MEMBER GUIDANCE FOR P&C ASSOCIATIONS

Financial Management & Control

FEDERATION OF PARENTS AND CITIZENS ASSOCIATIONS OF NSW

CONTENTS

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INTRODUCTION

The following document on Financial Management and Control has been prepared to cover the full range of P&C Association operations with specific emphasis on P&C Association operated enterprises such as canteens.

The P&C Federation knows that most P&C Associations and their enterprises are run by dedicated groups of volunteers who do a fantastic job. Unfortunately, the fact remains that each year some P&C Associations and associated enterprises are involved in investigations of fraud or end up with significant financial losses due to poor management and lack of controls.

The guidance in this document is provided to help P&C Associations understand the fundamentals of financial management and put in place suitable financial controls and practices to help sustain the P&C Association over the long term.

THE IMPORTANCE OF FINANCIAL MANAGEMENT

Good financial management is an essential part of any organisation. It is not a task that is to be left solely in the hands of the Treasurer or bookkeeper but is the cornerstone of all P&C Association activities. Without proper management of financial resources, it will be difficult for the P&C Association to meet its objectives and may lead to significant financial issues and/or possibly closure.

Good financial management is based on setting clear objectives, solid financial controls, and reliable & accurate reporting and monitoring. Good financial management will help to:

- identify issues early
- make effective and efficient use of resources
- achieve key objectives
- be more accountable to the members and the school community
- gain the respect and confidence of other community partners and beneficiaries
- help with long-term financial sustainability.

There are three key aspects to ensuring good financial management and good governance:

- Making sure there is a strong ethical culture
- Ensuring good communication flow at all levels of the organisation
- Developing formal policies and procedures for financial control, reporting and governance.

These aspects are not mutually exclusive and need to be considered together. Formal policies will not be effective if there is little or no communication, and the organisation is not ethically minded. Similarly, an organisation with strong ethics will not be effective if there is little or no communication or if there are no policies and procedures. The basis for good financial control and accountability is to:

- Have clear ethical values which include honesty and accountability. These then need to be communicated and modelled.
- Provide accurate and transparent financial information to members from which they can make informed decisions
- Keep on top of the P&C Association finances, not just for the present but looking ahead to ensure there will be sufficient funds to pay for all upcoming liabilities

- Identify the risks that a particular financial decision may have before committing to it
- Develop sound written policies and producers that spell out what is expected and the roles and responsibilities of individuals in that process
- Train employees and Office Bearers to identify possible red flags, warning of possible issues
- Encourage the reporting of any suspected fraud or other criminal activity

FINANCIAL RISKS

Financial risks have to do with how the P&C Association handles money. Anytime the P&C Association decides to spend funds or volunteers, or employees handle money, there are risks involved. Some areas of financial risk for P&C Associations are:

- Fraud or theft
- Mismanagement of funds
- Bad luck
- Dependency on a single event or a single P&C Association enterprise for income
- Extending credit of any kind
- Excessive debt
- Conflicts of interest
- Lack of effective controls

By identifying and dealing with financial risks, P&C Associations can significantly reduce the likelihood of problems. Some of the risks identified above are considered in more detail below.

Fraud and Theft

P&C Associations, like other charitable organisations, can be the victim of fraud or theft. For small P&C Associations, even small-scale fraud or theft can have a major impact. The Australian Charities and Not-for-profits Commission (ACNC) indicates that around 12% of charities have suffered fraud within the last two years. The average fraud was just over $8,000 although much greater sums were involved in some cases. The ACNC also suggested that there was a reluctance on the part of organisations to report or confront fraud. P&C Associations are no exception to this.

Fraud is defined in section 192E of the Crimes Act 1900 (NSW). Generally, a person commits fraud if he or she, by any deception, dishonestly

a. obtains property belonging to another, or
b. obtains a financial advantage or causes any financial disadvantage.

The important word in this provision is "deception" which can be verbal, written or more recently by the use of a computer or other electronic device. The deception must be intentional or reckless to be considered fraud.

P&C Associations without proper controls in place can be attractive places to commit fraud. This is usually because:

- Individuals can use the trust or confidence of the P&C Association in them or their position as a cover of respectability diverting attention away from themselves;
- The volunteer nature of P&C Associations can lend itself to less rigorous oversight allowing unscrupulous people to operate without raising suspicion;
- Individuals can exploit a lack of financial controls to benefit themselves making their activities difficult to identify or prove.

The majority of fraud allegations received by the ACNC relate to the conduct of senior members of charities. However, fraud can be committed by anyone and does not need to involve large sums of money. Aside from the financial damage fraud can cause, P&C Associations need to consider the possible impact on their reputation with members, school staff, parents and the wider community.

Common types of fraud are:

- Misusing P&C Association bank accounts for personal expenditure
- Claiming non-existent, excessive or inappropriate expenses
- Creating false documents such as invoices to claim payment for goods and services that have not been supplied i.e. the ordering of goods for personal use.

P&C Associations need to be aware of the possibility of fraud and put in place financial controls that will minimise the likelihood of it occurring.

P&C Associations also need to safeguard against opportunistic theft which may occur on the spur of the moment when cash or goods are left relatively unprotected. Some examples of goods which the target of opportunistic theft can be:

- Cash or property from a stall at a P&C Association fete
- Cash or property from a canteen or uniform shop
- New or used uniforms from the uniform shop
- Donated goods
- Food from the canteen

Funds Mismanagement

Often, P&C Associations will invest funds over a period of time to support future projects, usually projects which require the P&C Association to save for or put aside until the project is ready to start. Most P&C Associations will place these funds in term deposits or appropriately secure investments and have the protection of dual signatories. The risk to the P&C Associations from this form of investment is very low.

However, leaving funds accessible to a single individual, investing without P&C Association approval or investing in high risk strategies would be considered mismanagement of funds and could result in a financial loss or possible insolvency.

Bad Luck

There are times when things just don’t go as expected. This may be because of:

- Bad weather
- Competing events
- Lack of sponsors or sponsors pulling out
- Issues with equipment (BBQs, stoves, coffee machines, urns etc)
- Lack of volunteers

No matter what the cause, there will be an impact that may end up with significantly reduced income or worst case, cancellation. The likelihood of these events happening might be small, but P&C Associations should be aware of the potential financial risks should bad luck strike.

Overdependence on Single Sources

“Don’t put all of your eggs in the one basket.” Being reliant entirely on income from one source or having the majority of your income coming from one source can place a P&C Association at a significantly higher financial risk and threated sustainability.

For example, a P&C Association may be dependent on income from an annual fete to meet 90% of its budgeted income. If the fete had to be cancelled for the year, it will leave the P&C Association short of funds and possibly in a position where it cannot meet its debts (insolvency).

A negative equity indicates that the P&C Association is unable to pay its debts and is therefore trading insolvent. Insolvency is a very serious matter.

Extending Credit

Extending credit to individuals or businesses can present a significant financial risk in that the funds loaned may not be retrievable. For example, a P&C Association canteen may decide to allow school staff to order food from the canteen on a credit basis. Although this may be a nice gesture towards the staff, there is a risk that a credit account could be allowed to grow to a point where recovering the debt becomes difficult or impossible, exposing the P&C Association to financial loss.

Excessive Debt (Over Commitment)

Excessive debt can result from a number of different reasons and can be compounded if a P&C Association has a range of enterprises under its control. Excessive debt can result from over ordering, accidental or otherwise (uniforms, canteen stock, supplies for a fete or BBQ) or poor stock control (over ordering but over a longer period). Excessive debt can also occur from committing to a contractual arrangement that has no flexibility should P&C Association cash flow become problematic.

Whatever the cause of the excessive debt, P&C Associations need to exercise care and due diligence before committing to any contract or large expenditure and constantly monitor debt levels to ensure they do not go too high.

Conflicts of Interest

A conflict of interest is a situation where an individual may be or is perceived to be involved in secondary interests, financial or otherwise, any of which could influence the motivation or judgement of that individual. A conflict of interest does not need to be an actual conflict of interest; there can also be the belief that one exists.

Identifying and dealing with conflicts of interest is an important part of managing financial risk and can help prevent making decisions that are made in favour of particular person(s). Conflicts of interest (actual or perceived) come up on a regular basis and may arise where:

- A person is related to, or friends with, a job applicant in circumstances where that person is a part of a selection panel
- A person has a spouse or family member who is an employee of the P&C Association in circumstances where that person is also an Office Bearer
- A person is a President of a P&C Association and their spouse is Treasurer, both being signatories to the P&C Associations accounts
- A person seeks approval from the P&C Association to use a company that person is employed by or owns.

It is the responsibility of the person with the conflict of interest to make the P&C Association aware that such a conflict exists. Other members of the P&C Association have an obligation to call out any actual or perceived conflict of interest. It is up to the members of the P&C Association to deal with the conflict of interest. This may include deciding that the conflict does not call for any further action, or the person(s) with the conflict may be asked to remove themselves from any discussion or voting on the related issue.

ACCOUNTABILITY

Being accountable means being responsible for what the P&C Association does. This includes the P&C Association's behaviour as well as the way it deals with expenditure.

P&C Associations can choose to delegate responsibility for particular tasks to others but cannot delegate the accountability for ensuring that these tasks are done according to budget and within the constitution and rules of the P&C Association. For example, if a P&C Association uses a bookkeeper to keep the daily finances, the Treasurer remains accountable for the finances. Similarly, if a P&C Association operates a canteen, then the canteen manager may be responsible for the day to day operations, but the P&C Association is accountable for its overall operation. In general, a P&C Association is accountable to:

- The community they aim to serve
- Ordinary members of the P&C Association
- Funding bodies
- Statutory bodies the P&C Association is responsible to under legislation
- P&C Association employees.

An organisation needs to adopt reasonable and appropriate methods of showing accountability to each of these different groups.

Accountability to the Community and Members of the Organisation

P&C Associations have specific obligations to the community and the members of the P&C Association such as:

- Holding an Annual General Meeting
- Providing audited accounts at the Annual General Meeting
- Demonstrating adherence to the P&C Associations constitution and rules
- Holding general meetings of the P&C Association as prescribed in the constitution and rules.

P&C Associations might also want to consider how they can demonstrate accountability by providing information and news releases to the community. This includes letting the wider school community know what the P&C Association is fundraising for and what it is expending funds on.

Budgets & Balance Sheets

INTRODUCTION

Budgets are an essential part of good financial management and are used to estimate the P&C Associations income and expenses over a certain amount of time. A budget is a financial plan, usually done annually, that sets out the financial course of the P&C Association. Developing accurate budgets will help the organisation to provide better services, successfully apply for grants and meet the P&C Associations financial reporting obligations. Developing realistic budgets can help the organisation to run effective short-term projects and continue to deliver services into the long-term future.

DEVELOPING A BUDGET

P&C Associations should be looking to develop a budget that covers all income and expenditure for the financial year. This is referred to as an income and expenditure budget and is based on estimates for income and expenditure for planned activities for the year. The key to preparing a budget is to involve key people, including key employees along with the Treasurer, to ensure any new budget reflects what is trying to be achieved and is based on reasonable and appropriate estimates.

There are two common ways to go about budgeting:

Incremental: Uses the previous years or events activities as the basis for the coming years budget

Zero-based: Where a budget is prepared from the beginning without any regard to past activity

For annual budgets, P&C Associations should be using the incremental method; otherwise the effort to start from scratch would be considerable and possibly not as accurate. The zero-based method is used in cases where there is a new project or event that has no previous financial history.

Although the budget will include projects and events that the P&C Association plans to do, there may be the need to develop separate budgets for specific projects or events, especially those that are complex like a fete, or a project for which grant funding is being sought. It may also be beneficial to develop separate budgets for the different P&C Association enterprises (canteen, uniform shop, band or OHSC) so that the financial performance for each can be monitored in more detail.

The following steps are typical in developing an annual budget:

- Look at all the activities for the coming year and separate them into existing and new
- Review the last year's (or if necessary several previous years') income and expenditure and separate by activity
- Determine the income and expenses for each
- Combine all income and expenses into a single statement and discuss any amendments required
- Make sure the budget has sufficient contingency for small variations that may occur during the budget period.

Any budget will need to be approved at the Annual General Meeting or a General Meeting or Special Meeting of the P&C Association before it becomes official.

Estimating income and expenditure

Whether developing a budget for the whole P&C Association, a canteen or a specific project or event, sources of income and areas of expenditure need to be identified and an estimate for each of these amounts made. It is also good practice to estimate when income will be received and when expenses need to be paid to help in having funds available when they are needed (good cash flow).

When looking at the whole P&C Association, income (money being received) would include sales from P&C Association enterprises (canteen, uniform shop etc.), bank interest, grants, donations and other types of fundraising. For individual projects, the P&C Association might be relying on one or more grants and/or sponsorship from other people or organisations.

Use the incremental budgeting method, looking at the income from the previous year (or years) and decide if this is likely to increase or decrease and by what amount. If there is no financial history to go by then estimating can be a little harder and a good educated guess will need to be made until there is a financial history to work from.

Some income (such as grants) may come with specific conditions on how it is to be used. These conditions must be noted in any budget or financial statement.

The other part of the budget is to determine expenses (where money will be spent). Expenses will usually include employee wages and entitlements (should the P&C Association have employees), bank fees and charges, fundraising expenses (food and drink, DJ for discos, rides for a fete etc.), major projects (capital works, smartboards, computers or tablets, air-conditioners etc.), membership and insurance.

Again, taking an incremental approach, use the expenses from the previous year (or years) to help determine the budget expenditure for the next year. The P&C Association will then need to decide if these amounts need to be adjusted for increases in costs or additional expenses.

If the P&C Association is applying for funding from a funding body, the P&C Association may only be able to include certain expenses, so it will need to be checked before completing your application.

A budget should have an income that equals or is greater than budgeted expenditure. If the P&C Association expenses are greater than income the budget should not be approved.

Documenting Assumptions in the Budget

When estimating income and expenditure, certain assumptions will be used to establish a number. Because the budget will be the tool for measuring the effectiveness of the P&C Association, it must be realistic. When making assumptions, realistic targets that are achievable should be used. Using the historical financial information and looking for trends is a good place to start. It is important that all assumptions made in relation to the budget are reviewed and assessed for risk and any issues corrected before the budget goes for approval.

Good budget preparation should include documentation of all key assumptions. This will help in accessing which assumptions were correct and which were not. When preparing a list of assumptions, where there is a risk that the event may not occur, make sure this information is included with the assumption and any actions that may be taken if a particular assumption turns out to be incorrect. That way, an action plan will be in place. The table below is an example of documenting assumptions.

Assumption	Prediction	Based on	Risk	Action
Fundraising	Fundraising to increase by 8%	Growth in school population and previous fete data	Fete income drops Fundraising event has to be cancelled	Have a contingency event ready (trivia night)
Trading	Overall trading will increase by 6%	Past 3 years financial data	Trading increase may be lower than predicted	Introduce specials and/or advertise products more aggressively
Employee wages	Increase in wages of 1.6%	Expected award wage increase	Award rate rise may be greater than 1.6% due to recent industrial action	Only pass on the increase to those employees that need to be brought up to the minimum rate
Expenses	Overall expenses increase by 4.2%	Past 3 years expenses and an anticipated increase in the cost price of uniforms	Expenses increase by greater than 4.2%	Review expenses in key areas to see if there are any additional savings

Budgeting for Equipment Maintenance or Replacement

P&C Associations often don't consider that equipment will need to be replaced or maintained at some point in the future. Wear, tear and age can take its toll and it is best practice to set aside funds over a period of time to cater for maintenance and replacement. This provisioning can be based on the replacement cost and its life expectancy with a percentage set aside each year.

Sample Budgets

The following is a sample budget for ABC P&C Association for 2018. This is a simple budget for a P&C Association that only fundraises. They have no canteen or other enterprise and no paid employees. They do not hold a fete, but they do have the accounts audited each year.

ABC P&C Association
Sample Budget 2018

Category	Fundraising		General		Total	
	2017	**2018**	**2017**	**2018**	**2017**	**2018**
Donations	2,500	3,000			2,500	3,000
Fundraising – Discos	2,179	2,200			2,179	2,200
Fundraising – Easter	2,633	2,600			2,633	2,600
Fundraising – Mother's Day	2,469	2,500			2,469	2,500
Interest			84	85	84	85
Total Income	**9,781**	**10,300**	**84**	**85**	**9,865**	**10,385**
Utilities						
Bank Charges			32	32	32	32
Printing/Stationary/Postage			37	40	37	40
Audit			300	300	300	300
Fundraising – Discos	165	170				
Fundraising – Easter	1,415	1,400			1,415	1,400
Fundraising – Mother's Day	924	925			924	925
Membership & Insurance			415	415	415	415
Miscellaneous			105	100	105	100
Total Expenses	**2,504**	**2,495**	**889**	**887**	**3,228**	**3,212**
Operating Profit	**7,277**	**7,805**	**(805)**	**(802)**	**6,637**	**7,173**

Budget Assumptions

Assumption	Prediction	Based on	Risk	Action
Donations	Donations to increase by $500	Last three years and increasing enrolments	Donations remain unchanged or fall	Stress the importance of donations and the benefits they bring
Audit	Audit Fees remain unchanged	Guaranteed from auditor	Present auditor unable to carry out work	Have a backup auditor
Membership & Insurance	No change	Advice from P&C Federation that costs unlikely to change	Membership or insurance goes up	Minimal cost impact

The following is a more complex budget for XYZ P&C Association for 2018. This P&C Association has a paid canteen manager, a uniform shop and holds an annual fete. They also employ the services of a bookkeeper.

XYZ P&C Association
Sample Budget 2018

Category	Canteen		Uniform		Fundraising		General		Totals	
	2017	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Grants						4,000			4,000	0
Donations					2,500	3,000			2,500	3,000
Fundraising – Discos					2,179	2,200			2,179	2,200
Fundraising – Easter					2,633	2,600			2,633	2,600
Fundraising – Mother's Day					2,469	2,500			2,469	2,500
Fundraising – Fete					19,455	22,000			19,455	22,000
Interest	14	15	22	22			420	440	456	477
Total Contributions	**14**	**15**	**22**	**22**	**29,236**	**36,300**	**4,420**	**440**	**33,692**	**32,777**
Sales	35,600	36,000	22,000	24,000					57,600	60,000
Less cost of goods	15,230	15,500	11,800	12,500					(27,030)	(28,000)
Total trading Income	20,370	20,500	10,200	11,500					30,570	32,000
Total Income	**20,384**	**20,515**	**10,222**	**11,522**	**29,236**	**36,300**	**4,420**	**440**	**64,262**	**64,777**
Wages	6,400	6,600					1,800	1,860	8,200	8,460
Superannuation	640	660							640	660
Utilities										
Bank Charges	14	15	483	500			67	70	564	585
Printing/Stationary/Postage			82	107	456	500	37	40	575	647
Audit					560	575			560	575
Fundraising – Discos					165	170			165	170
Fundraising – Easter					1,415	1,400			1,415	1,400
Fundraising – Mother's Day					924	925			924	925
Fundraising – Fete					6,200	6,500			6,200	6,500
Advertising							141	150	141	150
Membership & Insurance							2,114	2,200	2,114	2,200
Miscellaneous							105	100	105	100
Total Expenses	**7,054**	**7,275**	**565**	**607**	**9,720**	**10,070**	**4,264**	**4,420**	**21,603**	**22,372**
Operating Profit	**13,330**	**13,240**	**9,657**	**10,915**	**19,576**	**26,230**	**156**	**(3,980)**	**42,659**	**42,405**

Budget Assumptions

Assumption	Prediction	Based on	Risk	Action
Grants	Grants will cease in 2018	No suitable grants available	None (has been identified and budgeted)	None
Wages	Budgeted for 3% increase	Likely award rate increases plus additional hours	Award rate increase could be higher than anticipated	Review additional hours of work
Membership & Insurance	Budgeted 4% increase in insurance	Increased stock figures	Insurance premiums increase	Manage stock levels

MONITORING THE BUDGET

After the budget is developed and has been approved, financial performance needs to be monitored against the budget so that expenditure does not exceed income. Even if the budget was realistic, there may be unexpected expenses or income may be less than estimated. To avoid serious financial difficulties, it is important to monitor the P&C Association budget regularly to identify issues before they become serious.

The P&C Association is responsible for monitoring the organisations finances by checking the financial reports provided by the Treasurer. These reports should show the monthly income and expenditure as well as amounts for the year to date, so they can be checked against the budget. If there are differences between the budget and actual amounts, the reason why this has occurred needs to be determined and possible ways to compensate or rectify found.

THE BALANCE SHEET

A balance sheet provides a picture of the financial health of an organisation at a given moment (usually the end of the month or the financial year). It lists in detail the various assets, the liabilities and the value of the organisations equity (or the net worth of the P&C Association). Balance sheets are a great financial tool [that show the full picture about a P&C Association's finances].

Assets are the items of value owned by the P&C Association. Assets can include cash, investments, inventory, buildings, equipment, furniture, and money due from individuals or other businesses (known as debtors or accounts receivable).

Liabilities are the amounts owed to external organisations. Liabilities can include funds acquired to support the organisation's operations by way of loans and other credit used to fund the activities of the association including the purchase of capital assets, inventory and for the payment of general expenses.

Equity is the accumulated funds or net worth of the organisation.

The relationship between these three is

Equity = Assets – Liabilities

That is, the value of all the assets of the P&C Association less the value owed to external parties (liabilities) will equal the net worth (net assets) of the organisation. In other words, the value of the organisation after all debts are paid.

A negative equity indicates that the P&C Association is unable to pay its debts and is therefore trading insolvent. Insolvency is a very serious matter.

A balance sheet lists assets and liabilities, usually broken down into easily understood categories. Assets are usually shown in the order of how quickly they can be turned into cash. Assets that can be quickly turned into cash usually come first and are referred to as current or liquid assets. Assets that can be turned into cash within the budget year are also included. Assets that take longer to turn into cash such as longer-term investments are usually placed under a separate section called non-current or fixed assets.

In a similar way, liabilities are listed in order of how soon they must be repaid. Current liabilities are listed first with non-current liabilities following.

The equity is the last section in the balance sheet and is calculated in accordance with the formula given above. Note that the equity should be positive as stated above. If the P&C Association liabilities outweigh the P&C Association assets, then the situation is serious and immediate steps should be taken to resolve it.

A sample balance sheet is shown below.

ABC P&C Association
Sample Balance sheet – As at 30 June 201X

Current assets	**CANTEEN**	**UNIFORM**	**GENERAL**	**TOTAL**
Cash	4,201	6,766	13,480	24,447
Debtors	125			125
Stock	6,233	44,670	2,340	53,243
Undeposited Funds			480	480
Total current assets				**78,295**
Non-current (fixed) Assets				
Computers			1,230	1,230
Furniture and fixtures	600			600
Cooking equipment	1,100		1,200	2,300
Less accumulated depreciation	(550)		(600)	(1,150)
Investment account			6,000	6,000
Total non-current assets				**8,980**
TOTAL ASSETS				**87,275**
Current liabilities				
Creditors	1890	8,876		10,766
TOTAL LIABILITIES				**10,766**
NET ASSETS				**76,509**

FINANCIAL CONTROLS

INTRODUCTION

Financial controls are best set out in written policies that describe the procedures that the P&C Association will follow in order to manage finances and are used to lower the risk of loss, theft, misuse and misappropriation of P&C Association funds or assets. The primary goal of financial controls is to create a culture and practices that serve as "checks and balances" on staff, P&C Association members and other volunteers. They can also help to monitor and assess the financial performance of the P&C Association and any of its enterprises.

Examples of financial controls include:

- Having and working to a budget
- Ensuring that there are two signatures on all cheque accounts or for electronic banking
- Ensuring there are strong cash handling policies and procedures
- Accurate financial record keeping
- Regular financial reporting
- Clear responsibilities and authorities
- Not approving expenditure without financial reports being provided.

APPROVING EXPENDITURE

Approving expenditure, as opposed to authorising payment, is where the P&C Association formally decides to spend hard earned funds. Making a decision to spend funds is a significant responsibility and involves a degree of due diligence to minimise any potential risks. Establishing processes for reviewing and approving expenditure is one of the key financial controls a P&C Association can put in place.

There are two fundamental types of expenditure:

Budgeted These are expenses that the P&C Association can forecast for the coming year based upon previous year's expenditure.

Ad-hoc As the name suggests these are expenses that are unforeseen and pop-up unexpectedly. They are not included in the budget.

Approving Budgeted Expenditure

It is best practice to approve the annual budget for the coming year at the P&C Association Annual General Meeting. The budget should address the normal operating expenses of the P&C Association including any enterprises such as canteen, uniform shop, band etc. In this way, if the P&C Association approves the budget all the expenditure in the budget is already approved. No comitment shall be entered into for the expenditure of P&C Assocation funds, except by resolution of a meeting of the P&C Association.

Approving a budget will mean that any P&C Association operations such as a canteen, uniform shop or band will have a budget to work to, giving them delegated authority to operate within the budgeted limits. Expenses outside of the approved budget will need to come back to the P&C Association for approval.

Careful attention should be given to making the budget as understandable as possible for P&C Association members so informed decisions can be made when it comes time to approve. The budget should also have clearly understood budget items to ensure that there is no misinterpretation.

Approving Ad-hoc Expenditure

Ad-hoc expenditure can be approved at any general meeting of the P&C Association. The proposal to expend must be provided to members as part of the agenda so there is time for members to understand what the expenditure is for. Ad-hoc expenditure should not be approved on the spur of the moment during a general meeting. Consideration must be given to the risks, financial or otherwise, associated with the expenditure.

AUTHORISING PAYMENTS (SIGNATORIES)

Once expenditure has been approved by resolution of the P&C Association, there will come a time when those funds need to be paid to a third party or moved between P&C Association accounts. Having tight control over this process is essential to minimise risks to the P&C Association.

Authorisation of expenditure is carried out by delegated Office Bearers signatories of the P&C Association. Having delegated signatories is part of providing clear authorities and responsibilities that act as a financial control and provide a level of accountability. Only Office Bearers of the Association (President, Vice-presidents, Secretary and Treasurer) can be signatories. Signatories need to be delegated authority by the P&C Association and their delegation noted in the minutes.

Sample Motion

It was resolved that ABC P&C Association endorse President (first name) (surname), Vice President (first name) (surname), Vice President (first name) (surname), Secretary (first name) (surname) and Treasurer (first name) (surname) as the authorised Office Bearers to operate ABC P&C Association bank accounts.

Moved (Member a) *Seconded (Member b)* *Carried*

The school Principal and employees of the P&C Association cannot be signatories.

As per section 16 of the prescribed constitution or section 15 of the standard constitution, any account needs to be operated by two or more Officers of the P&C Association. Under no circumstances should a single individual be given authority to operate any P&C Association account.

CASH HANDLING

Keeping cash safe and ensuring funds are deposited into the right bank account is an essential element in financial control. Any operation that deals largely in cash needs to have proper safeguards in place to ensure funds do not go missing and that daily counts are checked for accountability. The following guidance is offered about cash handling:

- Ensure that all cash taken is always counted, checked and recorded on a count sheet by at least two persons. This reduces the risk of error in the counting and gives a level of accountability. Make sure both money counters sign the count sheet. File count sheets in a safe and secure location for future reference
- Ensure that cash is banked as soon as possible wherever practical. This will lower the risk of theft
- Nominate trusted individuals to bank funds
- For larger cash sums consider using the services of cash collection company
- Have someone independent of the collection and banking carry out periodic checks of cash counts against bank deposits
- Ensure that any change float is secured overnight and during weekends
- Make sure any cash is removed from the premises during holidays.

BANKING & INVESTMENT OF FUNDS

For canteens, uniform shops, bands and OHSC's it is advisable to set up and operate separate bank accounts if there will be significant business being transacted. This will segregate funds, so they can be more easily accounted for. All income and expenses for the particular operation should then be transacted through that account and reconciliations performed against bank statements on a regular basis.

For longer term projects that a P&C Association may be saving towards, it is advisable that an investment account be set up. To this end:

- An interest-bearing cheque account with a bank or building society should be opened for the depositing of canteen collections and for the payment of canteen expenses.
- The P&C Association should also open investment accounts for funds held in reserve for long service leave and equipment replacement. Only investment accounts that are bank or government guaranteed should be considered. Examples would include cash management call accounts and term deposits.
- The general rules are that investments should not be for periods more than twelve months and the number of individual investment accounts should be kept to a minimum.

FINANCIAL RECORDS

Having financial controls in place will mean little if there are no financial records on which to monitor financial performance and provide a level of accountability. Maintaining accurate and up to date financial records helps protect the organisation as well as the individuals responsible.

The types of financial records the P&C Association will need to keep will depend on the activities you carry out. A small P&C Association that only does fundraising will have simpler requirements that a P&C Association that operates a canteen and uniform shop and has employees.

General Record Keeping

No matter what activities the P&C Association undertakes there are certain documents that must be kept. These include:

- Bank statements or other documents from financial institutions
- Receipts or invoices as the result of any purchase
- Budgets, not just the current but previous budgets as well
- Purchase orders (if the P&C Association uses them)
- BAS (Business Activity Statements) if applicable
- Grant documentation including the application and any correspondence from the organisation providing the grant.

Record Keeping for P&C Association Enterprises

If the P&C Association operates a canteen, uniform shop or other enterprise then the P&C Association should be looking at appropriate record keeping practices for each. By segregating the records, it will be easier to account for that enterprise's activities. The record keeping requirements for P&C Association enterprises is discussed in the next section and is subject to certain requirements of the ACNC.

MONITORING FINANCIAL PERFORMANCE

While reporting is essential to ensure a regular flow of information, the monitoring of that information is just as critical to determine the financial performance of the P&C Association and its enterprises. The budget is the best way to measure if the P&C Association is on track.

- Contributions to the P&C Association should be in accordance with expectations. The inability of a canteen to make the expected contributions could indicate problems in respect of pricing, the management of the canteen, or the control of cash and/or stock
- Ensure that term mark-up schedules are prepared. The Mark-up Schedule provides an accurate indication of the average mark-up of goods sold in the canteen and is a basis for comparison with actual trading results
- The mark-up achieved (as shown in the trading statement) should be compared with the expected mark-up calculated in the mark-up schedule to ensure that the canteen's performance is in accordance with expectations
- Where there are unfavourable discrepancies between the mark up achieved and expected, action must be taken to identify and remedy the cause(s). In the absence of positive corrective action, the problem will continue and may become worse
- The results shown in the trading and profit and loss statement should be compared with previous year's (or years') results to ensure that the canteen is performing at the expected level.

Profit (Surplus) versus Cash

In many cases, it is easy for P&C Associations to confuse cash with profits. It is a common error to think that "if we have money we must be making money". A P&C Association may have good reserves of cash, but the P&C Associations activities may not be profitable. If activities are not profitable, then they will be eroding the income generated from other activities and reducing the funds available to achieve the P&C Association's objectives.

APPOINTMENT OF AN AUDITOR

The P&C Association shall appoint an auditor to examine the P&C Associations accounts together with the accounts of any P&C Association operations (canteen, uniform shop etc.). As per section 7 of the prescribed constitution the auditor shall:

- Be appointed at the P&C Associations' Annual General Meeting for the ensuing year
- Must not be an Office Bearer of the P&C Association (President, Vice President, Secretary or Treasurer)
- Have appropriate skills and experience in auditing and financial record management together with an appreciation of the issues of probity as they relate to the role of the P&C Associations auditor. Specifically, the auditor must not have or appear to have any conflict of interest.

RECOMMENDED FINANCIAL CONTROLS

As a starting point, the following financial controls are suggested:

- Make sure the P&C Association has written procedures for the handling of money that all staff and volunteers are aware of and follow.
- Make sure that one person is not solely responsible for authorising, completing and reviewing your financial transactions.
- Have at least two Office Bearers authorised to operate cheques or electronic banking and, where possible, have two people involved in handling and recording of any money received.
- Ensure accurate and regular reporting to know how much money the P&C Association receives and what is being spent. This is essential to understand the current financial position before making decisions to expend funds.
- Keep the financials simple and understandable for all members not just those with backgrounds in accounting.
- Monitor the P&C Association's performance against the current budget. If there are significant variations in expenditure or income, ask why. There should be a reasonable explanation for why the variation occurred. If the explanation does not make sense or the answer is not forthcoming, make sure to keep following up.
- Establish clear financial delegations. Delegated authority may be given to people such as the canteen manager to purchase stock, but only the Office Bearers of the P&C Association can be signatories on accounts and therefore pay bills. Delegations will help manage the risk of loss or fraud.
- Make sure the P&C Association accounts are secure. Keep the P&C Association passwords for online banking safe and manage who has access to the P&C Association bank accounts.
- Encourage a culture where members feel free to ask questions about the finances.

FINANCIAL CONTROL FOR P&C ENTERPRISES

TRADING OBJECTIVES

It is important to determine the trading objective of the P&C Associations canteen, uniform shop, band or OHSC so that appropriate pricing and turnover objectives can be set. P&C Associations should consider adopting one of two fundamental trading objectives for any P&C Association operated entity:

- **Service objective**. This kind of operation is only intended to meet the costs of operation e.g. purchase of stock, payment of wages, replacement of equipment and other expenses. There is no goal to generate surplus funds. This type of operation has the aim of keeping the prices as low as possible for the maximum financial benefit of the parents/students at the school.
- **Surplus objective**. This type of operation not only provides a service but has the goal of creating surplus funds that will be used by the P&C Association for the benefit of the school and students. The prices will need to be higher than a service provision operation, but a portion of all money spent will go straight back into supporting students through the purchase of new equipment and resources.

Where the objective is to provide a service provision operation, the prices set should have an appropriate and achievable discount on recommended retail prices. Where the objective is to provide a surplus provision operation, prices should wherever possible be in line with recommended retail prices.

It is not uncommon for P&C Associations to run different operations with different trading objectives. For instance, a P&C Association that runs a canteen, uniform shop and band may well decide to operate the band program as a service provision operation and the canteen and uniform shop as surplus operations. A P&C Association that only operates a canteen may choose to operate it as a service provision operation because of the socio-economic make-up of the students at the school.

The trading objective the P&C Association uses for the canteen will be dependent on your school context. A trading objective is not set in stone. If the circumstances change within the school, then the P&C Association may decide to change the objective. Irrespective of the trading objective, the underlying costs of any operation need to be understood and met.

P&C Association operations should not be run at a continued loss or be subsidised by the P&C Association.

PRICING & MARK-UP

A canteen, uniform shop, band or other P&C Association operated enterprise is like any other business. It needs to cover the costs of operation first and foremost. Key to making sure the operation is a success is setting the right pricing for the goods or services it provides. This will be fundamentally determined by how the operation is to trade, either as a service or surplus operation.

It is good practice in Term 1 each year, to review the prices and operating costs (in accordance with pricing policy should it exist) for each P&C Association operated entity, to ensure that prices in the forthcoming year are sufficient to allow all costs to be covered and, if the P&C Association is trading as a surplus operation, that the P&C Association is able to reach budgeted targets.

To do this, the P&C Association needs to:

- determine the P&C Associations trading objective (service or surplus)
- work out the cost price of all items including delivery and account charges
- calculate expected sales for the year (using the previous year's figures can be a good guide); and
- determine all other expenses including wages, superannuation, maintenance costs etc.

MARGIN & MARK-UP

The margin is simply the sale price of an item minus the cost of the item to purchase (cost price). For example, an item that sells for $5 and costs $3 to purchase has a margin of $2.

The mark-up is the amount by which the cost of a product is increased expressed as a percentage. So, for the above example, the mark-up is the margin divided by the cost price, so this works out to be 66.7%.

The amount of mark-up the P&C Association needs depends on the trading objectives (service or surplus) and the overheads (expenses) of the P&C Association operation. It is important to note that whatever service operation the P&C Association has, there will always need to be some mark-up applied to cover costs.

For example, a P&C Association that has a volunteer canteen manager and trades as a service operation may only need to add a mark-up of around 10% - 20% depending on other expenses.

On the other hand, a P&C Association that employs a canteen manager and is planning to produce a surplus may look for a mark-up of between 50% to 100%. This higher amount is needed to cover operational expenses plus the requirement to generate a surplus.

To determine the P&C Associations pricing, a mark-up schedule needs to be prepared. A mark-up schedule is a list of all the items being sold and their associated cost and sale prices. The schedule is then used to calculate the mark-up for each item to determine if the trading objectives (service or surplus) are being met. At a minimum, no matter what the trading objective, the overall mark-up must meet the total operational costs of the operation. Mark-up schedules are best done as a spreadsheet which allows easy recalculation and re-use. However, a sheet of paper and a calculator can be used.

A mark-up schedule should be prepared in Term 1 each year. An example of a completed mark-up schedule can be found below. This will enable an expected average mark-up to be calculated and used as a guide for setting the trading objective, and then for monitoring actual trading results.

The P&C Association will need to review the mark-up schedule when there is a change in any of the following:

- the wholesale cost (cost price) of an item(s)
- the supplier
- the wages or employment costs of any associated employees
- the cost of related maintenance
- the trading objectives.

DETERMINING THE MINIMUM AVERAGE MARK-UP

The following example shows how to calculate the minimum average mark-up for a canteen that employs a canteen manager, is open five days per week during term, and is operating on a service provision basis, i.e. it is not trying to make a profit.

Note the following values are made up for this example.

The first step is to get an idea of the annual cost of operation. If you have the figures from the previous year of operation, then this will make life easier. Otherwise you will have to estimate. Make sure you always overestimate cost to build in a buffer.

The table below is an example of running costs for a canteen.

Item	Annual Cost	Average Cost (per fortnight)
Cost of goods	28,905	1,445
Wages	31,776	1,589
Superannuation	3,178	159
Long Service Provision	636	32
Phone/Internet/On-line ordering	455	23
Cleaning supplies	122	6
Routine Maintenance/repairs	420	21
Equipment replacement	350	18
Other consumables	512	26
TOTAL EXPENSES	**$66,354**	**$3,318**

From the table, we can see that the canteen needs to be earning at least $66,354 per year or an average of $3,318 per fortnight to ensure it covers its cost of operations. The P&C Association can now use this figure to work out the minimum average mark-up which in this case is:

$$\text{Minimum Average Mark Up} = \frac{\text{Total Expenses} - \text{Cost of Goods}}{\text{Cost of Goods}}$$

$$= \frac{66{,}354 - 28{,}905}{28{,}905}$$

$$= 1.30 \quad (\text{or } 130\% \text{ as a percentage})$$

This means that the canteen should have a minimum average mark-up of 130% on all items. There is some flexibility in pricing as some items can have a greater mark-up while other sit below the average. The idea is to ensure that the average mark-up is at least above the minimum mark-up value to make sure the P&C Association is covering costs.

As a further example, say this canteen now wants to make a surplus of $10,000 per year to contribute to the P&C Association as support for the school.

The calculation would now be:

$$\text{Minimum Average Mark Up} = \frac{(\text{Total Expenses} + \text{Surplus}) - \text{Cost of goods}}{\text{Cost of Goods}}$$

$$= \frac{(66{,}354 + 10{,}000) - 28{,}905}{28{,}905}$$

$$= 1.64 \quad (164\% \text{ as a percentage})$$

This means that an average price increase of 34% would be needed from meeting the canteens base costs to achieve the surplus goal.

PREPARING A MARK UP SCHEDULE

To determine the average mark-up, the PC Association will need to prepare a mark-up schedule in respect of a sample period. A fortnight is considered to be a reasonable sample period. But it could also base it upon the last month, last quarter or even the last year of operation if the figures are available.

For the purpose of the following canteen example, the number of products has been limited.

- Build a list of items
- Determine the cost price for all items which is usually available from the suppliers' invoices. Care should be taken to ensure to include GST and delivery charges
- Obtain the current sale price from the latest approved price list
- The margin is determined by subtracting the cost price from the sale price and the mark-up percentages are determined by dividing the margin by the cost price and multiplying by 100
- Establish the quantities of the individual products sold during the sample period. If necessary conduct two stock takes, one at the beginning and the other at the end of the period to determine the quantities sold
- The sales value for the sample period is calculated by multiplying the sales volume by the selling price and the cost of sales for the sample period is achieved by multiplying the sales volume by the purchase cost
- The total sales value and cost of sales for the period is determined by adding the individual figures
- The average mark up for the period is then determined in the manner shown in the example. Because made up products such as sandwiches usually attract higher mark ups, the average mark-up calculated will be understated to some degree depending upon the volumes of such products sold
- Provided that the sample period is reasonably representative of the full trading year, the average mark-up calculated should apply to the year's trading. If individual cost or selling prices, or the range and type of products sold are varied significantly during the year, a further mark-up schedule would need to be prepared.

CALCULATING THE SALE PRICE

Now the P&C Association has an idea of the minimum average level of mark-up needed to cover costs, it can use a mark-up schedule like the one below to figure out the pricing for each item. As a first go, simply calculate the price using the average mark-up percentage calculated above. This will give a minimum sell price for each item. Then use the following formulas to produce the table below.

Formulas to calculate the values in the table

Margin (c) = Sell Price (b) – Cost price (a)

Percentage Mark Up (d) $= \dfrac{\text{Margin (c)}}{\text{Cost Price (a)}} \times \dfrac{100}{1}$

Sales Value (f) = Selling Price (b) x Sales Volume (e)

Cost of Sales (g) = Cost price (a) x Sales Volume (e)

Gross Profit (h) = Total Sales Value (f) - Total Cost of Sales (g)

Average Mark Up $= \dfrac{\text{Gross Profit (h)}}{\text{Total Cost of Sales (g)}} \times \dfrac{100}{1}$

Item	Cost Price	Actual Sell Price	Margin	Mark Up %	Fortnightly Values			
					Sales Volume	Sales Value	Cost of Sales	Gross Profit
	(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*
Mini Pies	0.62	1.00	0.38	61	208	249.60	149.76	99.84
Mini Pizza	0.79	1.20	0.41	52	145	203.00	129.05	73.95
Chicken Nuggets	0.64	1.00	0.36	56	184	257.60	154.56	103.04
Salad wrap	0.80	1.30	0.50	62.5	142	213.00	127.80	85.20
Bottle of water	0.40	1.00	0.60	150	285	285.00	176.70	108.30
Plain Popcorn	0.41	0.60	0.19	46	205	143.50	84.05	59.45
Frozen Juice	0.72	1.10	0.38	53	234	280.80	168.48	112.32
Paddle Pop	0.34	0.50	0.16	47	502	301.20	170.68	130.52
Orange Juice	0.71	1.10	0.39	55	281	337.20	199.51	137.69
Flavoured Milk	0.75	1.20	0.45	60	163	195.60	122.25	73.35
Plain Milk	0.50	0.80	0.30	60	158	126.40	79.00	47.40
Sausage Roll	0.67	0.80	0.13	64	224	246.40	150.08	96.32
Rice Crackers	0.32	0.50	0.18	56	351	175.50	112.32	63.18
Lasagne	1.10	1.80	0.70	64	84	151.20	92.40	58.80
Fresh Fruit	0.50	0.70	0.20	40	98	78.40	49.00	29.40
Health Bar	0.51	0.80	0.29	56	56	44.80	28.56	16.24
Chips	0.22	0.40	0.18	82	295	118.00	64.90	53.10
Chicken Breast	0.94	1.50	0.56	60	66	27.60	62.04	36.96
Total				**62.5 (average)**		**3,434.80** price sold	**2,121.14** price paid	**1,385.06**

FINANCIAL RECORDS

Maintaining accurate and up to date financial records for P&C Association enterprises will significantly improve financial control and accountability. It helps protect the organisation as well as the individuals responsible.

The following recommendations are made in regard to financial records for P&C Association enterprises:

- Keep all receipts and invoices. File them either by date or supplier, whatever makes sense. These records will help not only in payments but also in authenticating expenses
- Purchase orders raised, if the enterprise uses them. The advantage to purchase orders is that there is written confirmation of what was ordered. This is an advantage over verbal ordering where there is a chance of misinterpretation
- Delivery dockets and make notes or annotations at the time of delivery so that all know what has been delivered or not and when. Comparing delivery docket line items against invoice line items and these against the original order to look for discrepancies. No one should be paying for items you have not ordered nor for items that have not yet been delivered
- A cash book should be kept with accounting categories as per the needs of the enterprise. For example, separate columns would be used for trading items such as purchases, and for profit and loss items such as wages and insurance. The cash book should be totalled and balanced at the end of each month allowing the balance of funds to be determined. A sample cash book for a canteen is shown on the next page
- Keep any bank statements and bank reconciliations
- Trading statements generated for reporting purposes
- Ensure that all financial records and documents are securely stored to prevent the alteration or misuse of records.

Example of a Canteen Cash Book (showing a month's entries)

Date	Details	Recpt#	Amount	Dissections		
				Bank	Sales	Other
Mar 1	Bank Interest		1.21	1.21		1.21
	Canteen Takings		100.70	100.70	100.70	
Mar 2	"		70.90	70.90	70.90	
Mar 3	"		129.60	129.60	129.60	
Mar 4	"		141.15	141.15	141.15	
Mar 5	"		172.55	172.55	172.55	
Mar 8	"		118.10	118.10	118.10	
Mar 9	"		102.65	102.65	102.65	
Mar 10	"		161.65	161.65	161.65	
Mar 11	Canteen Takings		305.60	305.60	305.60	
Mar 12	"		160.65	160.65	160.65	
Mar 15	"		141.60	141.60	141.60	
Mar 16	"		60.90	60.90	60.90	
Mar 17	"		144.00	144.00	144.00	
Mar 18	"		115.85	115.85	115.85	
Mar 19	"		155.90	155.90	155.90	
Mar 22	"		93.80	93.80	93.80	
Mar 23	"		66.50	66.50	66.50	
Mar 24	"		117.35	117.35	117.35	
Mar 25	"		86.85	86.85	86.85	
Mar 26	"		108.25	108.25	108.25	
Mar 29	"		81.85	81.85	81.85	
Mar 30	"		47.55	47.55	47.55	
Mar 31	"		86.90	86.90	86.90	
	Receipts For Month		2,775.06	2,775.06	2773.85	1.21
	Previous Balance brought forward		2,270.01			
	Balance without expenses		5,045.07			
	Less payments for the month		2,324.54			
	Month-end balance		**2,720.53**			

Reporting

Good financial management and control depends upon the frequent reporting of accurate information from P&C Association operated enterprises. As the decision-making body, the P&C Association must be presented with up to date and accurate information for members to be able to know the current financial position, see the current performance against budget and from that point be able to make informed decisions when required.

To allow this to occur a trading statement from each operation (canteen, uniform shop etc.) should be prepared and presented to the next meeting of the P&C Association. The trading statement should be provided to the P&C Association Treasurer prior to the agenda being sent out so that it may be presented as is or be incorporated as part of the Treasurer's report. An example of a completed term trading statement is shown on the next page.

ABC Public School P&C Association Canteen
Sample Trading Statement

Covering the period 1/3/18 to 31/3/18

SALES		**$17,400**
COST OF GOODS		
	Opening Stock	$ 3,000
	Purchases	-$11,400
	Less Closing Stock	$ 2,600
	Total	**$11,800**
GROSS PROFIT		**$ 5,600**

$$\text{Mark Up} = \frac{\text{Gross Profit}}{\text{Cost of Goods}} \times \frac{100}{1}$$

= 47%

Difference from previous trading statement = -0.6%

GLOSSARY OF TERMS

The following glossary is provided to help P&C Associations understand financial terminology both for their own operations and when dealing with auditors, bookkeepers or financial institutions. The following lists the most common financial terms and their meanings.

Accounting entry	The basic recording of business transactions as debits and credits
Accounting period	A period for which financial statements are prepared – normally monthly and then annually
Amortisation	The process by which the value of an asset is gradually reduced (based on its expected life)
Asset	Anything having a commercial value that is owned by the organisation
Break even	The amount in either units or dollar value that the organisation needs to achieve before a profit is generated
Budget	A financial plan estimating income and expenditure for an organisation or for a specific event or project.
Capital	The net worth of the organisation (interchangeable with the term equity)
Capital expenditure	The amount of money that is allocated or spent on assets
Cash Flow	The flow of cash into and out of the organisation
Contributions	Income from grants, donations and membership fees
Cost of goods sold	The total cost of all goods sold during the period (COGS)
Creditors	The money which the organisation owes
Current	Refers to the time period of less than 12 months which assists in allocation of assets and liabilities
Debtors	The money which is owed by customers to the organisation
Depreciation	The write-off of a portion of a fixed assets value in a financial period
Equity	The net worth of the organisation (interchangeable with the term 'capital')
Expenses	The costs associated with earning income
Forecasting	The process of predicting the future financial performance of an organisation
Gross profit	The difference between net income and cost of goods sold
Inventory	The stock that an organisation holds to sell
Liability	The amount the organisation owes to external stakeholders
Margin	Profit from sales before deducting overheads, often referred to as gross margin, or after all expenses, often referred to as net margin
Mark-up	The percentage by which the sales price exceeds the purchase cost

Net income	The total of all income less any expense directly incurred when earning that income, such as sales discounts and commissions
Net profit (surplus)	The amount remaining after all expenses (including cost of goods sold) are deducted from total income
Non-current	Refers to the time period of greater than 12 months which assists in allocation of assets and liabilities
Overheads	Costs not directly associated with the products or services sold by the organisation
Purchase order	A commercial document issued by a buyer to a seller, indicating the type, quantities and agreed prices for products or services the seller will provide to the buyer
Receivables	Amounts that are owed to an organisation, also known as debtors
Revenue	The income the organisation earns from its activities, including grants, donations, fundraising and any trading income
Retained earnings	Profits that have remained in the organisation
Stock	Goods that the organisation purchases to sell (also known as inventory)
Working Capital	The excess of current assets over current liabilities

Notes:

MEMBER GUIDANCE FOR P&C ASSOCIATIONS