Explanations of Standard Accounting Terms

Accounting Period = This means the financial year (12 month period) that you are presenting your income and expenditure in. There are no hard and fast rules about when an accounting period should fall and many groups choose to report their finances between the 1st of April and the 31st of March as this is when the tax year falls. However, you can start your financial year whenever it suits you and many groups choose the start date of their first large grant. The only other requirement is that your financial year must begin at the beginning of a month and end at the end of the month that falls 12 months later.

Income = all and any money that a group, organisation or project receives within its financial year/accounting period

Expenditure = all and any money that a group, organisation or project spends in relation to carrying out its work/objectives

Overheads = overheads generally mean anything you have to spend to run an office or project like rent, electricity and other utility bills, phone, photocopying and the like. Overheads should also include any insurance you have like contents insurance and public liability insurances

Other costs = this should include anything that you spend on volunteers that work with you and includes things like travel to meetings or to sites, etc…as well as expenses for management committee members to attend management committee meetings. This category should also include other costs (but not including any staffing costs) such as professional fees (paying someone to do your payroll or a book-keeper to help with your accounts, or solicitors, etc…) and other miscellaneous items. Other smaller expenses like tea and coffee, etc… can be listed here under Miscellaneous.

Staffing = all costs related to employing staff. These should be broken down into the persons annual salary (and you should put a note next to an entry like this if it is a part time post) and national insurance contributions paid by yourselves as the employer. All other staffing costs like training and travel should also be included here.

Subtotals & Totals= a subtotal is the total of the amounts in a subcategory. For example, if you employ any staff, you will be entering their salary, national insurance contributions and their travel costs. You would add these together as a subtotal. The subtotal from each category listed is then added together to give you either your total income or total expenditure.

Surplus & Deficit = This means any money that is either left over or owing at the end of your financial year and is the figure you get when you subtract your expenditure from your income. So a surplus is any money left over at the end of the accounting period. It is always good to be able to show a bit of a surplus. This shows that you have managed to keep your expenditure below your income and are not in debt or running at a deficit. A deficit is any amount that you have overspent by. Showing a bit of a deficit is not the end of the world, but funders will look carefully at this and you need to try to cut down on unnecessary expenditure to avoid this. What you present in your surplus and deficit column shows funders how well you are able to manage your money and this will have a big influence on whether they will support you or not.

Surplus/Deficit c/f = c/f means 'carried forward' from the previous accounting year. This means that if you had money left over last year you would add it into this year's budget (as shown in the Budget v Actuals sample given below) and it will help to get rid of any deficit that you are showing this year. Alternatively, if you are carrying over a deficit from last year, this will need to be shown in the same way and will be subtracted from any surplus you are showing for this year.

Notes = It is often advisable to have notes at the bottom of any budget you present to help explain certain things you have listed. For example, you can list any grants or donations that you have received here as most funders like to know who exactly you are getting your money from and how much. If you receive quite a few grants, you should list them under Grants in the

Income section of your budget. You can also use the notes to break down what you have spent in Miscellaneous, but this is usually only necessary if you have had to spend a large amount of money of a particular item and want to explain this to funders.

Restricted and unrestricted income & expenditure = When someone gives you money, whether it is a funder, local authority, group or individual, they will either say that the money is for a specific purpose (for example to buy a computer) or for your to spend in any way you like in order to meet your stated objective. If you are given the money for a specific purpose, then the money is ‘restricted’ and there will usually be a letter or a Terms & Condition of Grant form that sets out how the money should be spent. If it isn’t given for any specific purpose, then it is ‘unrestricted’ and it is up to you to decide how best to spend the money to benefit your work.

Donations = Any gift of money you are given that does not have any conditions attached. In other words, if someone gives you a donation, it is usually up to you how you use that money within your organisation and you do not normally have to report back to the person giving you the money.

Grants = Any money you are given from a ‘grant making organisation’ (for example, a charity, Trust, Foundation, local authorities, government agencies, etc…) for a specific purpose. Grants are usually only awarded following the submission of an application setting out who you are and what you do as well as a request for a specific amount of money to do a specific job or activity. Grants are usually only awarded following formal agreement between the grant giver and the applicant about what the money is for and how it will be spent. This is usually set out in a letter confirming the grant or in a Terms & Condition of grant form.

Membership fees = any fees collected by an organisation with a formal membership from its registered members.

Other Income = this usually refers to any interest you might have earned on your account, any fees your organisation was paid to provide a service (for example to present a workshop or provide training) and any expenses you might have received such as travel expenses to attend a meeting or conferences, etc….

Budgets v Actuals = When you present your accounts, you need to be able to show two things. The first is that you are able to plan out what it is going to cost to run your project or group for at least one year (a one year budget for small groups is usually enough, but a three year budget is advisable for larger more established groups). This is called your Income and Expenditure for your financial year and is what is known as a ‘projected’ budget. Projected means that you are making a forecast on what you either know or think you will receive in funding and spend out on running your project or group. A sample of this is given below.

The second thing you need to be able to show is how well you were able to project your income and expenditure when your financial year is over. This is your Budget v Actuals and is a comparison of what you expected your income and expenditure to be and what it actually was. This is very important , not only to show funders how well you were able to manage your money, but because it is essential in helping you plan ahead. Each new projected budget you set at the beginning of a financial year will be determined by what you can learn from your previous year’s Budget v Actuals. This will show you what areas you need to spend more money on or raise more funds for and in which areas you can reduce your expenditure. Often, you will be able to move money from one area of spending to another without actually having to increase your income. A sample of this is also given below.

If you have asked for and been given money by a funder for a specific item and you find out that you didn’t need so much or needed more, simply ask them if you can re-allocate the funds. This is usually completely acceptable to most funders and shows that you are managing your accounts.

Bank Reconciliation = This shows that the total funds say you have at the end of any financial period matches your bank statements for the same period.

SAMPLE – PROJECTED INCOME AND EXPENDITURE						
For the account period of _____/____/_________to_____/____/________						
INCOME						
Donations						
Grants	1					
Membership fees						
Other						
Total income						
EXPENDITURE						
Overheads						
Rent						
Utilities						
Insurance						
Stationary						
Post						
Photocopying						
Phone/fax/internet						
subtotal						
Other Costs						
Volunteer expenses						
Professional Fees						
Audit						
Miscellaneous						
subtotal						
Staffing						
(post)						
National Insurance						
(post)						
National Insurance						
(post)						
Travel						
Training						
Miscellaneous						
subtotal						
Total expenditure						
surplus/deficit						
surplus/deficit c/f						
Total Surplus/Deficit						
Notes						
1. Outline of grants received and applications pending						

SAMPLE - ACTUALS VS PROJECTED INCOME AND EXPENDITURE						
For the account period of _____/____/_________to_____/____/_________						
		Budgeted		**Actuals**		**Surplus/Deficit**
INCOME						
Donations						
Grants	1					
Membership fees						
Other						
Total						
EXPENDITURE						
Overheads						
Rent						
Utilities						
Insurance						
Stationary						
Post						
Photocopying						
Phone/fax/internet						
subtotal						
Other Costs						
Volunteer expenses						
Professional Fees						
Audit						
Other						
subtotal						
Staffing						
National Insurance						
National Insurance						
Travel						
Training						
Conferences/seminars						
Other						
subtotal						
Total						
surplus/deficit						
surplus/deficit c/f						
Total Surplus/Deficit						
Notes						
1. Outline of grants received						