

Financial management

Section eleven

Glossary of financial terms

Accounting regulations	The Charities (Accounts and Reports) Regulations 1995 and 2000. The legal requirements under the 1993 Charities Act, for the content and form of charity accounts and the trustees' annual report.
Accruals basis	An accounting procedure which relates all income and expenditure to the financial period to which it applies.
Assets	Money, goods and property which an organisation possesses. On the balance sheet, this will include money owed to the organisation by debtors.
Bank reconciliation	A procedure used to check the accuracy of your bookkeeping – and also to identify errors made by your bank. See www.cash-online.org.uk CASHFACTS: Bank reconciliation.
Capital costs	Money spent on buying fixed assets .
Capital funds	see ' Endowment funds ' below
Capital grant	Money given specifically to buy fixed assets, such as office furniture or computers.
Cash	Cash paid, cash received, cash in hand and cash at bank refer to all forms of money, including cheques, standing orders, direct debits.
Creditors	People, companies or other organisations that are owed money by your organisation.
Crosscast	This is where you add the total column in the cash book and compare it to the sum of all the other columns, which should come to the same figure.
Debtors	People, companies or other organisations that owe money to your organisation.

Depreciation	A method of spreading the cost of a piece of equipment over the length of its useful life. For example, a computer might be depreciated over three years, so that at the end of this period, its value will be zero.
Designated funds	Unrestricted funds which have been allocated for a particular use by the management committee.
Endowment	Sometimes known as 'capital funds' this is a special type of restricted fund. The income from the capital can be used, but the trustees have no power to convert the capital into income.
Financial controls	A set of procedures that govern how a charity manages its finances. See www.cash-online.org.uk CASHFACTS: Financial controls.
Fixed assets	Items of significant value with a useful life of more than one year. For example, office equipment, land, buildings or motor vehicles.
General funds	Unrestricted funds which have not yet been allocated for a particular use by the management committee.
Gross income	All the income of an organisation for the financial year before deductions of any expenses. For the purposes of SORP, this excludes all capital (endowment) incoming resources, sale of fixed assets and sale of investments.
Inventory	A detailed list of articles, goods, property and so on
Liabilities	Amounts owed by the organisation on the date of the balance sheet. They will include creditors, loans and bank overdraft.
Petty cash float	A small cash fund (usually topped up monthly) used for minor expenses, such as volunteer expenses and stamps.
Quarter	A three-month period. Thus, the year is divided up into four equal quarters.
Receipts and payments account	A simple form of accounts which summarises all receipts and all payments for the financial year. This form of presenting the accounts is only permitted where unincorporated organisations have a gross income of less than £100,000

Restricted funds	Funds received by the organisation for a specific purpose, stated by the donor, which cannot be used for any other purpose. Any interest earned on restricted funds is also restricted to the purpose of the fund which earned the interest.
Revenue grant	Money given specifically to spend on running costs.
Running costs	Ongoing expenses, for example, electricity, rent, rates, salaries, stationery, postage and telephones
SORP	Statement Of Recommended Practice on Accounting and Reporting by Charities, approved by the Charity Commissioners for England and Wales. A charity does not have to follow the SORP by law, but will find it difficult to convince the Charity Commissioners that its accounts comply with the Accounting regulations if it does not.
Statement of assets and liabilities	A summary required for organisations preparing receipts and payments accounts. It is not the same as a balance sheet since non-monetary assets do not have to be valued.
Support costs	Part of the Direct Charitable Expenditure on the Statement of Financial Activities (SOFA) - see Section ten on Annual accounts. They may be the management of projects from a central office and may include a fair proportion of central office running costs.
Total expenditure	All the outgoings of the organisation in the financial year, excluding purchases of fixed assets and investments.
Unrestricted funds	Funds held for the general purposes of the organisation, to be spent within the stated objects.

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