

AccountAbleTM

ASIA

Summary Accounts

Issue 8; Released: Mar '08

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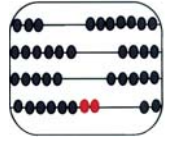
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are called 'summary accounts'.

Summary Format

In an earlier issue of AccountAble¹, we have already discussed the thumbnail format. The principles of clubbing presented there apply to the summary format also. However, in the summary format, more breakup is made available to the reader. This is discussed below.

Income and Expenditure Items

Let us first deal with the Income and Expenditure items.

a. Program Expenses

Program expenses can be further subdivided according to the type of program. Each of these programs may involve more than one project or donor. Expenses under all these projects would be clubbed together under one heading such as the ones shown below:

- Watershed Program
- Education Program
- Micro-credit Program
- Emergency Relief
- Rural Development

The above headings are only examples. You should choose headings, which make sense to you and to your readers. All major programs should be shown separately. Smaller program activities can be clubbed together as 'Other programs'.

b. Institutional Expenses

Institutional expenses can also be further subdivided into some of the important heads. These may include:

- Salary
- Professional Fees
- Fuel & Conveyance
- Repairs and maintenance
- Travel
- Audit Fees
- Printing & Stationery
- Other Expenses

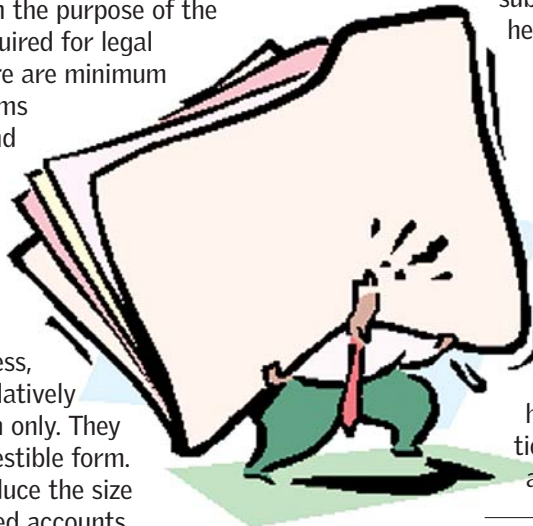
How to select heads for disclosure? This depends partly on the amount spent under each of the heads. It is also dictated by convention. For example, audit fee is normally always shown separately even though

Financial statements can get very large and complicated. They may run into dozens of pages. This makes them difficult to handle.

Is it possible for us to reduce their size and complexity? This depends on the purpose of the statements. If these are required for legal reporting or audit, then there are minimum disclosure norms. These norms depend on the regulatory and reporting needs.

But what if we are sharing these for general information with non-technical persons? Examples include members of the public, individual donors, press, etc. Such persons want a relatively small amount of information only. They also want it in an easily digestible form.

In such cases, we can reduce the size and complexity of the audited accounts according to our judgment. The resulting accounts



¹ AccountAble Asia 4

the figure may be small.

c. Surplus

If the income for the year is more than the expenditure, then we get a surplus. This surplus is transferred to the Balance Sheet.

The figure of surplus can sometimes be misleading. Quite often, it is shown at a high value, as unspent grants have not been even provided for. If it is high, then try to reconcile it with the figure of donations etc. that you received during the year.

d. Grants

If desired, grants can be subdivided into those from local sources and from foreign sources. Another classification could be Government Grants, Agency Grants and donations from public.

1. Local Grants

Show all grants from local sources under this heading. These may be from the Government of your country, from corporate sector or from local grant-making agencies.

If a local agency gives you foreign funds, then it can be shown under foreign grants.

2. Foreign Grants

All foreign grants can be shown here. These will include grants received directly or indirectly² from bilateral agencies, foreign donor agencies, foreign corporations and foreign individuals.

e. Donations

Donations can be subdivided as follows:

- Corporate Donations
- Public Donations
- Local Contribution

Donations² from foreign corporations or foreign individuals can also be shown here itself. If the amount of foreign donations is significant, the classification can be changed. Alternatively, the information can be given in a footnote.

Local contribution represents money, material or services donated by the community in your area of operations.

f. Investment Income

Most implementing NGOs have only limited income from investments. Therefore, a simple classification like the one shown below can be used.

- From Bank Interest
- From Investments

² As distinct from grants. See AccountAble Asia 4 for more on this.

ABC Organisation, Colombo Balance Sheet as at 31-3-06

Liabilities	Amount	Assets	Amount
Trust Fund:		Assets & Buildings:	
Capital Fund	42,00,000	Land & Buildings	15,00,000
Corpus Fund	5,00,000	Vehicles	20,50,000
General Fund	3,00,000	Furniture & Equipment	14,50,000
Other Funds:		Investments:	
Endowment Fund	1,00,00,000	Endowment Investments	80,00,000
Staff Benefit Fund	2,50,000	Other Investments	21,00,000
Fixed Assets Fund	2,50,000	Loans:	
Unspent Grants	4,00,000	With Beneficiaries	22,00,000
Revolving Fund	25,00,000	Other Loans	4,00,000
Other Liabilities:		Cash and Bank:	
Creditors	4,25,000	Cash at Bank	20,00,000
Exp. Payable	2,75,000	Cash in Hand	50,000
Surplus	6,50,000		
	1,97,50,000		1,97,50,000

Income & Expenditure Account for year ended 31-3-06

Expenditure	Amount	Income	Amount
Program Expenses:		Grants:	
Watershed Program	30,00,000	Local Grants	10,00,000
Education Program	16,00,000	Foreign Grants	70,00,000
Micro-credit Program	9,00,000	Donations:	
Emergency Relief	18,00,000	Corporate Donations	7,00,000
Rural Development	12,00,000	Public Donations	5,00,000
Institutional Expenses:		Local Contribution	3,00,000
Salary	12,00,000	Investment Income:	
Professional Fees	2,50,000	From Investments	13,00,000
Fuel & Conveyance	2,75,000	Bank Interest	3,50,000
Travel	75,000	Other Income	2,00,000
Audit Fees	50,000		
Printing & Stationery	2,25,000		
Other Expenses	3,00,000		
Repairs & Maintenance	1,25,000		
Surplus	3,50,000		
	1,13,50,000		1,13,50,000

All amounts in Sri Lankan Rupees

However, if you have a large investment base, you may wish to use a different classification. For example, you could classify the income on the basis of funds as below:

- Income from -
 - Corpus investments
 - Endowment investments
 - Other Investments

g. Other Income

Other income normally includes residuary income, such as profit from sale of fixed assets, sale of scrap, fees from members, rent, etc.

h. Deficit

If the expenditure for the year is more than the income, then we get a deficit. This deficit is transferred to the Balance Sheet.

Balance Sheet Items

Let us now deal with the Balance Sheet items.

a. Trust Funds

Trust Fund normally consists of own funds such as those discussed below:

1. Capital Fund

Capital fund is normally created to counterbalance fixed asset purchases.

2. Corpus Fund

This represents the corpus or main body of the trust fund. In a real trust, this should be safeguarded very carefully. Corpus fund is counterbalanced by corpus investments, which appear on the assets side of the Balance Sheet. Income from the corpus is often used to meet program expenses.

3. General Fund

General funds are funds that are not reserved or earmarked for any specific purpose. These can be used for any objects of the trust or NGO.

General funds are created when the income of the year is more than the expenditure. The resulting surplus is often transferred to General Fund.

Care should be taken when looking at this fund. Many NGOs follow cash basis of accounting. They also do not make provision for unspent grant funds. Therefore, in one year, a huge surplus may result³, which is transferred to General Fund. However, in the following year, a deficit may arise⁴ which is again transferred to the General Fund.

b. Other Funds

Other funds normally consist of funds earmarked for various specific purposes. Some of these are given below:

1. Endowment Fund

Endowment funds are created for specific projects. Normally, only the income of the fund is used for program expenses. The original fund remains untouched. These may be created from own funds or out of a grant, as directed by the donor agency.

2. Staff Benefit Fund

This fund is used to store money for paying gratuity, pension, or provident fund etc. to the staff members. It is also used for other benefits such as hospitalisation expenses, etc.

3. Fixed Assets Fund

It is used to store funds for purchase of fixed assets.

4. Revolving Fund

Revolving Fund is normally used to set funds aside for micro-credit programs. It is normally created out of grants received for the purpose.

5. Unspent Grants

These represent unspent balance from grants received during the year. If this money is not spent, then eventually it should be returned to the donor agency.



c. Other Liabilities

Other liabilities normally include:

1. Creditors

These are suppliers of goods and services who have raised a bill. Their bills are outstanding at the end of the year and

will be paid next year.

2. Expenses Payable

These include other expenses such as salaries payable for last month of the financial year, telephone bills, etc. Provisions for such expenses can also be included here.

d. Surplus

This represents accumulated funds from last several years.

e. Assets & Buildings

Assets and buildings can be further classified as below:

1. Land and Buildings

This includes freehold and leasehold⁵ land owned by the

³ Due to unspent grants at the year-end

⁴ Due to spending against grants received in the previous year

⁵ Under long lease, such as 99 years' lease. These are in the nature of ownership leases, and only a nominal rent is paid.

NGO. Buildings constructed for own use should also be shown here.

Sometimes buildings are constructed for use of community. Pending their hand-over to the community, these can also be included here.

2. Vehicles

All types of vehicles, from bicycles to buses, as well as bullock carts can be included here. Some people also include tractors etc. under this heading.

3. Furniture and Equipment

Furniture, fixtures and other equipment are included here. The term equipment covers both office equipment as well as machinery.

However, if machinery is significant, then it can be shown separately.

f. Investments

Investments can be classified as:

- Endowment Investments
- Other Investments

Other investments include non-endowment investments. These may also include corpus investments, unless you want to



show this category separately.

g. Loans

Loans given out by NGOs are an asset for the NGO. These can be shown as below:

1. With Beneficiaries

This represents loans given from a revolving fund or other similar scheme.

2. Other Loans

These include staff loans or any other similar loan given to other NGO etc. Advances given to staff, suppliers, etc. can also be included here.

h. Cash and Bank

Cash should be broken down as below:

- Cash at Bank
- Cash in Hand

Cash at bank represents balance with various banks in current or savings accounts.

Related AccountAble Issues:

4: Thumbnail Accounts

About AccountAid: AccountAid is a private consulting firm based in New Delhi. It works on accounting and regulatory issues concerning NPOs. For this purpose, it conducts research, workshops, and publishes reference material relevant for NPOs and grant-makers. It also provides advice to donor agencies on grant management systems.

What is AccountAble: Each issue of 'AccountAble' covers a different topic related to NPO regulation or accounting and is mailed to about 4,500 persons in NPOs, Agencies and audit firms. AccountAid encourages reproduction or redistribution of 'AccountAble' in workshops or NPO newsletters for non-commercial use, provided the source is acknowledged.

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तत्सर्वं क्षम्यतां देवि प्रसीद परमेश्वरि ॥

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