THE CHURCH
OF ENGLAND

Group Consolidated Accounts and Annual Reports

For PCCs whose combined gross income (including all subsidiaries) exceeds the Charities Act current audit threshold of £1m for the year, group consolidated accounts and Annual Reports are a statutory requirement.

Thus a PCC having trustee-body control of a connected charity from which it can draw benefit for its mission in the parish, but which it does not have to account for in its own accounts as a PCC, or (more rarely) beneficial control of a non-charitable body such as a wholly or partly owned trading company that it uses to generate additional revenues for the work of the PCC, must consolidate the statutory accounts of all such 'subsidiary undertakings' in group accounts in addition to its own accounts.

Modules 28 and 29 of SORP (FRS 102) paragraphs 407-418, which deal with compliance with FRS 9, also applies to any PCC not exempted from preparing consolidated accounts. FRS 9 requires it to include in its accounts any material interests it may have in any kind (charitable or fundraising) of consortium undertaking (corporate 'joint venture') or 'associated' undertaking (equity/voting interests above 20% but below the 50% of a joint venture, except where there is no significant influence on the investee's management) - as well as for what the SORP calls a 'joint arrangement'. The latter could obviously include any kind of participation in a non- corporate shared activity of a multi-denominational nature, thus not only the commercial kind of profit-sharing partnership activity that many companies engage in.

The SORP explains that the accounting treatment depends on whether the investing charity prepares consolidated accounts (when the 'equity' method of accounting* must be used for 'associated undertakings' and corporate joint ventures), or only its own entity accounts.

(*The equity method of accounting requires the charity's interest in the investee-entity to be 'initially recognised at its cost (the transaction price paid), including any cost incurred making the investment (transaction costs). The initial cost equates to the fair value of net assets acquired, plus any goodwill. For more information on the equity method, refer to section 14 of FRS 102.' - SORP module 28.11.)

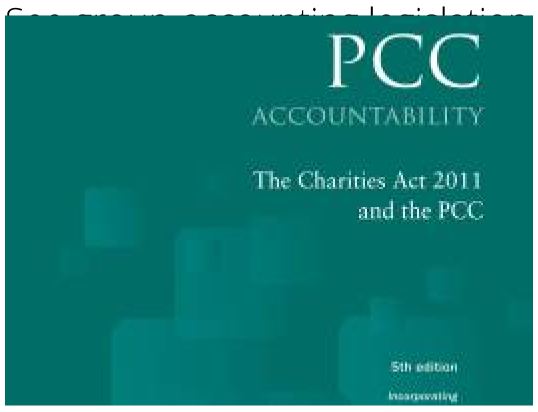
In its own entity accounts, however, the charity's interest in the investee-entity 'must be included in the accounts at cost less impairment (the cost model) or, if the fair value of the charity's interest can be measured reliably, the charity may opt to measure its interest at fair value with any gain or loss taken through income and expenditure'. (SORP (FRS 102), module 29.12)

Modules 28 and 29 set out detailed disclosure requirements that include naming each such investee-entity, the accounting policy adopted for it and the carrying amount of its investment in such entities, as well as other information needed for strict compliance with FRS 102.

Parent charities invariably combine their group accounts with their entity accounts in the same publication, as this minimises the paperwork entailed and also allows them to take advantage of the Charity Commission's continuing non-statutory concession to publish their group SOFA without their own (entity) SOFA and instead to report the key figures from the latter as an accounts note.

The group accounts must be accompanied by a group Annual Report, which replaces the usual PCC Annual Report. This group report includes specified disclosures in respect of the activities and performance of the subsidiary undertakings in relation to the PCC, but is otherwise the same as the Annual Report to be prepared by any other auditable PCC.

contained in the 2011 Act and SI 2008/629.



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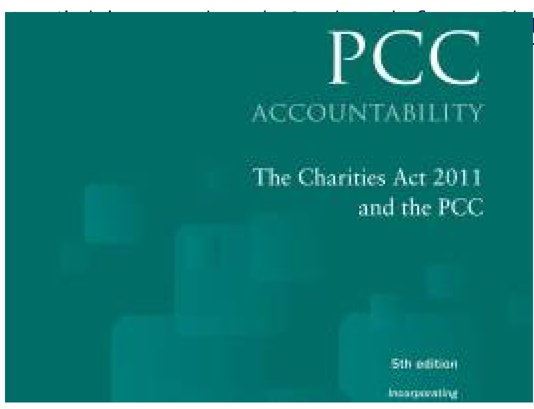

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