



Accounts preparation worksheet: charity accounting

Fund accounting

Question 1

A Charity has been set up to help elderly people in society, providing those over 65 with support, education and other services. It receives the following income:

Donations from street collections	£500
Grant from the local council	£750
Grant to set up a special project as to the effects of Alzheimer's disease on the elderly	£850

Show the entries to record these transactions.

Click to display/hide the solution and explanation.

Answer

Credit	unrestricted general donations	£500
Credit	unrestricted general grants	£750
Credit	restricted grants Alzheimer's project	£850
Debit	bank	£2,100

Explanation

The donations and general grants are for the core work of the charity and are therefore unrestricted.

The grant of £850 is for an Alzheimer's project and therefore goes to a restricted fund together with corresponding expenditure.

Question 2

The Charity Trustees met together and decided to:

- i) set aside £10,000 for future roof repairs.

Show the journal entries.

Click to display/hide the solution and explanation.

Answer

Debit	unrestricted general fund	£10,000
Credit	designated roof repair fund	£10,000

Explanation

The sum of £10,000 is shown as a transfer from the unrestricted general fund and credited to the designated roof repair fund as a transfer.

Question 3

The charity made expenditure in the form of contractor services worth £200 for the Alzheimer's project.

Show the journal entry.

Click to display/hide the solution and explanation.

Answer

Debit	restricted grants Alzheimer's project	£200
Credit	bank	£200

Explanation

Expenditure relating to the Alzheimer's project is charged to that restricted fund.

Question 4

A letter from the lawyers told the charity that they would receive a specific legacy of £10,000 for the charity work, and they would also receive 10% of the remaining estate.

Show the journal entries.

[Click to display/hide the solution and explanation.](#)

Answer

Debit	debtors	£10,000
Credit	unrestricted gifts – legacy	£10,000

Explanation

The £10,000 is recognised as income (debtor) until cash is received. Unrestricted general income has no restriction on use of money.

The 10% from the remaining estate will not be recorded until the monies are received by the charity.

Question 5

The charity was donated a Range Rover valued at £8,000 for use in its activities.

Show journal entries.

[Click to display/hide the solution and explanation.](#)

Answer

Debit	tangible fixed assets balance sheet	£8,000
Credit	general fund unrestricted donated assets SOFA	£8,000

Explanation

The motor vehicle is recognised to the balance sheet at the market value at the time of donation and credited to the SOFA as income.

Question 6

The charity received £30,000 for a three year project to deliver services to the elderly people of the town.

Show the journal entries.

Click to display/hide the solution and explanation.

Answer

Debit	bank	£30,000
Credit	unrestricted income charitable activities	£10,000
Credit	deferred income balance sheet	£20,000

Explanation

The grant is for services considered to be at the core work of the trust and is therefore recognised as unrestricted income.

£10,000 recognised in year 1.

£20,000 deferred to the balance sheet and carried forward for years 2 and 3.