

REGISTERED TRADE UNION FINANCIAL STATEMENTS: ADEQUATE AND COMPARABLE?

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INTRODUCTION

A trade union is defined under Section 23 of the *1871 Trade Union Act* as 'any combination, whether temporary or permanent, the principal objects of which are under its constitution statutory objects'. The statutory objects are defined under this Act as including 'the regulation of the provision of benefits to members'. Hence, a trade union would fall within the category of non-profit organisations which have been defined as 'any combination operated under a policy by which no trustee shares in the profits or losses, if any, of the enterprise and the activities are primarily undertaken for the *benefit of its members*' (Kohler, 1976).

Trade unions may be registered or unregistered. Because registration imposes a number of obligations on trade unions, including the requirement to make annual returns to the Registrar of Friendly Societies showing assets and liabilities at the date of the return and receipts and expenditure during the preceding year, and such other particulars as the Registrar may require, this paper is concerned with only registered trade unions.

The objective of this study is to evaluate current practice of registered trade unions in relation to financial statement presentation and the disclosure of financial information and to propose recommendations in light of the lack of existing research in this field. The approach adopted is as follows:

- An outline of the users and objectives of trade union financial information
- A review of the existing legislative and accounting standard requirements with regard to trade union financial statement presentation and disclosure
- An evaluation of current practice adopted by ten registered trade unions in Ireland, and

- A set of recommendations to achieve adequacy and comparability of financial information disclosed.

USERS AND OBJECTIVES OF FINANCIAL INFORMATION

Users

Most of the studies that have attempted to identify the users of financial reports have focused on profit-oriented enterprises [*Corporate Report* (1975) Skousen et al. (1975), Statement of Principles (1991) ASB]. Their findings, however, are helpful because of the many similarities in the non-profit and profit-oriented environments. For example, the *Corporate Report* identified six user groups, including employees, business contacts and the public. These groups of users have similar interests in both environments.

Other groups identified in this report have parallels in the non-profit environment, for example, the member group, which supports a non-profit enterprise, is considered comparable to the equity investor group except the member does not benefit directly in economic terms from a non-profit enterprise and does not have any transferable interest. Users of trade unions financial statements are deemed similar to those identified in such studies.

Objectives

Several studies in this area have come to the same general conclusion whether the enterprise is profit or non-profit oriented: the objective of financial information is to provide users with the information they need to make decisions. A Statement of Basic Accounting Theory [ASOBAT, (1966)] identifies four basic objectives of accounting for both profit and non-profit enterprises which emphasise decision making and the need for future-oriented information. It recognises that historical information should be presented in a manner useful for this purpose. The *Trueblood Report* (1973) states that 'the basic objective of financial statements is to provide information useful for making economic decisions'. Since decisions can only be made about the future, this objective is future-oriented. The *Corporate Report* (1975) includes a similar definition.

Both ASOBAT and the *Trueblood Report* give particular attention to non-profit enterprises by identifying the objective of their financial statements as providing information useful for evaluating the

effectiveness of the management of resources in achieving the organisation's goals. Such information is considered to be both financial and non-financial in nature.

REVIEW OF EXISTING LEGISLATIVE AND ACCOUNTING STANDARD REQUIREMENTS

The discussion on the users of financial information, their needs for information and the objectives of financial information leads to the question of what information will satisfy users' needs. To address this question existing reporting practices have been used as a starting point because they represent the results of an evolutionary process that is inherent in the development of accounting. This approach is similar to that adapted by CICA (1980).

Thus the subsequent discussion will focus on current reporting practices of trade unions in light of existing legislative and accounting standard requirements, relating these to users' needs and identifying where improvements in financial reporting are required.

Annual Return

The requirement for registered trade unions to prepare financial statements and the contents of such financial statements is governed by Section 16 of the *1871 Trade Union Act*. A registered trade union must make annual returns to the Registrar of Friendly Societies showing assets and liabilities at the date of return and receipts and expenditure during the year preceding the date to which the returns are made out, and such other particulars as the Registrar may require. Members are entitled under this Act, to receive a free copy of this statement from the union's secretary or treasurer.

Political Fund

The *1913 Trade Union Act* governs the use of union property for political activities. If a union wishes to expend money on political activities, as defined under Section 3 of this Act, it must have the object approved as an object of the union by 'a resolution for the time being in force passed on a ballot of the members of the union taken in accordance with the Act for the purpose by a majority of the members voting'. The rules providing for the ballot must be approved by the Registrar. The payment of monies in furtherance of the political objects must be made out of a separate fund known as a political fund and a trade union is also required when completing its annual return to show the income and expenditure

for the year and the balance at the end of the year on the political fund account.

Audit Requirements

The trustees of registered trade unions are required under Section 11 of *1871 Trade Union Act* to have an audit of 'funds' taken by 'some fit and proper person' appointed by them at such times as the rule book provides or whenever the treasurer is required to render details of the union's finances to the trustees or members of the union. According to Kerr and Whyte (1985) it appears open to the union members, based on the wording of the Act, to request details of the union's finances and thereby cause an audit to be undertaken. They also believe that the union members would have standing to obtain an injunction restraining the appointment of a particular auditor, if the appointment of that auditor was not a bona fide exercise of the trustees' power.

The Registrar of Friendly Societies has pointed out in his 1987-1989 report that the effect of Section 11 of the Act of 1871 is to require of trade union financial statements a standard not less than the 'true and fair view' standard under the *Companies Acts* and that although not legally required to submit their financial statements for audit to a qualified accountant or public auditor, most trade unions examined do this. The comparison with the true and fair view made by the Registrar is justified because the auditors are actually giving true and fair reports. The Report of the Registrar continues by stating that 'in view of the importance of the audit in safeguarding the interests of the members the task of ensuring that financial statements give a true and fair view of the state of a trade union's affairs and that proper books of account are being kept is most likely to be carried out to the required standard by a professionally qualified accountant'.

Therefore, one would expect all trade union financial statements to be subjected to an audit by a person qualified to do so. As outlined above, the existing legislative requirements with regard to trade union financial statements' presentation and disclosure is limited. However, considering the recommendation of the Registrar in his 1987-89 report and from the initial review of the financial statements of those trade unions selected (**Table 1**) it appears that disclosure is being made of information in addition to that actually required under legislation, and the method of presentation adopted by trade unions is similar to that adopted by enterprises reporting under the true and fair code.

Furthermore, although at present there is no legal requirement in the

Republic of Ireland for the auditor's report on the financial statements to be expressed in true and fair terms, the majority of auditors' reports reviewed were so expressed (Table 2). This presupposes that such financial statements have been prepared with the intention of giving a true and fair view and, therefore, are subject to accounting standards. As outlined in the *Explanatory Foreword to Statements of Standard Accounting Practice*, 'Accounting Standards are applicable to all financial statements whose purpose is to give a true and fair view'. Hence, one would expect trade union financial statements to be prepared to a standard equivalent to that of enterprises reporting under the true and fair code having regard to both legislative and accounting standard requirements.

EVALUATION OF CURRENT PRACTICE

To evaluate current practice adopted by registered trade unions in relation to financial statement presentation and disclosure of financial information, such practice was compared with that adopted by enterprises reporting under the true and fair code because as outlined earlier, the objective of financial information is the same.

Methodology

The objective of the evaluation of registered trade union financial statements is:

- To investigate the presentation of financial information in their annual reports, and
- To determine the adequacy of financial information disclosure.

Adequacy is measured in terms of satisfying users' needs in light of the degree of disclosures made, the uniformity of presentation, terminology, accounting methods and principles. Ten of the largest trade unions were selected from a listing of all registered trade unions for 1991/92, using number of members as the size determinant. However, due to the unavailability of information for four of these trade unions, a further sample was selected.

Officers and Other Information and Report of the Officers

Only one of the trade unions examined disclosed information in respect of officers, auditors, bankers and solicitors and only one other trade union included a report of the officers. The information disclosed in this report was limited to the officers' review of the activities of the union. This report differed from the Directors' Report in that no reference

Table 1: Trade union financial statements reviewed

Name	Financial Statements Year ended 31 December	Number of Members at Review Date
Services Industrial Professional Technical Union	1990	197,000
Irish Distributive and Administrative Trade Union	1991	16,506
Communications Workers Union	1990	16,430
Irish National Teachers' Organisation	1988	24,177
Irish Bank Officials' Association	1991	18,842
Civil and Public Service Staff Union	1990	12,823
Irish Nurses Organisation	1988	6,390
Teachers Union of Ireland	1990	7,656
Prison Officers Association	1988	1,972
The Society of Irish Motor Industry	1991	1,210

was made to research and development, events since the year-end and future developments.

In its *Statement of Best Practice* (1992), the Council of the Institute of Chartered Accountants in Ireland recommended that the annual report should include a Statement of Directors' Responsibilities in which the directors acknowledge their responsibility for the preparation of the financial statements and further acknowledge their responsibility for

ensuring that adequate financial controls are in place, competent financial management is employed and that the directors understand and concur with the major judgements and estimates which underlie the financial statements. No such statement of officers' responsibilities existed in the trade union financial statements reviewed.

REPORT OF THE AUDITORS

The majority of trade union financial statements examined included this report with only two including an accountant's report instead.

The position of this report in the Annual Report was similar, in the majority of cases, to that adopted by enterprises whose accounts are

Table 2: Auditors' Report

	Yes	No	Total
1 Did it state clearly:			
(i) Addressee?	7	1	8
(ii) The financial statements being audited?	5	3	8
(iii) The auditing standards being followed?	8	-	8
(iv) The identity of the auditor?	8	-	8
(v) The date of the audit report?	8	-	8
2 Was an opinion expressed in 'true and fair' terms on:			
(i) The state of affairs at year end?	8	-	8
(ii) The surplus/deficit for the year?	3	5	8
(iii) The source and application of funds for the year	4	4	8
3 Did the report refer to the following:			
(i) Financial statements prepared in accordance with Trade Union Acts?	-	8	8
(ii) Information in Officers' Report consistent with financial statements?	-	8	8
(iii) All information and explanations received?	6	2	8
(iv) Proper books of account maintained?	4	4	8
(v) Financial statements in agreement with books and records?	4	4	8

expected to give a true and fair view. In one instance, however, it was placed between the financial statements and the accounting policy notes and the page references noted in the audit report indicated that an opinion was being expressed on itself!

Although, all audit reports stated that the financial statements were audited in accordance with auditing standards (**Table 2**), this did not appear to be the case because the audit reports presented, did not agree with recommendations outlined in the Auditing Standard L102 (Revised), the Audit Report, (1989).

As detailed in **Table 2**, the audit report was not addressed in one case, the financial statements being audited were not outlined in other cases, and the expression of an opinion in true and fair terms was normally only correct in respect of the balance sheet. In relation to the opinion on the revenue account, it was common practice for auditors to express their opinion on the results for the period as opposed to the surplus/deficit as stipulated in L102 (Revised) and in respect of the opinion on the statement of source and application of funds, one set of auditors stated that 'in their opinion the financial statements give a true and fair view of the source and application of funds for the year then ended', when in fact, the financial statements did not include a statement of source and application of funds.

In none of the reports reviewed did the auditors state whether the financial statements were prepared in accordance with the *Trade Union Acts* nor as was relevant in one case, whether the information in the officers' report was consistent with that in the financial statements.

In the majority of cases, the auditors were willing to state that they received all the information and explanations they deemed necessary. However, they were less inclined to state whether proper books of account were kept and whether the financial statements were in agreement with those books of account (**Table 2**).

ACCOUNTING POLICIES

Paragraph 11 of Statement of Standard Accounting Practice, No. 2 *Disclosure of Accounting Policies*, (1971) states that: 'In circumstances where more than one accounting basis is acceptable in principle, the accounting policy followed can significantly affect a concern's reported results and financial position and the view presented can be properly

Table 3: Accounting Policies

	Number of Trade Unions			
	Yes	No	N/A	Total
1. Were accounting policies disclosed?	8	2	—	10
2. How many trade unions disclosed each of the following accounting policies:				
(i) Historical Cost Convention?	7	3	—	10
(ii) Fixed/Tangible Assets?	8	—	*2	10
(iii) Investments included in financial assets?	1	6	*3	10
(iv) Contribution Income?	3	7	—	10
(v) Separate funds including political funds?	3	7	—	10
* Not applicable because trade unions did not carry such assets				

appreciated only if the policies followed in dealing with material items are also explained. For this reason adequate disclosure of the accounting policies is essential to the fair presentation of financial accounts’.

Accounting policies were disclosed in the majority of trade union financial statements reviewed, with some disclosing them separately in front of the financial statements, while others disclosed them in a less prominent position and included them as part of the notes to the financial statements. Only one trade union disclosed all accounting policies applicable to its financial statements. Common accounting policies disclosed included the basis on which the financial statements were prepared (that is, historical cost convention), and how they accounted for tangible fixed assets.

However, although six of the trade union financial statements examined included amounts for investments held as financial assets, they did not state on what basis such amounts were included in the financial statements. Only a minority disclosed the basis for accounting for

contribution income and the accounting basis adopted in connection with separate funds, including any political funds set up in accordance with the *Trade Union Act, 1913* which were noted in the Auditing Guideline, L303, *Trade Unions and Employers Associations in the UK* (1984), as being the main accounting policies requiring disclosure in the financial statements of trade unions.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Although Statement of Standard Accounting Practice No. 10, *Source and*

Table 4: Statement of source of application of funds

	Number of Trade Unions		
	Yes	No	Total
1. How many trade unions prepared this statement?	5	5	10
2. Was gross income more than IR£25,000 per annum?	9	1	10
3. Had cash flow statements been applicable, how many trade unions would be exempt based on exemption paragraph 8(b) of Financial Reporting Standard No. 1 "Cash Flow Statements"?			
Exempt		6	
Not Exempt		2	
Not possible to Determine		2	

Application of Funds (1975), states that 'the standard shall apply to all financial accounts intended to give a true and fair view ... other than those of enterprises with turnover or gross income of less than £25,000 per annum', half of the trade union accounts reviewed did not include this statement and only one of these qualified for the above exemption (Table 4). One trade union whose gross income was greater than £25,000 and who did not prepare this statement included as a note to its financial statements the following: 'no Statement of Source and Application of Funds has been prepared because in the opinion of the Financial Secretary and President, no additional and useful information

would be provided'. Within the financial reporting regulatory framework this has never been a justification for the non-preparation of such a Statement.

All trade union financial statements examined ended pre-23 March 1992, the date on which cash flow statements become mandatory. Therefore, the review was limited to checking how many trade unions would have been exempt from preparing cash flow statements based on the exemption afforded to them under paragraph 8(b) Financial Reporting Standard No. 1 *Cash Flow Statements* (1991), that is, entities which would be classified as 'small', had they been companies incorporated under companies legislation, are exempt from preparing cash flow statements. The majority of trade unions were found to be exempt from preparing cash flow statements (**Table 4**). This is not to say that such trade unions would qualify currently for this exemption.

REVENUE ACCOUNTS

As outlined earlier, Section 16 of the *1871 Trade Union Act* requires each registered trade union to submit annual returns to the Registrar showing receipts and expenditure during the preceding year.

All trade union accounts reviewed complied with this provision by preparing revenue accounts which disclosed income and expenditure for the year. Comparatives were also disclosed, where applicable. Because revenue accounts tend to disclose much more information regarding the trade union's activities compared with the equivalent statement in enterprises reporting in true and fair terms, the only comparison made was in the area of statutory note disclosures required of such enterprises. All trade union financial statements reviewed disclosed depreciation separately (**Table 5**).

However, only a minority of financial statements disclosed audit fees separate to accountancy fees and only one trade union disclosed separately the component parts of staff costs, that is, wages and salaries, social welfare costs and pension costs. Furthermore, although it has been recommended by the Council of the Institute of Chartered Accountants in Ireland in its *Statement of Best Practice* (1992) for the annual report to give information on the remuneration of the chairman, deputy chairman and the highest remunerated director and a general indication of the remuneration of other directors, only one trade union disclosed this information.

Table 5: Revenue accounts

How many trade unions disclosed each of the following items of expenditure separately?

	Number of Trade Unions			
	Yes	No	N/A	Total
(i) Depreciation	8	-	*2	10
(ii) Number of Employees	-	10	-	10
(iii) Officers' Remuneration	1	9	-	10
(iv) Auditor's Remuneration:				
- Separately disclosed?				4
- Included with accounting fees?				6
				—
				10
(v) Staff Costs:				
- As one figure?				9
- Broken down into sub-components?				1
				—
				10
(vi) Travel Expenses:				
- As one figure?				3
- Broken down into sub-components?				7
				—
				10

*Not applicable because trade unions did not hold tangible assets.

In the annual return submitted to the Registrar of Friendly Societies, registered trade unions are required to disclose the number of members on books at the beginning of the year, the number admitted and the number who left during the year and the number of members on books at the end of the year. Because such information is readily available, one would expect it might also be included in the financial statements. However, no trade union disclosed details of membership in its financial statements.

Registered trade unions are further required to disclose separately in the annual return prescribed by the Registrar of Friendly Societies any income or expenditure in relation to the Political Fund. Where political funds existed, the financial statements of trade unions reviewed included a separate revenue account for this fund. Furthermore, trade unions included separate revenue accounts for all funds for example, Development Services, Provident and Industrial Contingency Fund, to name but a few.

Travel expenses must be broken down into the following components and disclosed separately in the annual return submitted to the Registrar: travel expenses of Executive Committee, district conferences and general conferences of the union. The majority of trade union financial statements examined included this information.

BALANCE SHEETS

In addition to revenue accounts being included on the annual return submitted to the Registrar, trade unions are required to show assets and liabilities at the date of return.

The vertical form of presentation was adopted by all trade union balance sheets examined. Furthermore, all trade unions included a separate category for fixed and current assets. However, only one trade union correctly identified tangible assets as a sub-element of fixed assets, with the majority ignoring this sub-classification and describing tangible assets as fixed assets. Except for incorrect description, the tangible asset note disclosure was in line with enterprise disclosure. Financial assets, where they existed, were separately identified on the balance sheet but were described as investments as opposed to financial assets. Once again, except for incorrect description, the note disclosure corresponded to disclosures made by enterprises.

None of the trade union financial statements examined gave information relating to the amount of debtors falling due within one year and after more than one year, which enterprises are required to provide under the *1986 Companies (Amendment) Act*. Furthermore, the majority of trade unions did not make any distinction between creditors falling due within one year and those falling due after more than one year and instead included creditors under the classification of current liabilities.

Where political funds existed, they were separately identified in the

Table 6: Balance sheet**1. How many trade unions adopted the following presentation for balance sheet items?**

	Number of Trade Unions			
	Yes	No	N/A	Total
Fixed Assets	9	—	1	10
Tangible	1	8	1	10
Financial	4	3	3	10
Current Assets	10	—	—	10
Stock	—	—	10	10
Debtors	10	—	—	10
Cash at bank and in hand	10	—	—	10
Creditors (amounts falling due within one year)	1	9	—	10
Net current assets	10	—	—	10
Total Assets less Current Liabilities	10	—	—	10
Creditors (amounts falling due after more than one year)	—	9	1	10
Funds	10	—	—	10

2. How many trade unions included the following note disclosures?

	Number of Trade Unions			
	Yes	No	N/A*	Total
(i) Fixed Asset Note?	8	—	—	8
(ii) Tangible Asset Note?	1	—	1	2
(iii) Financial Asset Note?	1	6	3	10
(iv) Debtor's Note?	—	10	—	10
(v) Movement of Funds?	10	—	—	10

* Not applicable

balance sheet under the heading 'funds'. All financial statements reviewed correctly disclosed the movement of all fund accounts, identifying opening balance, income and expenditure during the year and the closing balance at year end.

RECOMMENDED PRACTICE

From the above evaluation, it is apparent that existing trade union financial statements are inadequate in terms of satisfying users' needs. They lack adequate disclosures, uniformity of presentation, terminology, accounting methods and principles. The recommendations which follow attempt to overcome these problems by requiring trade unions to provide information which will enable users to gain an understanding of the trade union's operations and achievements and a full and proper appreciation of the trade union's transactions during the period and its position at the period end.

THE ANNUAL REPORT

Activities and Funds to be Reported On

The annual report of a trade union prepared under the rules of the trade union and laid before the members at conference and/or circulated to individual members or branches should contain information on all the activities and funds of the trade union and its branches.

The Content of the Annual Report

The annual report should contain:

- An officers' report
- The financial statements and notes, and
- The auditors' report.

THE OFFICERS' REPORT

The Officers' Report is the main narrative section of the Annual Report and is directed at satisfying users' needs for non-financial information. It should, therefore, contain:

- a) A statement of the officers' responsibility in which the officers acknowledge their responsibility for the preparation of the financial statements and further acknowledge their responsibility for ensuring that adequate financial controls are in place, competent financial

management is employed and that they understand and concur with the major judgements and estimates which underlie the financial statements.

b) A review of the development activities and achievements of the trade union during the year. This review should explain the important events which have occurred during the year and how the trade union responded to them and thereby allow the user to assess the effectiveness of the trade union.

c) An outline of membership and benefits including the number of members. Any change in membership should be used to explain any movement in contribution income. As a user of the financial statements, members require information on the benefits available to them. Such information should be supplied here.

d) A review of any industrial disputes during the year indicating the outcome of each. Users could then use such information in assessing the success or otherwise of the union during the year.

e) A review of the transactions and financial position of the trade union, and an explanation of the salient features of the financial statements. This review should enable the user to appreciate the significance of any surpluses or deficits disclosed in the financial statements and the purposes for which the trade union's assets are being held and the uses of funds. The purpose of this part of the report is to help ensure that the financial statements are properly interpreted.

THE AUDITORS' REPORT

Trade union financial statements should be audited by a person qualified to do so. This should be a requirement as opposed to a recommendation and recognised as such under legislation. Auditors should issue their reports in a manner similar to that adopted for enterprises reporting in true and fair view terms, and in accordance with auditing standards and guidelines.

THE FINANCIAL STATEMENTS

The financial statements are a report in financial terms on the activities and resources of the trade union. They should comprise:

i) A revenue account which shows the resources made available to the

trade union and the expenditure incurred by the trade union during the year on an accruals basis. To achieve consistency in presentation the following items, which are already required to be included in the annual return submitted to the Registrar, should be disclosed. Under income separate disclosure of members' contributions, levies and other income should be made and under expenditure separate disclosure of unemployment pay, affiliation fees, salaries and allowances of officers, auditors' remuneration, travel expenses of officers and depreciation should be made.

Such items should be disclosed on the face of the revenue account or by way of note. A separate revenue account should be prepared for each fund account and in particular for the political fund as required by the *1913 Trade Union Act*.

ii) A balance sheet which shows the assets, liabilities and funds of the trade union should be presented in a format prescribed by the *Companies (Amendment) Act, 1986*. Trade unions should continue to identify any political funds separately on the face of the balance sheet as required by the *1913 Trade Union Act*.

iii) A cash flow statement should be prepared by all trade unions not qualifying for the 'small' exemption in accordance with Financial Reporting Standard No. 1, *Cash Flow Statements*, (1991).

iv) In order to understand the financial statements it is essential that they are accompanied by an explanation of the basis on which they have been prepared. The accounting policies adopted for dealing with material items should, therefore, be explained in the notes to the financial statements. Examples of the accounting policies which should be explained include the policies adopted in the following areas:

- The basis for accounting for contribution income
- The accounting bases adopted in connection with separate funds including any political funds set up in accordance with the *Trade Union Act, 1913*
- The depreciation of tangible assets
- The method for inclusion of financial assets
- The convention under which the financial statements have been prepared.

Once adopted the accounting policies should be consistently applied throughout the period and from one period to the next.

v) Other notes which explain or expand upon the information contained in the financial statements above should also be included.

vi) Comparatives should be given for figures disclosed in the financial statements or in the notes to the financial statements. Such information could be used in the evaluation of the performance of the trade union.

CONCLUSION

The requirement for registered trade unions to prepare financial statements is governed by the *1871 Trade Union Act*. The adequacy and comparability of such financial statements is restricted by the limited legislative requirements. The Act says nothing except that registered trade unions should submit annual returns to the Registrar showing assets and liabilities at the date of the return and receipts and expenditure during the preceding year, but perhaps of most importance, '*such other particulars as the Registrar may require*'.

Therefore, the onus for deciding upon the form and content of financial statements of trade unions was placed on the Registrar of Friendly Societies which the Registrar satisfied by the initiation of the annual return from, AR. 21 in 1871. However, this form has undergone no subsequent revision except for the additional requirement to prepare a separate revenue account for any political fund in accordance with the *1913 Trade Union Act*. As noted by the Registrar in his Report in 1983 and in his more recent Report in 1987-1989 'due to more pressing items and continuing staffing constraints in the Registry, it was not possible to bring to conclusion a number of items including the revision of format of annual returns'. Hence trade unions continue to prepare their financial statements today, in a manner considered appropriate in 1871.

However, the Registrar did recognise in his Report 1987-1989 that the provisions of Section 11 of the Act of 1871 is to require of trade unions' financial statements a standard not less than the 'true and fair view' standard under the *Companies Acts*. Therefore, the evaluation of the adequacy and comparability of trade union financial statements was undertaken by comparing such financial statements with those of enterprises reporting in true and fair terms.

From the results of the evaluation of current practice adopted by registered trade unions, it was found that they tended to disclose less information compared to enterprises reporting under a true and fair

view. Based on these findings, a number of recommendations have been proposed to improve the adequacy and comparability of registered trade union financial statements, in particular: inclusion of an officers' report and a statement of officers' responsibilities in the annual report, disclosure of additional information in the notes to the financial statements, improving accounting policy disclosures and presenting the balance sheet in a manner similar to that adopted by enterprises reporting in true and fair terms.

In light of the continuing changes in the commercial environment and in the expectations of users of financial statements, the foregoing recommendations should provide a framework which will facilitate the analysis and interpretation of the various aspects of trade union performance.

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