

FINANCIAL REPORTING FRAMEWORK FOR CHARITIES STATEMENT OF APPLICABILITY (THE “STATEMENT”)

The Accounting Standards Council (“ASC”) has issued the Charities Accounting Standard (“CAS”) today and has also made the following as the applicable financial reporting framework for the preparation and presentation of the financial statements of charities for financial periods beginning on or after 1 July 2011:

- (a) the Financial Reporting Standards (“FRS”) for charities that hold significant investments in any subsidiary, associate or joint venture that is not a charity; and
- (b) the FRS or the CAS for all other charities.

Scope

2. The Office of the Commissioner of Charities (“COC”) has issued this statement to set out the applicability of the FRS and the CAS for charities. Detailed requirements are set out in the Charities (Accounts and Annual Report) Regulations 2011. For the purpose of this statement, “charity” refers to a charity or an Institution of a Public Character (“IPC”) that is registered or approved under the Charities Act. However, this statement does not apply to the following:

- (a) Charities that are Statutory Bodies listed in the Schedule of the Accounting Standards Act (Cap. 2B)¹; and
- (b) Educational institutions listed in the Third Schedule of the Charities (Accounts and Annual Report) Regulations 2011².

Implementation of the Applicable Financial Reporting Framework

3. The Office of the COC has adopted a phased approach and specified the following implementation dates for charities to adopt the applicable financial reporting framework:

- (a) For financial periods beginning on or after 1 July 2011: Charities or IPCs that are companies registered under the Companies Act (Cap. 50) and large IPCs as defined under Rule 20(6) of the Charities (Institutions of a Public Character) Regulations that are not companies are required to comply with either the FRS or the CAS. However, those charities that hold significant investments in any subsidiary, associate or joint venture that is not a charity are required to comply with the FRS.

¹ These charities are required to comply with the accounting standards prescribed by the Accountant-General under Part IV of the Accounting Standards Act (Cap. 2B).

² These charities are required to comply with the FRS as directed by MOE in its notification dated 24 June 2011 (MOE Ref: FD/FMB/09/2011).

- (b) For financial periods beginning on or after 1 January 2015: All charities, other than those specified under Paragraph 3(a) of this statement, that are required to have their financial statements audited under the Charities (Accounts and Annual Report) Regulations 2011 are required to comply with either the FRS or the CAS. However, those charities that hold significant investments in any subsidiary, associate or joint venture that is not a charity are required to comply with the FRS.
4. Once a charity has adopted an applicable financial reporting framework, it is strongly discouraged from changing to another financial reporting framework (i.e. from the CAS to the FRS or vice-versa), unless there is compelling reason to do so. This is to ensure the comparability of the charity's financial statements across periods.
5. Charities that adopt the FRS are required to comply with the additional regulatory requirement(s) specified under the Charities (Accounts and Annual Report) Regulations 2011 to provide specific disclosures in their financial statements on loans extended to any parties. These specific disclosures are set out under Paragraph 280 of the CAS.
6. Charities that adopt the FRS may elect to present the statement of comprehensive income based on the presentation format of a statement of financial activities as required by the CAS.
7. Charities are permitted and encouraged to adopt either the FRS or the CAS earlier than their respective implementation dates as set out under Paragraph 3 of this statement.

Issued by the Office of the Commissioner of Charities on 24 June 2011

Questions and Answers (“Q&As”)

The Q&As provide guidance on the application of the Financial Reporting Standards (“FRS”) or the Charities Accounting Standard (“CAS”) (collectively referred to as “the standards”). They do not form part of the standards and reference should be made to the standards to determine their requirements.

Q1. What is the purpose of the CAS?

The CAS is a simpler financial reporting framework that is tailored to the needs of the charities. The CAS aims to better meet the needs of the charity sector and its stakeholders by providing information that is fit-for-purpose to the users of the financial statements.

Q2. Is there a difference between the FRS and the CAS?

The CAS is developed based on the requirements of the FRS, taking into account the context and circumstances relevant to the charity sector. For example, more guidance on the accounting for “Preservation for Monuments” assets, endowment and restricted income funds which are unique to charities, has been incorporated into the CAS. The issuance and formulation of the CAS as an alternative set of financial reporting framework to the FRS will make it easier for charities to comply with financial reporting requirements.

Q3. How should a charity decide which financial reporting framework (FRS or CAS) to adopt?

A charity should adopt a financial reporting framework that is most suitable to its needs and operations.

However, charities that hold significant investments in any subsidiary, associate or joint venture that is not a charity are required to adopt the FRS. The CAS is not available to such charities.

The other charities may wish to consider the following when deciding which financial reporting framework to adopt:

- a. The size and structure of the charity; and
- b. The number and nature of transactions undertaken by the charity.

Q4. Is it mandatory for charities to comply with the applicable financial reporting framework?

Yes. It is mandatory for charities specified under Paragraph 3 of the Statement of Applicability to comply with the applicable financial reporting framework by the specified implementation dates set out in the same paragraph.

Q5. Can a charity partially adopt the FRS or the CAS, i.e. adopt some accounting policies that are based on the FRS and some that are based on the CAS?

No, the FRS or the CAS must be adopted in its entirety. In other words, partial adoption or mixed adoption of the FRS or the CAS is not allowed.

Q6. Can a charity apply the CAS if it holds significant investments in any subsidiary, associate or joint venture that is not a charity?

No. A charity that holds significant investments in any subsidiary, associate or joint venture that is not a charity is required to adopt the FRS instead of the CAS.

Q7. Can a charity adopt the Singapore Financial Reporting Standard for Small Entities?

No. Charities are not eligible to adopt the SFRS for Small Entities as they are publicly accountable.

Q8. Can a charity adopt the applicable financial reporting framework earlier than the specified implementation date (i.e. for financial periods beginning before 1 July 2011 or 1 January 2015)?

Yes. Early adoption is permitted and encouraged.

Q9. Can a charity adopt the FRS or the CAS after the specified implementation dates?

No. Charities that are specified under Paragraph 3 of the Statement of Applicability are required to adopt the FRS or the CAS by the specified implementation dates.

Q10. After a charity has adopted the CAS, can it change to the FRS thereafter?

Yes. However, a charity is strongly discouraged from changing from the CAS to the FRS, or vice-versa once it has adopted the applicable financial reporting framework, unless there is compelling reason to do so. This is to ensure the comparability of the charity's financial statements across periods.

Q11. A charity is currently using the FRS and has decided to switch to the CAS. Are there transitional provisions to cater for the change?

Yes. Transitional provisions are provided in the CAS for first-time adopters of the CAS.

Q12. Will Recommended Accounting Practice 6 Accounting and Reporting by Charities (RAP 6) be withdrawn with the formulation of the accounting standards for charities by the ASC?

RAP 6 will not be withdrawn due to the phased implementation approach adopted by the Office of the Commissioner of Charities as set out under Paragraph 3 of the Statement of Applicability.

RAP 6 will continue to be available for use by charities that do not fall under the first implementation phase until financial periods beginning on or after 1 January 2015, unless these charities choose to early adopt either the FRS or the CAS before the mandatory implementation date. It will, however, not be available for use by charities that fall under the first implementation phase with effect from financial periods beginning on or after 1 July 2011 as these charities will be mandated to adopt either the FRS or the CAS from this date.

Q13. Will there be penalties imposed if charities do not comply with the accounting standards formulated by the Accounting Standards Council?

The Office of the Commissioner of Charities will monitor and enforce compliance with the applicable accounting standards. Non-compliance with the applicable accounting standards will be an offence under the Charities Act. There will be a penalty (fine) imposed for non-compliance under the Charities (Accounts and Annual Report) Regulations 2011.

Q14. Who is responsible for ensuring that the charities' financial statements comply with the FRS/CAS?

The charity's governing board members are responsible for ensuring that the charity's financial statements comply with the applicable financial reporting framework under Rule 4 of the Charities (Accounts and Annual Report) Regulations 2011.