**ST MARY’S UNIVERSITY**

**TWICKENHAM, LONDON**

MA Charity Management

Level **SEVEN**

Title: **Charity Finance and Investment**

Code: **CMT 7024**

Semester**: RE-SIT**

Date: **July 2019**

Time: **09:30-12:30 PM**

**TIME ALLOWED: 3 HOURS**

**Answer ALL questions**

**REGNUM No: …………………………………………………..**

This Exam contributes 50% to the overall mark for the module. Calculators are permitted.

**SECTION A**

Multiple Choice Questions (35 marks)

Answer **ALL** multiple questions. In the case of each question, circle the appropriate option (a, b, c, d) on the examination paper. Attach the examination paper to your handwritten exam script at the end of the examination using the treasury tag provided.

**Questions 1-20 worth 1 mark each**

1. What is this describing: - “It outlines all the things that a programme does for of its beneficiaries, the ultimate impact that it aims to have on them, and all the separate outcomes that lead or contribute to that impact.”
2. Relationship Theory
3. Theory of change
4. Risk Management
5. Management Accounts
6. Under social return on investment, what is the amount of outcome caused by the contribution of other organisations or people known as?
7. Attendance
8. Allowance
9. Attribution
10. Absence
11. When did ethical investing first start?
    1. 1832
    2. 1984
    3. 2000
    4. 2016

1. Which of the following is not classed as trading by charities?
2. Sale of services
3. Lotteries
4. Royalties
5. Sale of donated goods
6. What is this describing: - “..... trading which contributes directly to one or more of the objects of a charity as set out in its governing document.......”
7. Ancillary trading
8. Non primary purpose trading
9. Primary purpose trading
10. Small trading
11. How many different rates of VAT are there in the UK?
12. 1
13. 2
14. 3
15. 4
16. Education services provided by a charity are usually :-
17. Subject to VAT at the standard rate
18. Subject to VAT at the zero rate
19. Outside the scope of VAT
20. Exempt from VAT
21. What is a transaction called where no money changes hands but goods / services are swapped?
22. Barter
23. Outside the scope
24. Mixed
25. Exempt
26. What is the level of mandatory rate relief for charities if a property is wholly or mainly used for charitable purposes
27. 60%
28. 70%
29. 80%
30. 90%
31. Encouragement awards are exempt from income tax up to what level?
32. £20
33. £25
34. £30
35. £35
36. A change was announced in the October 2018 budget to apply from April 2019, to allow charity shops using the Retail Gift Aid Scheme to send letters to donors every ????????? when their goods raise less than £20 a year?
37. Year
38. 2 years
39. 3 years
40. 4 years
41. Why does a charity get 25p in the pound from HMRC under gift aid if the basic tax rate is only 20%?
42. Because there is a transitional relief for the remainder
43. As well as the basic rate refund there is a contribution to take account of higher rate taxpayers
44. There is a supplementary governmental contribution to encourage take up of gift aid
45. £1 is the net gift – ie 80%. The gross gift is 100/80 \* £1 = £1.25 meaning that tax refund is 25p.
46. What term refers to the overall benefit of an investment including both income and capital growth?
47. Return on investment
48. Overall return
49. Notional return
50. Total return
51. Which of these is an example of a pooled fund?
52. Charity Authorised Investment Fund
53. Common Investment Fund
54. Unit Trust
55. All of the above
56. What does FSCS stand for?
57. Financial Services Compensation Scheme
58. Financial Services Charities Scheme
59. Fiscal Services Compensation Scheme
60. Fiscal Services Charities Scheme
61. What are fixed costs divided by the contribution per unit known as
62. Excess
63. Break even
64. Deficit
65. Surplus
66. Which of these is Working Capital
    * 1. Fixed Assets plus Current Assets
      2. Current Assets
      3. Current Assets minus Current Liabilities
      4. Fixed Assets plus Current Assets minus Current Liabilities
67. Charity volunteers can be paid up to the following amount per month, in addition to expenses, without tax implications
68. Zero
69. £10
70. £20
71. £50
72. Which type of costs depend on how/if the costs vary relate to activity
73. Overhead / management
74. Fixed / variable
75. Restricted / unrestricted
76. Budgeted / unbudgeted
77. Which of the following have the same rules for both VAT and income / corporation tax?
    * + - 1. Use of charity name and logo
          2. Corporate sponsorship
          3. Partial exemption
          4. Fundraising events

**Questions 21 to 25 worth 3 marks each**

1. The cash balance of a charity at 1 January 2019 was £12,500. Cash income received January to March 2019 was £323,000. Cash paid for charity purchases January to March 2019 was £190,000. Cash paid for overheads was £120,000. What was the cash balance of the charity at 31 March 2019 based on the information above?
   * + 1. £500
       2. £25,500
       3. (£500) [minus £500]
       4. £47,500
2. The cash book of a charity is showing a balance of £128,500 on 31 May 2019. When the bank statement arrives there are some entries that were not known and had not been entered in the cash book: a/ a payment of £1,500 referred to as "APS fundraising charge" b/ bank charges of £350 c/ income of £2,200 referred to as "house to house." Also, the charity had paid a cheque for £2,500 on 28 May 2019 and entered it in the cash book, but it was not yet on the bank statement. What is the balance showing on the bank statement at 31 May 2019?
3. £121,950
4. £125,650
5. £126,950
6. £131,350
7. A charity makes a Gift Aid Claim of £10,600 from HMRC in December 2018. What was the total value of the donations on which the claim was based?
8. £2,120
9. £2,650
10. £42,400
11. £53,000
12. On the same date, the charity in question 23 claims top-up payments on donations of £8,000 in the preceding six months under the Gift Aid Small Donations Scheme. It does not have any community buildings. What is the total amount receivable from HMRC?
    1. £1,250
    2. £1,600
    3. £2,000
    4. £3,000
13. A vehicle is depreciated using the sum of the digit method over 4 years. It cost the charity £15,000 and is expected to have a residual value of £1,000. What will be the depreciation in year 2?
14. £5,600
15. £4,200
16. £2,800
17. £1,400

**SECTION B – Essay questions** (40 marks)

1. Trading
   1. Name 5 different types of trading by charities (5 marks)
   2. Name a type of selling by charities that is not classed as trading (1 mark)
   3. Name 5 of the “badges of trade” principles (5 marks)
   4. Explain the small scale exemption relating to charity trading and the levels that apply from April 2019. (6 marks)

What is the reasonable expectation test and give an example?

(4 marks)

**(Total 20 marks)**

1. Management Accounts

Explain what you would expect to find in a ‘best practice’ set of quarterly accounts / financial report sent to a Finance Committee of a charity.

Your answer should include:-

* Name and descriptions of the schedules included in the set
* Areas to be covered in the narrative section
* Timescales for sending the accounts to the Committee

**(Total 20 marks)**

**SECTION C – Case Study Question (**25 marks)

*The Whole World* is a UK Charity, whichruns an annual fundraising event. The charity opts to tax the event for VAT purposes because it is sponsored by a large company that does not mind being charged VAT on the sponsorship. In this way, the charity can recover VAT on its inputs.

The event costs £10,000 to put on and they expect 500 people to attend. The charity therefore charges a ticket price of £20 and asks for a minimum donation of £30.

It also counts the £30 as gift aid by saying on the ticket application form “if you tick this box we can reclaim gift aid on a proportion of the ticket price”

The charity also is about to start an incentivised gift aid scheme whereby it gives small gifts in return for donations.

They are looking at implementing some of the following options

1. For a donation of £50 a stylish pen which costs £7.50 and is available in the shops for £12.99
2. For a donation of £250 the right to receive 12 free monthly “World People” magazines worth £2.50 each
3. For an open ended of direct debit of £2 per month a book on Tanzania worth £4.99 is given to the donor

REQUIRED:

1. Comment on the VAT position relating to the one off fundraising event including the ‘opting to tax’ (5 marks)
2. Comment on the gift aid arrangements related to the one off fundraising event. In your answer consider the ticket price, the minimum donation and the information given on the ticket application form (8 marks)
3. State whether each of the incentivised gift suggestions passes the gift aid benefits test, using the April 2019 benefit limits and showing how you arrived at your answer. (12 marks)

**(Total 25 marks)**

**End of Examination**