

Income, Sales Invoices and Credit Control	
Reference: FP04	Effective date: 1 June 2012
Page no: 1 of 4	Approved: 12 Sept 2022
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Introduction

Sales invoices and credit notes are raised to ensure that (a) the customer has documentary evidence of the amount due to the organisation; (b) the organisation has paperwork to back up the source of the income; and (c) VAT has been correctly calculated and recorded. The wide range of services on offer by the organisation leads to a high number of customers. Ensuring that the monies we are owed are correctly billed and paid on time is essential to ensuring our cash flow can be managed and financial health maintained.

Invoices

Sales invoices must be raised and issued in a timely manner following the identification of the relevant source of income. They may be sent by post or by email. All requests for invoices must be supported by written evidence justifying the need to raise a charge. An approved purchase order or a signed contract from the customer are the preferred supporting documents. The supporting documents needs to be attached in the accounting software for support.

All room bookings invoice should match Skedda. A report is sent by Reception Administrator to Finance to review and raised invoices at the end of the month as a reference.

If the customer is not yet recorded on the accounting system, a new record must be set up. The information for this should be taken from the customer's purchase order or other supporting documentation. In the case of insufficient information being available, the missing information should be obtained from the originator of the invoice request.

Once an invoice has been approved the accounting system must be updated.

Credit notes

A request to raise a credit note against an invoice that has previously been issued must be backed up by supporting documentation and saved in Xero against the Credit note raised.

An entry must be made on the credit note register. The following information must be recorded: Date of request; Customer; Amount (excluding VAT); Reason for credit. The entry on the credit note register must be authorised by a senior manager prior to the credit note being raised.

A credit note will be raised on the finance system and sent to the customer (if relevant) using normal business post or email. The accounting system must be updated to complete the recording of the transaction. The credit note number must be recorded against the relevant entry in the credit note register.

Credit Control

A report of debtors will be compiled with each management accounts at the end of the month. This will show the amount outstanding and the age of the debt (current, 1, 2, 3 months and older). Debts will be chased by the finance assistant based with those of higher value and longer outstanding being given greatest priority. Where sums owed cannot be recovered within 3 months, they will be escalated for

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review by the Finance Manager or Chief Executive who will authorise further action, including pursuit of the debt through the legal system.

Income

Definitions

- ◆ SORP 2015. Accounting and Reporting by Charities: Statement of Recommended Practice.
- ◆ General Funds (also referred to as 'Unrestricted Funds'). Funds which are received that the Trustees may use for any of the organisation's purposes.
- ◆ Restricted funds. Funds that the organisation receives that can only be used for particular purposes.
- ◆ Designated funds. Unrestricted funds that the Trustees set aside for a particular purpose.

Due to the nature of the funding, some of the organisation's income is received in large single payments in advance of the related expenditure being incurred. Deferred income consists of resources received by the organisation that will be used to fund specific future projects or expenditure. Deferred income can also arise from the receipt of membership subscriptions if the subscription purchases a right to services or benefits over a period of time.

Whilst SORP 2015 covers the requirements of reporting income in the financial statements, this document covers the procedures that will allow income to be recognised in a meaningful manner throughout the financial year.

Procedure

General

In the majority of circumstances, sales invoices are raised to account for the organisation's income. See above. If funding is received by way of a grant, any documentation or contract relating to restrictions or conditions governing the use of the funds should be reviewed. A diagram is included on page 4 that outlines the treatment of deferred income in accordance with SORP 2015.

Administrative procedures

When the organisation becomes aware of a source of income, background documentation must be reviewed to establish whether any restrictions have been placed on the use of the funds by the organisation providing the funding. This will normally only apply when grant funding or donations are received.

Restricted funds are funds subject to specific requirements declared by the donor or created through legal process. If there is a restriction on the use of funds, a separate 'Restricted Fund' should be set up within the accounting system and all related financial activity recorded against the fund accordingly.

If the funds received are not subject to a specific restriction, they will be classed as 'Unrestricted Funds'. These funds can be separated into those that have been received for a specific purpose and those that are entirely unrestricted.

Funds that are entirely unrestricted should be recorded against the General Fund. For the purposes of SORP 2015 this income should be recognised immediately. However, for internal management purposes, these

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funds may be deferred and released to the income and expenditure account over a period of time ending on or before the last day of the financial year in which the funds are received.

Funds received for a specific purpose can be further separated into those that have contractual or performance requirements placed on them and those that haven't.

For funds received with contractual or performance requirements, the income should be deferred and released in line with the specified requirements (if any). Whilst these funds would normally be recorded against the General Fund, a separate 'designated' fund may be set up for these funds to assist in the monitoring of their use. All income and associated expenditure should be recorded against the relevant designated fund or the General Fund.

If funds received that are not subject to contractual or performance requirements, a view must be taken on whether the income relates to a specific future purpose or not (for example a conference). If they do, the income should be deferred until the funds are required. Otherwise, the income should be recognised immediately. In both circumstances the funds should be recorded against a specific designated fund or the General Fund.

Deferred income

Deferred income is income that has been received by the organisation that has not yet been recognised in the income and expenditure account. Funds that have been deferred are held in the balance sheet as a 'deferred income' creditor. Deferred income will be released into the income expenditure account using one of the following methods.

- ◆ Release over the duration of the project/purpose – these funds can either be released in equal instalments over the expected life of the project or can be released in line with the costs of the project. The latter method will not release any surplus until the end of the project.
- ◆ Release at the point of use of the funds – this income will be released in one amount. This will usually relate to a specific event where the income has been collected over a number of months leading up to the event.

All deferral and release of funds must be recorded against the relevant fund.

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