

## **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)<sup>1</sup>; and
- (b) Educational institutions listed in the Third Schedule of the Charities (Accounts and Annual Report) Regulations 2011<sup>2</sup>.

### **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.

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<sup>1</sup> 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).

<sup>2</sup> 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