

ACCOUNTING TREATMENT FOR DONATIONS FOR CAPITAL PROJECTS

Funds received/used regardless of source, for land and buildings are not reflected as fixed assets in the balance sheet of a school as set out in Section 15(3) Education Act – “For the avoidance of doubt, nothing in this Act shall confer or be deemed to confer on the board any right over or interest in the land and buildings of the school for which that board is responsible.”

Note: In the case of fee charging schools, it is advised to obtain advice from your trustees and auditor before removing land and buildings from the balance sheet. The accounting treatment advised by the boards and trustees’ auditor(s) will prevail.

The accounting treatment for donations to a capital building project is as follows:

Action	DR/CR	Nominal Code	Description
Income from donations for capital projects	DR	1800	Current Account 1 Current Asset
	CR	3907	Capital Donations Income Capital & Reserves
Action	DR/CR	Nominal Code	Description
Expenditure of donations for capital projects	DR	3992	Capital Donations Building Expense Capital & Reserves
	CR	1800	Current Account 1 Current Asset

The year after the capital building project is complete the income and expenditure should be transferred to the building account.

Action	DR/CR	Nominal Code	Description
Transfer the contributions to the cost of the capital project to Building Fund	DR	3907	Capital Donations Income Current Asset
	CR	3995	Building Fund Account Capital & Reserves

Action	DR/CR	Nominal Code	Description
Transfer the cost of the capital building project to the Building Fund	DR	3995	Building Fund Account Capital & Reserves
	CR	3992	Capital Donations Building Expense Current Asset

Where donations are received for the purchase of capital items such as furniture, fittings, equipment the accounting is as follows:

When capital equipment donation received:

Action	DR/CR	Nominal Code	Description
Donation Monies Received	DR	1800	Current Account 1 Current Asset
	CR	3907	Capital Donations Income Current Liability

When items purchased:

Action	DR/CR	Nominal Code	Description
Item Purchased	DR	1421/1461	Capital: Fixtures, Fittings and Equipment Additions/ Capital: ICT Additions Fixed Asset
	CR	1800	Current Account 1 Current Asset

Amortisation of donation income

Action	DR/CR	Nominal Code	Description
Amortisation of donation income	DR	3925	Accumulated Amortisation of Capital Equipment Income Capital & Reserves
	CR	3840	Amortisation of Non DE Funding Income

Depreciation of grants

Action	DR/CR	Nominal Code	Description
Depreciation of Equipment	DR	8020/8060	Annual Depreciation: Fixtures, Fittings and Equipment/ Annual Depreciation: ICT Expenditure
	CR	1431/1461	Depreciation: Fixtures, Fittings and Equipment/ Annual Depreciation: ICT Fixed Asset

Note 1: Donation income spent should be amortised in line with the depreciation

Note 2: Depreciation Policy. Items depreciated over 3/5 years