



Queensland University of Technology
The Australian Centre for Philanthropy
and Nonprofit Studies

SCOA Tasks Work Book

Training Work Book for Standard Chart of
Accounts (SCOA)

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What is SCOA?

A Standard Chart of Accounts (SCOA) provides a common approach to the capture of accounting information by not-for-profit organisations enabling government departments and other grant makers to talk the same accounting language as not-for-profit organisations and their advisors.

Contents – by Category of Asset, Liabilities, Equity/Accumulated Funds, Income, Cost of Goods Sold and Expenses being the most common list of accounts under which organisations generally operate and specifically designed below these broad categories for not-for-profit organisations. The SCOA has a flexible structure to enable a not-for-profit to add extra organisation specific accounts (e.g. stipends in churches, as a new account under the header account: Salaries and Wages).

Data Dictionary outlines descriptions of items and activities to be included (and excluded) under each account header and detail, in simple and practical language.

References are to the International and Australian Accounting Standards – currently to 2008 version and under review for the 2009 version.

Why a SCOA?

The lack of consistency in accounting categories and terms required by state and federal governments in their funding relationships with not-for-profit organisations causes:

- An inability to aggregate and compare financial data for any purposes, such as public policy development, benchmarking of performance and indications of financial effectiveness or efficiency to funders;
- Significant compliance costs to not-for-profits; and
- Significant administration and follow up costs to government departments.

The sector and governments have called for reduction in red tape for not-for-profits since as early as 1991. Most parties are frustrated by the non-sectoral approach of the accounting regulators.

Benchmarking and standards have become a way of life and practically those “at the coal face” have asked for improvements.

Benefits

- A SCOA will assist in the consistent collection of data by not-for-profits to submit to government departments for their analysis.
- A SCOA provides a guideline or benchmark for the small to medium organisations that do not have full time book-keepers or accountants and have volunteer treasurers who do not have book-keeping or accounting backgrounds.
- In WA specifically with some 44% of incorporated associations and only 25% of population regionally classified, regional and rural communities benefit from standardization that enables treasurers and bookkeepers some portability between clubs, community organisations and human service organisations.
- A SCOA enables auditors to reduce their investigations within a not-for-profit organisation because of a more consistent sectoral application of definitions and use.
- A SCOA developed for use by not-for-profits in WA assists in the coordination of a federally consistent framework for this area of the regulation.
- A SCOA is a tool that enables harmonisation with other states and territories for those not-for-profits who extend beyond borders.
- A SCOA provides incorporated associations with a template model in plain English for accounting and finance terms.
- A SCOA is an online tool in other jurisdictions that can be downloaded directly into an off-the-shelf accounting package owned by the not-for-profit organisation or printed out for manual reference.
- A SCOA gives not-for-profits dealing with multiple government agencies a consistent framework in which to work.
- A SCOA is one tool that enables governments to have a consistent funding model, especially in respect of financial information such as budgets, acquittal reporting and financial accountability.
- Anecdotally, in other states, large organisations have aligned their existing and more complex accounting systems to include data dictionary definitions as best practice.
- Many grant makers have introduced a “unit cost funding” model and a SCOA enables both governments and not-for-profits to more reliably analyse actual unit costs of service delivery and set reliable benchmarking targets.

- A SCOA enables the grant maker to do the analysis within the department using common definitions and groupings rather than transferring that responsibility to the not-for-profit.
- Standardised financial information can benefit the policy development within departments by aggregation from a common base level.

At QUT, we argue that this project points to the potential of a central regulatory organisation whose focus is the not-for-profit sector. An accounting and reporting regime that is uniform and serves the needs of its specific users is one of the foundations of accountability. A SCOA can help to demystify the processes surrounding accounting and disclosure in the not-for-profit sector. Valuable resources are saved which can go towards service delivery and sustaining the sector. Funders and other stakeholders also have better tools with which to monitor, judge and influence not-for-profit behaviour.

SCOA Activity 1

BACKGROUND:

Accounting packages have charts of accounts that are included for use by organisations who buy the package “off the shelf”, such as MYOB, Quicken, Quickbooks, Peachtree. The general design of the charts of accounts in accounting packages is typically for the “for profit” sector such as hairdressers, retailers, health professionals etc.

Not-for-profit organisations have difficulties implementing these any of these charts of accounts because they need to be customised and modified. The SCOA has been developed for the not-for-profit sector with specific application for the state based legislation.

The SCOA has been copied for use by participants in this workshop and accompanied this manual in the handouts.

Participants form four (4) groups and consider a standard chart of accounts for each of the following businesses:

- a sporting club where the fundraising is by membership, a small bar and food outlet on match day, raffles, bingo each Tuesday afternoon and night;
- a low-cost rental assistance organisation which owns and operates rental accommodation on an emergency basis as well as on a longer term (up to six months), all maintenance and repairs etc are required by the organisation;
- an outsourcing organization which works for other not-for-profits where it does the accounts payable, accounts receivable and payroll for six other companies including manage the car fleets; and
- a medium sized grant making organisation which gets grants from governments and other agencies and then on-passes that money to smaller organisations (similar to a peak) and does its own work in the community with grants.

Auspicing: In the vocational education sector of Australia, auspicing is where a registered training organization enters a partnership arrangement with another organisation that undertakes training or assessment on their behalf. The original training organization is still responsible for the quality of that training and assessment. The word is also used when a larger organization, such as local government, accepts and manages grant money, on behalf of a smaller community group, which does not have the necessary financial arrangement in place. (Wikipedia Online: <http://en.wikipedia.org/wiki/Auspice> (accessed 9 June 2009))

The task

Task is to add to the basic chart of accounts for each of the organisations to include accounts to enable the organisation to operate in their business activities. Basic listing is:

Assets:

Current Assets:	Cash at bank unrestricted Petty Cash Undeposited Funds Accounts Receivable Other Debtors ABN Withholding Credits
Noncurrent Assets	Plant and Equipment Accum Depreciation on P&L

Liabilities:

Current Liabilities:	Accounts Payable GST Payable Less GST Receivable Employee benefits ABN Withholding Tax Payable
Noncurrent Liabilities:	Provision for Long Service Leave

Equity/Accumulated Funds: Retained Surplus/Accumulated Losses

Income:

Fundraising – Gifts:	Donations received
Fundraising (contributions)	Contributions (members)
Other Income:	Interest – unrestricted

Cost of Goods Sold:

Expenses:	Agency Temp Staff Audit Fees Bank Charges Credit Card Fees Fees and Permits Fundraising and Gaming Expenses Insurance Legal Fees Meeting Expenses Printing and Stationery Rent Salaries and Wages Volunteer Costs
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Participants to review the SCOA document and identify which accounts are relevant to each organisation in their set up of a new accounting system. The previous system for all organisations has been a cash book with minimum headings and a comments column for clarification for the auditor. A separate GST column has been allocated for the purposes of GST and all organisations are GST registered with an ABN. Most items have been allocated to “Sundry” or “miscellaneous” income or expenses.

WORKSHEET:

<p>Sporting Club Has small bar and food outlet</p> <ul style="list-style-type: none">- requires accountability for inventory (alcohol and drinks) and revenue for sales made	<p>Low cost housing organisation Has rental houses that they own</p> <ul style="list-style-type: none">- requires income accounts for long and short term rentals as well as repairs and maintenance expenditures
<p>Outsourcing organisation Auspicing arrangements income Service company income and expenses Are other's employees on the outsourcing organisation's payroll?</p>	<p>Grant making organisation Revenue and expense accounts for grants receipt and disbursements Own community activities.</p>

Feedback

Nominate a spokesperson and a scribe and each group will present feedback with the rest of the group and participants may ask or be asked questions about the discussions within the groups.

Activity Wrap up

The three main benefits:

SCOA Activity 2

An arts and cultural organisation operates in the mid coast regional centre with the main activity to promote nurturing films and filmmakers. The organisation is named Gold Hearts Inc.

They have been operating since Oct 2005 and were incorporated in Mar 2006. The association runs a film festival each year in March at the local community centre. Alongside this event, a filmmakers workshop/master class event is run for up and coming filmmakers giving them access to experienced filmmakers in directors, artistic directors, set designers, producers, grant makers, etc.

The film festival has:

- grown from 150 entries to 900 entries since the original festival in 2007;
- the patrons attending the festival have increased from 300 to 1500;
- the awards dinner has become a featured highlight of the festival with some 1000 people attending in 2009; and
- sponsorship has enabled the organisation to increase the number of awards and the payment of staff rather than operate on all volunteer time.

For the 2010 event, Gold Hearts Inc will have made multiple grant applications to various bodies:

- the State Government Department of Arts and Culture (\$250,000),
- the Regional Council (\$100,000),
- the Australia Council (federal body - \$75,000), and
- the Alexis Rein Family Foundation (\$75,000) for general funding and
- to various local businesses for specific awards and recognition (between \$250 and \$5000).

All sponsorships requested have been in cash rather than in kind.

Presently, the organisation has a board member who is the local English mistress at the local high school on the management committee who makes the applications for grants each year. This year each organisation has requested more information on the spending process and wants their information acquitted in a different way.

The task

Show the Management Committee the benefits of implementing the Standard Chart of Accounts into the organisation.

In a group, we will build a Chart of Accounts for this group and show benefits as we go.

Feedback will be continuous on account inclusion or exclusion and participants will form a recommendation (wrap up) to the Management by the end of the session.

Basic listing is:

Assets:

Current Assets: Cash at bank unrestricted
Petty Cash
Undeposited Funds
Accounts Receivable
Other Debtors
ABN Withholding Credits

Noncurrent Assets Plant and Equipment
Accum Depreciation on P&L

Liabilities:

Current Liabilities: Accounts Payable
GST Payable
Less GST Receivable
Employee benefits
ABN Withholding Tax Payable

Noncurrent Liabilities: Provision for Long Service Leave

Equity/Accumulated Funds: Retained Surplus/Accumulated Losses

Income:

Fundraising – Gifts: Donations received
Fundraising (contributions) Contributions (members)
Other Income: Interest – unrestricted

Cost of Goods Sold:

Expenses: Agency Temp Staff
Audit Fees
Bank Charges
Credit Card Fees
Fees and Permits
Fundraising and Gaming Expenses
Insurance
Legal Fees
Meeting Expenses
Printing and Stationery
Rent
Salaries and Wages
Volunteer Costs

Feedback

Nominate a spokesperson and a scribe and each group will present feedback with the rest of the group and participants may ask or be asked questions about the discussions within the groups.

Activity Wrap up

The three main benefits:

QUT Contact

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Standard Chart of Accounts (SCOA):

<https://wiki.qut.edu.au/display/CPNS/Standard+Chart+of+Accounts>