**FM 008 - Illustrative Financial Statement for the Group**

Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations (including Non-Governmental Organisations) (SL SoRP – NPOs [including NGOs])

ILLUSTRATIVE FINANCIAL STATEMENT STRUCTURE

The SL SoRP sets out the components of financial statements and minimum requirements for disclosure on the face of the balance sheet and the statement of financial activities as well as for the presentation of changes in accumulated fund. The financial statements are accompanied by accounting policies and notes.

The purpose of the Illustrative Financial Statement Structure is to provide examples of the ways in which, requirements for the presentation of the statement of financial activities, balance sheet and the statement of changes in the accumulated fund might be presented in the primary financial statements. The order of presentation and the description used for line items should be changed where necessary in order to achieve a fair presentation in each organization’s circumstances.

[ILLUSTRATING THE CLASSIFICATION OF EXPENSES BY FUNCTION]

**STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 20-5**

(In thousands of Rs. [or other currency units]

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year ended 31 March** | **Note** | **Organization** | | **Group** | |
| **20-5** | **20-4** | **20-5** | **20-4** |
| **Incoming Resources** | 3.1 | **xxxx** | xxxx | **xxxx** | xxxx |
|  |  |  |  |  |  |
| **Project Expenditure** | 3.2 |  |  |  |  |
| Staff |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Other Direct costs |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Other indirect expenditure |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Total project costs |  | **xxxx** | xxxx | **xxxx** | xxxx |
|  |  |  |  |  |  |
| **Net surplus/deficit on Projects** | 3.3 and 3.4 | **xxxx** | xxxx | **xxxx** | xxxx |
| Revenue earned | 3.5 | **xxxx** | xxxx | **xxxx** | xxxx |
| Administrative expenses |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Management Fees/ Head office expenses |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Publicity expenses |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Other expenses |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Net surplus/deficit on operating activities | 3.6 | **xxxx** | xxxx | **xxxx** | xxxx |
| Finance costs | 3.7 | **xxxx** | xxxx | **xxxx** | xxxx |
|  |  | **xxxx** | xxxx | **xxxx** | xxxx |
| **Net surplus/deficit after Finance costs** |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Share of profit/loss of associates | 3.10b | **xxxx** | xxxx | **xxxx** | xxxx |
| **Net surplus/deficit before tax** |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Income tax expenses | 3.8 | **xxxx** | xxxx | **xxxx** | xxxx |
| **Net surplus/ deficit after tax** |  | **xxxx** | xxxx | **xxxx** | xxxx |

**BALANCE SHEET AS AT 31 MARCH 20-5**

(in thousands of Rs. [or other currency units]

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **As at 31 March** | **Note** | **Organization** | | **Group** | |
| **20-5** | **20-4** | **20-5** | **20-4** |
| **ASSETS**  **Non-Current Assets** |  |  |  |  |  |
| Property Plant and Equipment | 3.9 | **xxxx** | xxxx | **xxxx** | xxxx |
| Intangible assets |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Investments in Subsidiaries | 3.10a | **xxxx** | xxxx |  |  |
| Investments in Associates | 3.10b | **xxxx** | xxxx |  |  |
| Other long-term investments | 3.10a | **xxxx** | xxxx | **xxxx** | xxxx |
|  |  | **xxxx** | xxxx | **xxxx** | xxxx |
| Short Term Investments | 3.10c | **xxxx** | xxxx | **xxxx** | xxxx |
| **Current Assets** |  |  |  |  |  |
| Inventories | 3.11 | **xxxx** | xxxx | **xxxx** | xxxx |
| Debtors | 3.12 | **xxxx** | xxxx | **xxxx** | xxxx |
| Short Term deposits (including Treasury Bills) | 3.13 | **xxxx** | xxxx | **xxxx** | xxxx |
| Cash at Bank and in Hand | 3.14 | **xxxx** | xxxx | **xxxx** | xxxx |
|  |  | **xxxx** | xxxx | **xxxx** | Xxxx |
| **Current Liabilities** |  |  |  |  |  |
| Creditors | 3.15 | **xxxx** | xxxx | **xxxx** | xxxx |
| Short Term borrowings | 3.16 | **xxxx** | xxxx | **xxxx** | xxxx |
| Bank overdrafts | 3.17 | **xxxx** | xxxx | **xxxx** | xxxx |
|  |  | **xxxx** | xxxx | **xxxx** | xxxx |
| **Current Assets less Current Liabilities** |  | **xxxx** | xxxx | **xxxx** | xxxx |
| **Total Assets less Current Liabilities** |  | **xxxx** | xxxx | **xxxx** | xxxx |
| **FUNDING AND LIABILITIES**  **Accumulated Fund** |  |  |  |  |  |
| Unrestricted Funds | 3.18 | **xxxx** | xxxx | **xxxx** | xxxx |
| Designated Funds | 3.19 | **xxxx** | xxxx | **xxxx** | xxxx |
| Restricted Funds | 3.20 | **xxxx** | xxxx | **xxxx** | xxxx |
| Endowment Funds | 3.21 | **xxxx** | xxxx | **xxxx** | xxxx |
| Capital Reserves | 3.22 | **xxxx** | xxxx | **xxxx** | xxxx |
| **Total Accumulated Fund** |  | **xxxx** | xxxx | **xxxx** | xxxx |
| **Non-Current liabilities** |  |  |  |  |  |
| Non-Current borrowings | 3.23 | **xxxx** | xxxx | **xxxx** | xxxx |
| Deferred Liabilities | 3.24 | **xxxx** | xxxx | **xxxx** | xxxx |
| **Total non-current liabilities** |  | **xxxx** | xxxx | **xxxx** | Xxxx |
| **Total Accumulated Fund and Liabilities** |  | **xxxx** | xxxx | **xxxx** | Xxxx |

The financial statements as appear on pages X to X were approved by the Board of Trustees/Directors on xx xxx 20xx.

Signed on behalf of the Board by

Date: xx xxx 20XX 1) ……………………2) …………………

[ILLUSTRATING THE CLASSIFICATION OF EXPENSES BY FUNCTION)

**STATEMENT OF CHANGES IN ACCUMULATED FUND DURING THE YEAR ENDED 31 MARCH 20-5**

(In Thousands of Rs. [or Other Currency Units]

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Organization*** | **Restricted**  **Fund** | **Unrestricted**  **Funds** | **Endowment**  **Funds** | **Capital Reserve** | **Total** |
| **Balance as at 31 March 20-3** | **xxxx** | **xxxx** | **xxxx** | **xxxx** | **xxxx** |
| Adjustment on account of changes in Accounting Policy | xxxx | xxxx | xxxx |  | xxxx |
| Surplus on revaluation of property | xxxx | xxxx | xxxx | xxxx | xxxx |
| Tax adjustment on revaluation | xxxx | xxxx | xxxx | xxxx | xxxx |
|  | xxxx | xxxx | xxxx | xxxx | xxxx |
| Funds transferred to Statement of Financial Activities | xxxx | xxxx | xxxx |  | xxxx |
| Net surplus/deficit for the year | xxxx | xxxx | xxxx |  | xxxx |
| **Balance as at 31 March 20-4** | **xxxx** | **xxxx** | **xxxx** | **xxxx** | **xxxx** |
| Adjustment on account of changes in Accounting Policy | xxxx | xxxx | xxxx |  | xxxx |
| Surplus on revaluation of property | xxxx | xxxx | xxxx |  | xxxx |
| Tax adjustment on revaluation | xxxx | xxxx | xxxx |  | xxxx |
|  | xxxx | xxxx | xxxx | xxxx | Xxxx |
| Funds transferred to Statement of Financial Activities | xxxx | xxxx | xxxx |  | xxxx |
| Net surplus/deficit for the year | xxxx | xxxx | xxxx |  | xxxx |
| **Balance as at 31 March 20- 5** | **xxxx** | **xxxx** | **xxxx** | **xxxx** | **xxxx** |
| ***Group*** |  |  |  |  |  |
| **Balance as at 31 March 20-3** | **xxxx** | **xxxx** | **xxxx** | **xxxx** | **xxxx** |
| Adjustment on account of changes in Accounting Policy | xxxx | xxxx | xxxx |  | xxxx |
| Surplus on revaluation of property | xxxx | xxxx | xxxx | xxxx | xxxx |
| Tax adjustment on revaluation | xxxx | xxxx | xxxx | xxxx | xxxx |
|  | xxxx | xxxx | xxxx | xxxx | xxxx |
| Funds transferred to Statement of Financial Activities | xxxx | xxxx | xxxx |  | xxxx |
| Net surplus/deficit for the year | xxxx | xxxx | xxxx |  | xxxx |
| **Balance as at 31 March 20-4** | **xxxx** | **xxxx** | **xxxx** | **xxxx** | **xxxx** |
| Adjustment on account of changes in Accounting Policy | xxxx | xxxx | xxxx |  | xxxx |
| Surplus on revaluation of property | xxxx | xxxx | xxxx |  | xxxx |
| Tax adjustment on revaluation | xxxx | xxxx | xxxx |  | xxxx |
|  | xxxx | xxxx | xxxx | xxxx | Xxxx |
| Funds transferred to Statement of Financial Activities | xxxx | xxxx | xxxx |  | xxxx |
| Net surplus/deficit for the year | xxxx | xxxx | xxxx |  | xxxx |
| **Balance as at 31 March 20- 5** | **xxxx** | **xxxx** | **xxxx** | **xxxx** | **xxxx** |

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 20-5**

[DIRECT METHOD]

(In Thousands of Rs. [or Other Currency Units]

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year ended 31 March** | **20-5** | **20-4** | **20-5** | **20-4** |
| **Cash flow from project activities** |  |  |  |  |
| Incoming Resources | **xxxx** | xxxx | **xxxx** | xxxx |
| Cash paid out for project activities |  |  |  |  |
| consumption items | **(xxxx)** | (xxxx) | **(xxxx)** | (xxxx) |
| capital items | **(xxxx)** | (xxxx) | **(xxxx)** | (xxxx) |
| Income Taxes paid | **(xxxx)** | (xxxx) | **(xxxx)** | (xxxx) |
| *Net cash flow from project activities* | **xxxx** | xxxx | **xxxx** | xxxx |
| **Cash flows from investing activities** |  |  |  |  |
| Purchase of Property Plant and Equipment | **(xxxx)** | (xxxx) | **(xxxx)** | (xxxx) |
| Proceeds from sale of equipment | **xxxx** | xxxx | **xxxx** | xxxx |
| Investment in long term Deposits | **(xxxx)** | (xxxx) | **(xxxx)** | (xxxx) |
| Interest received | **xxxx** | xxxx | **xxxx** | xxxx |
| Dividends received | **xxxx** | xxxx | **xxxx** | xxxx |
| *Net cash flow from investing activities* | **xxxx** | xxxx | **xxxx** | xxxx |
| **Cash flows from financing activities** |  |  |  |  |
| Cash received from donors not used for projects | **xxxx** | xxxx | **xxxx** | xxxx |
| Payment of finance leases | **(xxxx)** | (xxxx) | **(xxxx)** | (xxxx) |
| Interest paid | **(xxxx)** | (xxxx) | **(xxxx)** | (xxxx) |
| *Net cash flow from financing activities* | **xxxx** | xxxx | **xxxx** | xxxx |
| **Net increase in cash and cash equivalents** | **xxxx** | xxxx | **xxxx** | xxxx |
| Cash and cash equivalents at beginning of period note (a) | **xxxx** | xxxx | **xxxx** | xxxx |
| Cash and cash equivalents at end of period - note (b) | **xxxx** | xxxx | **xxxx** | xxxx |
| Net change in cash and cash equivalents | **xxxx** | xxxx | **xxxx** | xxxx |
| Note (a) |  |  |  |  |
| Balance at bank at beginning of period | **xxxx** | xxxx | **xxxx** | xxxx |
| Short term deposits at beginning of period | **xxxx** | xxxx | **xxxx** | xxxx |
|  | **xxxx** | xxxx | **xxxx** | xxxx |
| Note (b) |  |  |  |  |
| Balance at bank at end of period | **xxxx** | xxxx | **xxxx** | xxxx |
| Short term deposits at end of period | **xxxx** | xxxx | **xxxx** | xxxx |
|  | **xxxx** | xxxx | **xxxx** | xxxx |

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 20-5 1.**

**1. General Information**

1.1 ABC Organisation is a non-governmental organisation as per the definition provided in the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations (including Non-Governmental Organisations).

[It is/is not registered with the Department of Social Services and has been established under the Social Services Act No. of .]

[The organisation has been incorporated under the Companies Act No. of Sri Lanka as a company limited by guarantee. In the event that the company is wound up the liability of members is limited to Rs. per member].

[The Organisation has been established under the Trust Ordinance of Sri Lanka].∗

The names of the Members of the Board/Trustees of the Organisation are provided on page…

1.2 It is domiciled in Sri Lanka and is the local representation of ABC in the UK. The principle place of activity of the organisation is located at …………..

In the financial statements ‘organisation’ refers to ABC organisation and the ‘Group’ refers to the ABC organisation and the other organisations referred to in paragraph 1.5 below whose accounts have been consolidated therein.

Except for certain activities that will conclude on the realisation of their relevant activities in accordance with the relevant terms of reference, the financial statements have been prepared on a going concern basis.

1.3 The notes to the financial statements on pages [•] to [•] are an integral part of the financial statements

1.4 All values presented in the financial statements are in Rupees thousands (Rs.’000s) unless otherwise indicated.

**1.5 Organisations in the Group**

**a. Subsidiaries**

The financial statements of XYZ, which is a fully owned subsidiary of the Organisation has been included in the consolidated financial statements.

XYZ is registered in Sri Lanka and its activities have been described elsewhere in this report.

**b. Associates**

The accounts of LMN have been included in the consolidated financial statements on the basis of the share of income accruing to the group.

**c. Joint Ventures**

ABC Organisation has entered into a joint venture agreement with GHI on the basis of jointly controlled assets. Accordingly ABC has recognised its share of the output and expenses of the Joint Venture in its statement of financial activities and its share of the assets and liabilities in its balance sheet.

The activities of the ABC and of other related organisations are provided below:

ABC provides relief to ….

XYZ works in …… areas providing ….. to people in that area/

**2. Summary of significant accounting policies**

**2.1 General Policies**

**2.1.1 Basis of Preparation**

The balance sheet, statement of financial activities, statement of changes in accumulated fund and the Cash flows, together with the Accounting Policies and Notes to the financial statements as at 31 March 2005 and for the year then ended comply with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organisations (including Non-Governmental Organisations) issued by the Institute of Chartered Accountants of Sri Lanka.

The Financial Statements have been prepared on a historical basis except for certain investments which have been revalued to market value.

**2.1.2 Comparative Information**

The Accounting policies have been consistently applied, unless otherwise stated, and are consistent with those used in previous years.

**2.1.3 Consolidation Policy**

a. The financial statements of the Group comprise the consolidation of the accounts of ABC organisations and its subsidiaries. The total activities of the Organisation and its subsidiaries for the period have been included in the consolidated statement of financial activities.

All assets and liabilities of the Company and its subsidiaries have been included in the consolidated balance sheet.

b. Associate companies have been accounted for on the equity method. The Statement of Financial Activities reflects the Organisation’s share of the output. The related investments are carried forward in the balance sheet at value adjusted to reflect the Organisation’s share of any surplus of the associates less any dividends received.

c. The Group’s interests in its Joint Venture is accounted for by proportionate consolidation whereby the venturers’ proportionate share of each of the assets, liabilities, income, expenditure is combined on a line by line basis with similar items in the relevant consolidate financial statements.

d. The Group’s interest in RST commenced on 1 August 2004 and its financial statements have been included in the financial statements from this date.

e. The financial statements of all of the organisations included in the consolidated financial statements have a common financial year that ends on 31 March, with the exception of LMN, which ends on 31 December. The results of LMN for the year ended 31 December 2004 have been included in the consolidated financial statements.

**2.1.4 Translation of Foreign Currency**

a. All foreign currency transactions have been converted into Sri Lanka rupees, which is the reporting currency, at the rates of exchange prevailing at the time that the transaction was effected. Monetary assets and liabilities as at the date of the balance sheet are converted at the rates prevailing at the balance sheet date; and non-monetary assets and liabilities are converted at the rates existing at the date that the value was determined. Any resulting exchange gains or losses are reflected in the statement of financial activities, except for gains or losses relating to items adjusted through the accumulated fund, which are reflected therein.

b. Exchange Rates applicable during the period are listed below:

|  |  |  |  |
| --- | --- | --- | --- |
| Currency | Balance Sheet | Statement of Financial Activity | Other |

**2.1.5 Taxation**

a. Current Taxes

Income tax is provided in accordance with the provisions of the Inland Revenue Act No. 38 of 2000, on the profits earned by the organisation and in terms of δ 96A; and is based on the on the elements of income and expenditure reflected in the statement of financial activities and on the elements of grants received, subject to exemptions referred to in note [•] to the financial statements.

b. Deferred Taxes

Deferred Tax is provided on the difference between the values of assets and liabilities as per the balance sheet and as listed for purpose of Income Tax as at the balance sheet date adjusting for any differences that will not reverse in the foreseeable future. The carrying amount of such deferred taxes will be reviewed at each balance sheet date and will be increased by virtue of any new assets being included or be reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

c. Value added taxes

Value added taxes (or VAT) are payable on the import of certain items and are normally included in the cost of such item. An exception would be where the item qualifies for a refund of the taxes paid. Such refunds are reflected as an asset in the balance sheet until such time as it is received.

**2.1.6 Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred, unless they are incurred in respect of a qualifying asset in which case it is capitalised as a part of the cost of that asset.

**2.1.7 Intangible Assets**

An intangible asset is recognised if it is probable that there would be future benefit to the enterprise from such asset and the cost of the asset could be reliably measured. Intangible assets are amortised on a straight-line basis, from the date on which the asset becomes available for use, over the best estimate of the useful economic life of the asset.