

Desk Research on the use of the FRSSE

1 Introduction

- 1.1 During the discussion on the future of UK GAAP at the July meeting, the Committee recommended some further research on the use of the UK Financial Reporting Standard for Smaller Entities (FRSSE) by charities. Evidence of significant use of the FRSSE would help support the decision to develop SORP modules for charities applying the FRSSE in addition to modules supporting charities who may adopt the UK adapted IFRS for Small and Medium-sized Entities Standard (IFRS for SMEs) in the future.
- 1.2 At the July meeting, the Committee heard from ACCA who shared the conclusions that they had reached from their field testing of IFRS for SMEs. ACCA had concluded that for the commercial entities that they had field tested, the switch over from the existing Generally Accepted Accounting Practice (UK GAAP) to IFRS for SMEs had not been burdensome.
- 1.3 Data published in Accountancy Age (21 October 2010) identified 80,000 non-listed UK small and medium-sized enterprises. Within this total are 28,300 company charities (or 35% of the corporate total). In addition 12,300 non-company charities above the receipts and payments threshold must also prepare accounts on the accruals basis.
- 1.4 The desk research by Janet Slade of the Charity Commission's Accountancy Policy Team was conducted in the autumn of 2010. It looked at a stratified sample, selected on a random basis from charities with incomes of less than £6.5m filing accounts with the Charity Commission. Selection was randomised using a computer programme with the 377 sets of accounts reviewed split between company and non-company charities.

2 Charity accounts sampling data

- 2.1 The research involved looking at various aspects of the accounts submitted. This included reviewing the accounting policies to identify whether the accounts stated that they were prepared in accordance with the FRSSE and the SORP.
- 2.2 The SORP requires users of the FRSSE to make such additional disclosures as are required by the SORP. In practice accounts currently prepared using the FRSSE will therefore look little different to those prepared using the SORP alone.
- 2.3 The following table summarises the findings for each segment of the sample and identifies the extent of stated use by charities registered in England and Wales of the FRSSE.

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Structure	Gross income band	Sample Number	Number stating prepared under SORP	% stating prepared under SORP	Number stating prepared under FRSSE	% stating prepared under FRSSE
Companies	£25k-£500k.	94	83	88	42	45
Companies	£500k-£6.5m	92	92	100	34	37
Non-companies	£250k - £500k	95	91	96	28	29
Non-companies	£500k - £6.5m	95	92	97	12	13
Total		377	358	-	116	-

2.4 The sample indicates that the FRSSE is used commonly by company charities and that a significant number of non-company charities also use the FRSSE.

3 Conclusions of the research and implications for the modular SORP

3.1 Extrapolating the sample to the population as a whole provides an indication of the likely extent of FRSSE use by charities registered in England and Wales.

Structure	Gross income band	Charities E&W	Percentage applying FRSSE	Number applying FRSSE
Companies	£25k-£500k.	22,527	45	10,137
Companies	£500k-£6.5m	5,840	37	2,161
Non-companies	£250k - £500k	9,986	29	2,895
Non-companies	£500k - £6.5m	2,330	13	310
Total		40,683	38	15,503

3.2 The reviewed sample of accounts did not include charities registered in Scotland but if the sample findings were extrapolated to charities filing with OSCR then a further 2013 (41 percent of eligible charities) could be expected to use the FRSSE in the preparation of their accounts.

3.3 The research findings support the Committee's decision to develop a modular SORP that covers both the FRSSE and the SME Standard.

Question:
Does the SORP Committee have any further observations on the use of the FRSSE by UK charities?