

## NPO

Non-profit making organisations such as public hospitals, public educational institutions, clubs, Temples, churches etc., as a part of their final accounts prepare Receipts and Payments Account and Income And Expenditure Account to show periodic performance (either surplus or deficit) and Balance Sheet to show Financial position at the end of the period

### Receipt And Payments

A Receipts and Payments Account is a summary of the cash book without date column. It is an elementary form Of account commonly adopted by not for profit making concerns such as hospitals, clubs, societies, temples, Churches etc., for presenting the receipts and payments periodically together with the cash balances at the Beginning and close of the period. The receipts are entered on the left hand side, and payments on the right hand Side i.e., the same way as they appear in Cash Book. "The main point to be noted here is that- receipts and Payments account is not based on the accrual system of book keeping as it records all the receipts and payments Whether capital or revenue, pertaining to the current, previous or future periods."

#### Features:

- ☒ It is the summary of the cash and bank transactions like cash book, all the receipts (capital or revenue) Are debited, similarly, all the expenditures (capital or revenue) are credited.
- ☒ It starts with opening cash and bank balances and also ends with their closing balances. This account Is usually not a part of the double entry system as it includes all cash and bank receipts and payments, Whether they are related to present, past or future periods.
- ☒ Surplus or deficit for an accounting period cannot be ascertained from this account, since, it shows only The Cash/Bank position and excludes all non cash item

### INCOME AND EXPENDITURE ACCOUNT

The income and expenditure account is equivalent to the Profit and Loss Account of a Profit making business Enterprise. It is an account which is widely adopted by most of the Non-profit making concerns and is prepared By following accrual principle. Only items of revenue nature pertaining to the current period of account are Included. The preparation of the account, therefore, requires adjustments in relevant accounts in respect of both Outstanding and advance items of income and expenditure. The only difference is in the terms used to represent the profit and loss. Profit is termed as Surplus- Excess of income over expenditure and loss is termed as Deficit-Excess of expenditure over income.

**Non-profit organizations registered under section 8 of the Companies Act, 2013 are required to prepare their Income and Expenditure account and Balance Sheet as per the Schedule III to the Companies Act, 2013.**

#### Features:

- ☒ It is a revenue account prepared at the end of the accounting period for finding out the surplus or deficit of that period.
- ☒ It is prepared by matching expenses against the revenue of that period concerned.
- ☒ Both cash and non-cash items, such as depreciation, are taken into consideration.
- ☒ All capital expenditures and incomes are excluded.
- ☒ Only current years' income and expenses are considered. This Surplus/deficit is taken to the balance sheet and is added / deducted respectively with the capital fund (opening balance).

## **BALANCE SHEET**

A Balance Sheet is the statement of assets and liabilities of an accounting unit at a given date. It is generally Prepared at the end of an accounting period after the Income and Expenditure Account has been prepared. It is Classified summary of the ledger balances left over, after accounts of all the revenue items have been closed by Transfer to the Income and Expenditure Account. In not for profit organizations, the excess of total assets over Total outside liabilities is known as Capital Fund. The Capital fund represents the amount contributed by Members, through legacies, special donations, entrance fees and accumulated surplus over the years. If However, members have not contributed any amount, it shall be termed as "Accumulated fund" instead of "Capital Fund". The surplus or deficit, if any, on the year's working as disclosed by the Income and Expenditure Account Is shown either as an addition to or deduction from the Capital / Accumulated Fund brought forward from the Previous period respectively.

### **Treatment of Important Items in Not For Profit Organization**

**1. Donation:** it is gift in cash or kind from some person.

- o **Specific Donation:** It is received for certain specific purpose like Building Donation, Library Books donation etc. It should be capitalized and shown on the liabilities side of the balance Sheet.
- o **General Donation:** It is not received for any specific purpose and shown on the credit side of Income and Expenditure Account.

**2. Entrance Fees:** It may also be known as admission fees. Entrance Fees should be capitalized and Added to the capital fund for all organization. If the question gives any specific treatment of Entrance Fees, then it should be followed accordingly.

**3. Legacy:** It is an amount received by an organization as per the will of the person after the death of the Person. It should be capitalized and shown on the liabilities side of the balance sheet by adding to the Capital Fund.

**4. Life Membership Fees:** It should be capitalized and shown on the liabilities side of the balance sheet. If the question gives any specific treatment of Life membership Fees, then it should be followed Accordingly.

**5. Endowment Fund Donation:** It is a donation received and only income from that donation is to be Used for certain specific purpose. In such cases income relating to special funds should be added to These funds on the liabilities side of the Balance Sheet. All the expenses should be deducted from that Fund on the liabilities side of the Balance Sheet.

**6. Treatment of Sale of Old Newspaper and Periodicals:** The amount received on such sale is shown As Income on the credit side of income and expenditure account.

**7. Sale of old Fixed Assets:** The Sale proceeds of old Fixed Assets are treated as capital receipts. The Profit or loss on sale of fixed asset is shown in the Income and Expenditure A/c

**8. Honorarium:** It is paid to someone for receiving any services from person who are not the employees Of the Not for Profit Organisation