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# **STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 1**

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## **Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves**

SB-FRS Guidance Note 1 *Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves* applies to Statutory Boards for annual periods beginning on or after 1 January 2003.

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*paragraphs*

## **Statutory Board Financial Reporting Standard Guidance Note 1 Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves**

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Statutory Board Financial Reporting Standard Guidance Note 1 *Accounting and Disclosure Requirements for Funds, Grants, Accumulated Surplus and Reserves* (SB-FRS 201) is set out in paragraphs 1-24. All the paragraphs have equal authority. SB-FRS Guidance Notes are issued to standardise the accounting and disclosure requirements of Statutory Boards in specific areas and are to be complied with by Statutory Boards. These Guidance Notes rank behind SB-FRS and INT SB-FRS in terms of importance.

# Statutory Board Financial Reporting Standard Guidance Note 1

## Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves

### Objective

1. The objective of this Guidance Note is to prescribe the additional accounting and disclosure requirements for funds, grants, accumulated surplus and reserves.

### Scope

2. **This Guidance Note shall be applied to all general purpose financial statements prepared and presented in accordance with Statutory Board Financial Reporting Standards (SB- FRS).**

### Funds

#### Presentation of Funds

3. **To make the Income and Expenditure Statement (I&E) representative of the total results of the activities undertaken by the SB, the operating results of all funds, of which the SB is the owner and beneficiary, are to be taken to the I&E.**
4. Based on the above criteria, with the exception of trust funds and agency funds, the incomes and expenditures of all funds are to be taken to the I&E.
5. The above means that the surpluses/deficits of these funds would be merged with the surplus/deficit from the main activities of the SB to give an overall surplus/deficit. The accumulation of this overall surplus/deficit will form the accumulated surplus of the SB.
6. Generally, all the activities of the SB should be reported in the I&E.
7. However, a SB may have some funds which need to be separately disclosed :
  - (a) Funds created by law which specifically requires the results of the operations of the funds be separately accounted for e.g. Home Protection Fund of the CPF Board.
  - (b) Funds received for specific purposes and for which separate disclosure is necessary as these funds are material and there are legal or other restrictions on the ability of the board to distribute or otherwise apply its funds.
8. For funds which satisfy the criteria for separate disclosure, the incomes and expenditures of these funds shall be presented in the I&E as a separate column with further details in the notes to the accounts.
9. In the Balance Sheet (BS), the assets and liabilities of the various funds should be combined with other assets and liabilities supporting the accumulated surplus. The assets and liabilities

of material restricted funds or special purpose funds governed by law need only to be disclosed separately in the notes to the financial statements.

10. As for the fund balances, the method of presentation will depend on whether the fund satisfies the criteria for separate disclosure.
11. If the criteria for separate disclosure are not satisfied, the balances in the various funds should be presented in the BS as **ACCUMULATED SURPLUS**.
12. If the criteria are satisfied, the presentation should be as follows:

#### **ACCUMULATED SURPLUS**

General Funds  
Restricted Funds

#### Presentation of Trust Funds and Agency Funds

13. **As the SB is not the owner and beneficiary of trust and agency funds, the incomes and expenditures of such funds should be taken directly to the fund. These incomes and expenditures will not be included in the I&E, and will not impact upon the accumulated surplus of the SB.**
14. **In the BS, the balances in these trust and agency funds should be disclosed separately under the capital section. The net assets of these funds should be disclosed as a line item in the BS.**
15. Details of incomes, expenses, assets and liabilities of these funds will be disclosed in the notes to the accounts.

#### Other Guidelines on Funds

16. Purposes of and restrictions on the fund, sources of the fund and the basis of accounting for the fund should be disclosed in the notes to the accounts.

#### **Grants**

17. **SBs should follow SB-FRS 20 Accounting for Government Grants and Disclosure of Government Assistance, when accounting for and disclosing grants from the Government. In addition, paragraphs 18 to 20 should also be complied with.**
18. **Government grants for the establishment of the SB should be taken to the Capital Account.**
19. **Capital grants for the purchase of non-depreciable assets, including non-monetary grants at fair-value, e.g. infrastructure and freehold land should also be taken to the Capital Account.**
20. Government grants should be reflected as a separate item in the I&E after the surplus /deficit from operating and non-operating items. This presentation will give a better indication of the extent to which the board's operations are financed by Government grants.

#### **Accumulated Surplus and Reserves**

21. In order to show clearly the exact nature and amount of the accumulated surplus and other reserves held by a board, the term accumulated surplus should be used to denote unappropriated surplus built over the years.

22. SBs should not create reserves unless allowed under the law or in accordance with the SB-FRS, such as revaluation reserves when assets are revalued.
23. If a SB wishes to set up a reserve for a specific purpose other than those allowed under the law or the FRS, the amount set aside must be accounted for as a fund.

### **Effective Date**

24. This Guidance Note is operative for financial statements covering periods beginning on or after 1 January 2003.