether operations are to be transferred to another entity, sold, or liquidated. Judgement is required in determining whether a change in the carrying amount of assets and liabilities is required. It is also necessary to consider whether the change in circumstances leads to additional liabilities or triggers clauses in debt contracts which will lead to the reclassification of those debts as current liabilities.

Correction of Errors

A212. When an entity corrects a significant prior period error (see paragraph A28), it shall report in the notes to the performance report:

- (a) A description of the error and how it was corrected; and
- (b) The line items and amounts that have been corrected.

Additional Information

A213. The notes to the performance report shall include any additional information that the entity considers necessary for users to understand the overall financial performance and position of the entity.

Optional Information

A214. An entity may include in the notes to the performance report:

- (a) Breakdowns of the minimum categories, or the disaggregated categories or additional categories reported in the statement of service performance, statement of financial performance, statement of financial position or statement of cash flows;
- (b) Additional information about donations, fundraising and other similar revenue including a list of donors; and
- (c) Other information that the entity considers will be helpful to users in understanding the performance of the entity.