

NON PROFIT ORGANISATION

- ① NPO final A/c consist of
- Receipt and Payment Account (RPA)
 - Income and Expenditure Account (IEA)
 - Balance sheet.

② RPA is cash/Bank A/c Combined whose format is:-

Receipt	Amt	Payment	Amt
Op-cash/Bank	✓	All payments (Both Cap and Rev. Pay.)	✓
All Receipts (Both Cap and Rev. Receipt)	✓	Closing cash/Bank	✓

③ IEA is like P/B/Loss A/c of NPO. Its format is:-

Expenditure	Amt	Income	Amt
All Revenue Exp	✓	All Rev. Income	✓
Excess of Income over Exps trfd. to Cap. Fund (NET SURPLUS)	✓	Excess of Exps over Income trfd. to CF (NET DEFICIT)	✓

④ Difference between RPA and IEA:

RPA	IEA
a) Actual amt Received shown	a) Actual Income Earned shown
b) Actual " Paid "	b) " Exps Incurred shown.
c) Both Capital and Rev. Receipt shown	c) only Revenue Income shown
d) Both Capital and Rev. Exps shown	d) only Rev. Exps shown.

⑤ How to identify whether any payment appearing in RPA is Capital Exps. or Rev. Exps.:-

When O/B, Depreciation Rate, C/B of any item given, That item is fixed asset. If purchase of that item is given in RPA, it is Capital Exps. Purchase of that item will not be shown in IEA. Equipment, Library books, Sports equipment are example.

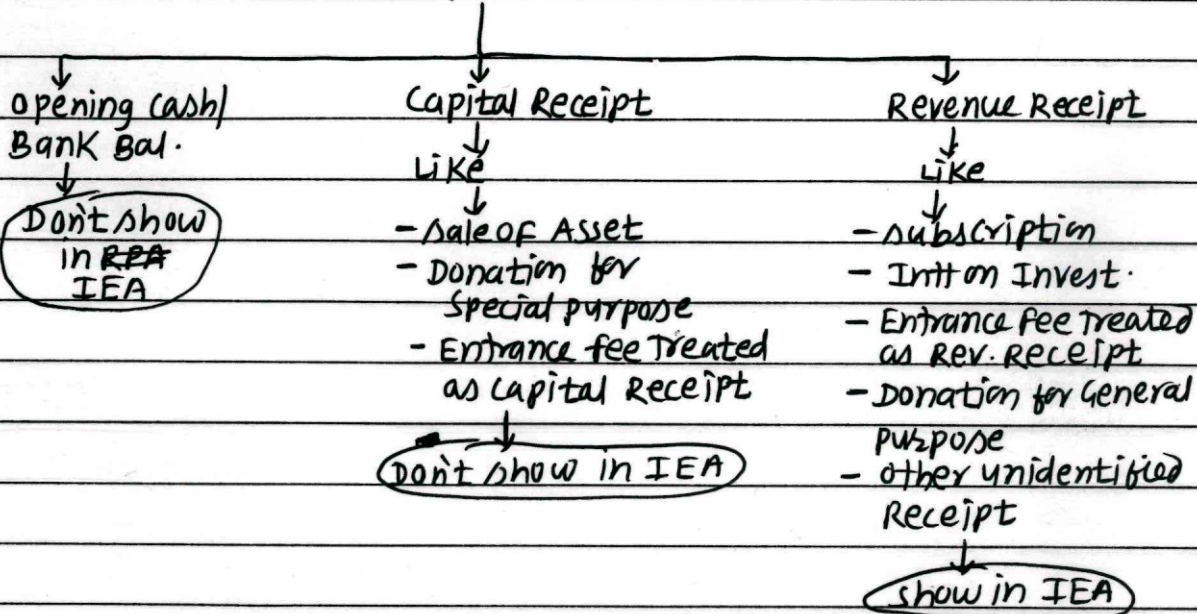
All other item appearing in payment side are Rev. Exps.

Another Method to decide if any Exps is Rev. Exps is : If Prepaid o/std given: it is Rev. Exp / If stock o/s cl/s given it is Rev.

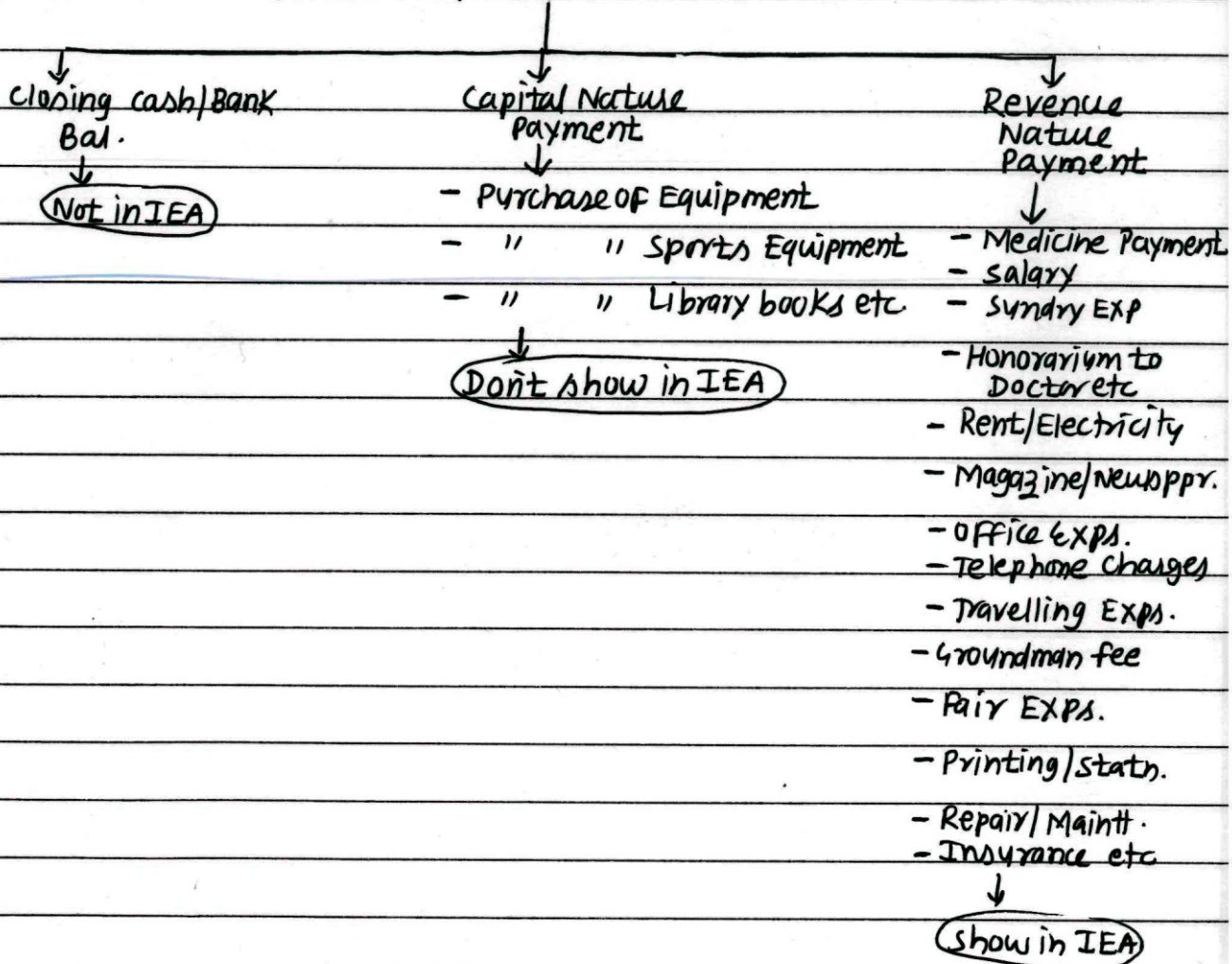
Exp / If Amt Due to creditor for any item given, it is Rev. Exps.

6) How to Prepare IEA When RPA Given in Q :-

(A) RPA Receipt side: Divide in 3 Parts



(B) RPA Payment side: Divide in 3 Parts



7) Subscription: Income for NPO. Annual fee Paid by Member to club.

Subscription to be shown in IEA :-

Subscription Received (As per RPA)	✓
(+) closing outstanding/due/Arrears/Receivable)	✓
(-) opening " ^{Accrued} " " "	(✓)
(+) opening subscription in Advance	✓
(-) closing " " "	(✓)
Subs. in IEA	✓

8) Any other Income :- Same Rule as above for subscription

IEA \Rightarrow Recd. + closing o/s - opening o/s + op. Adv - cl. Adv.

9) Intt on Investment/Income on security : (Hidden Adjustment)

Intt Earned shall be computed :-

opening investment \times Rate of Intt/100	✓
(+) Purchase of Invest. in c.y. (RPA payment side में Reflect होगा) \times Rate/100 \times $\frac{\text{No. of month}^*}{12}$	✓
* From Date of Purch. to end of FY	

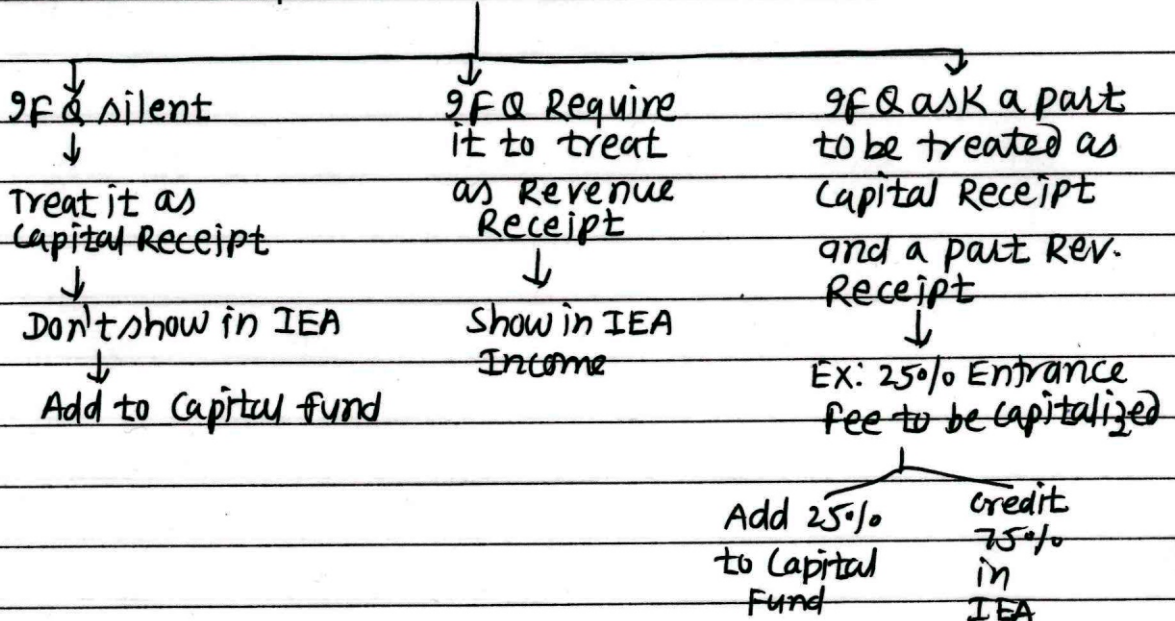
Total Earned to be shown in IEA ✓

(-) Intt Received (RPA receipt side) ✓

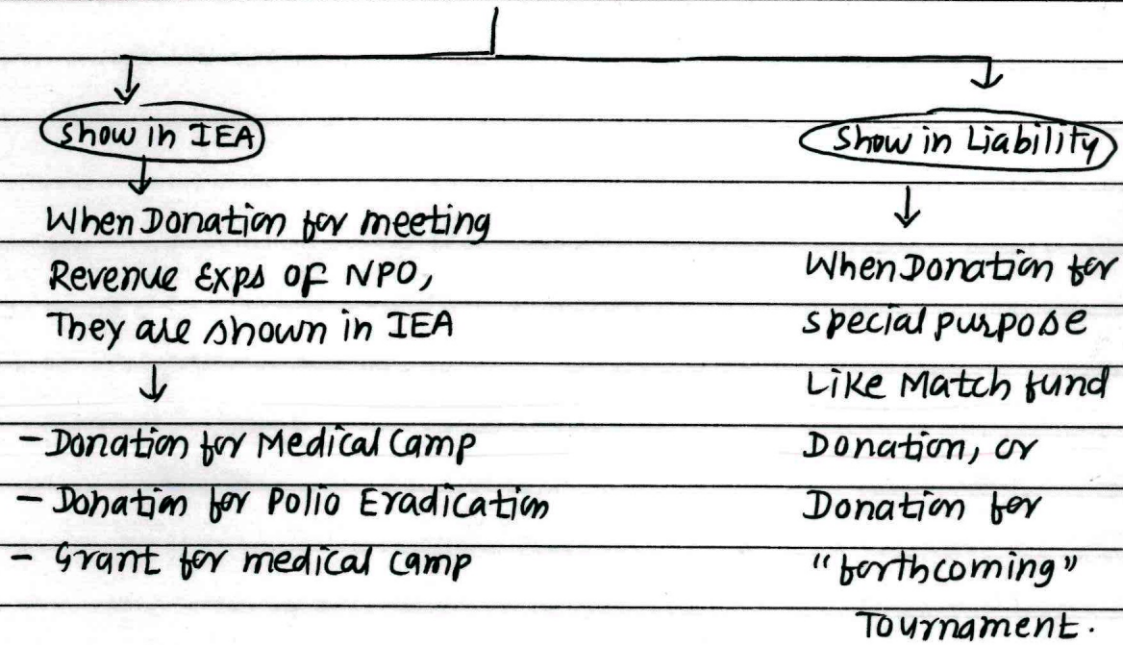
closing outstd Intt Income ✓

10) Entrance fee :- one time payment made by member to club.

There are Three possibilities about Entrance fees :-



11) Donation :- NPO Receives Donation. There are two possibilities about Donation :-



12) Revenue Expenses Like salary etc:

⇒ When Prepaid, outstd not given: show in IEA same amt as RPA
 ⇒ When Prepaid, outstd given, Then:

Payment as per RPA	✓
+ closing outstd	✓
- opening outstd	✓
+ opening Prepaid	✓
- closing Prepaid	✓
EXPS to be shown in IEA	✓

13) Hidden opening outstd :-

Secy Honorarium paid for last year given in current year RPA indicate that it was outstd last year. show this in opening B/s but not in C.Y. IEA.

The amt by wic C.Y. Secy Honorarium increased is also given. Show this increased amt in cy IEA and cl. B/s.

14) Payment, stock, Amt Due given: When Payment for any item is given in RPA [Like Payment for medicine Purchase, Payment for printing & Stn.], and opening stock / closing stock and Amt Due to creditor for that item is also given, Then in IEA Alc, "Consumption" of that item is shown. This is computed as follows:-

Payment for that item (As per RPA)	✓
(+) closing Amt Due for That item	✓
(-) opening " " "	✓
Purchase of That item	✓
(+) opening creditor's stock	✓
(-) closing stock	✓
That item consumed	✓

If opening stock and closing stock not given but Payment, op. Amt Due and cl. Amt Due given, Then calculate upto purchase as above and assuming o/s cl/s NIL, purchase will be consumed. Show Purchase itself in IEA.

15) Computation of Depreciation:- (When Dep. Rate Not given)

Sometimes NPO makes valuation of FA at end of each year. We will be given opening and closing values of Building, Equipment, Library books etc. We may also be given Purchase of the asset in RPA Payment side. We may be given sale of Asset also but cost of Asset sold may not be given. If above information is available, Depreciation will be computed as follows:-

opening value	✓
(+) Purchase	✓
(-) Sale	✓
(-) Closing value	✓
Depreciation	✓

If Purchase/sale not given, Difference between o/B and c/B itself is Depreciation.

16) Computation of Depreciation When Depr. Rate Given:

Depreciation when Depr. Rate given will be computed on opening balance and current year purchase of FA. For confirming whether any FA is purchased in C.Y., Look at Payment side of RPA. If Payment for any Fixed asset given, it is purchase of that asset.

$$\text{Depreciation} = \text{Rate} \times [\text{Op. Bal.} (+) \text{ Purchase}]$$

If Purchase not given, Then:

$$\text{Depreciation} = \text{Rate} \times \text{Op. Bal.}$$

If any Fixed Asset is sold in current year and cost of that asset sold given, Then Depreciation will be:

$$\text{Depreciation} = \text{Rate} \times [\text{Op. Balance} (-) \text{ Cost of Asset sold}]$$

In such case, we will also calculate Profit/Loss on sale of such asset which will be:

Sale value of the Asset (RPA Receipt side)	✓
(-) Cost of that asset sold	(✓)
PBT/LOSS to be shown in IEA	<u>✓</u>

17) Special Event: When any item both Receipt as well as Payment is given in RPA, Then in IEA we show Net Amt i.e. Receipt (-) Payment of that item. If Receipt > Payment, show Net Amt in Income side. If Payment > Receipt, show Net Amt in Expense side.

Example: a) Charity show collection and charity show Exps.

b) Cost of Tea and collection from Tea

c) Cost of fair and " " fair.

18) Hidden opening Investment: When gnth on investment received and Rate of gnth given but no New Purchase of investment appear in RPA, we calculate Amt of opening investment by foll. formula:-

$$\text{opening investment} = \frac{\text{Amt of gnth}}{\text{Rate of gnth}} \times 100$$

Show this in opening as well as closing B/s.