NOT FOR PROFIT ORGANISATION

Meaning -

The main Purpose of any Business is to Earn Profit. In other words, they work for Self Interest.

- However there are some organisation, whose Basic aim is to serve the society. i.e. they work for the benefit of the Society, these type of organisation called NPO.
- NPO such as public hospitals, clubs, Temples, churches etc.

Features of NPO -

a) service motive.

b) Profit is not the objective

c) Surplus Not distributed Among it's member

d) Separate Entity

e) managed by ~~elected~~ elected Persons.

f) major funding in the form of contributions & Donations

g) Sources of Income -

- ✓ Subscription from members
- ✓ Donations
- ✓ Legacies
- ✓ Government Grants
- ✓ Income from Investment
- ✓ Financial Assistence by Govt. Agencies

Books of Accounts maintain by NPO

a) membership Register

b) Cash Book / Ledger

c) Register of Assets

d) memorandum Books

Final Account of NPO consists of

a) Receipts & Payment A/C - (just like cash A/C)

b) Income & Expenditure A/C (just like P&L A/C)

c) Balance-sheet

Topics to be Discuss in this chapter

(i) Accounting Treatment of Income of NPO

(ii) Receipt & payment A/C

(iii) Income & Expenditure A/C

(iv) Special point

- (i) Accounting of special fund
- (ii) Accounting of material consumed
- (iii) Accounting of subscription

(v) Balance sheet

(vi) Difference B/W

- (A) Receipt & payment A/C v/s Income & Expenditure A/C
- (B) Receipt & payment A/C v/s cash Book
- (C) Income & Expenditure A/C v/s P&L A/C
- D) Not profit orgn. v/s profit organisation

Accounting Treatment of Income of NPO

These are two types of Receipts

Capital Receipts	Revenue Receipts
↓	↓
Treatment in B/S	Treatment in P&L A/C (for profit orgn.)
	Treatment in I&E A/C (for NPO)

(i) **ENTRANCE FEES** -

Disputed

If Recurring Nature	If Not Recurring Nature
↓	
(in school)	(in clubs)
↓	↓
credited in I&E A/C	Liabilities side of B/S

If no information in question, credited to I&E A/C

(ii) Lifetime membership fee - • Nature = Non Recurring
↓
Liabilities side of B/S

(iii) Donation •

General Donation
↓
(can utilised for any purpose)
↓
credited in I&E A/C
B'coz it's Recurring Nature

Special Donation
↓
(utilised for specific Purpose)
↓
~~credit~~ Liabilities side of Balance-sheet

(iv) Subscription :- i.e. membership fee = Received each year • so It is Recurring Nature
↓
credited in I&E A/C

I&E A/C

	By subscription		
	Rec	xxx	
	(+) O/S this	xx	
	(-) O/S last	(xx)	
	(-) Adv this	(xx)	
	(+) Adv last	xx	xxx

(v) Sales of old Assets = Non Recurring Nature
cost of Assets Deducted from value of Assets in B/S
(+)
Gain/Profit from sales of Assets - credited in I&E A/C
OR
Loss from sales of Assets - Debited in I&E A/C

(vi) Sales of old News papers • Recurring Nature
↓
credited in I&E A/C

(vii) Legacies - It is the amount Received as per the will of Deceased Person.

- It has Non Recurring Nature so Directly Added in the capital fund in Balance-sheet
- However, legacies of a small Amount may be treated as Income and shown in Income side of I&E A/C

(viii) Government Grant -

It's Depend upon the Objective of Govt Grants

- Grant for Routine Activities → Treated Revenue Receipts → shown Income side of I&E A/C
- Grant for Building → Treated Capital Receipts & shown Liabilities side of BS

(ix) Endowment fund - It is a fund arising from a gift, the income of which is devoted for a specific Purpose, Hence it is capital Receipts & shown in Liabilities side of BS

Accounting Treatment of Expenses by NPO

Expenses

- Capital Expenditure → shown in Assets side of B/S
  - ✓ Purchase of Assets
  - ✓ Purchase of Investment
- Revenue expenditure → shown in Expenses side of I&E A/C
  - ✓ salary
  - ✓ material consumed
  - ✓ Expenses on medical Camp
  - ✓ Honorarium - Payment to Artist for giving performance

Format of Receipt & Payment A/C

Receipts and Payment A/C
for the year ended ________

To Bal. B/d cash xx Bank xx	xxx	By salary	xx
To Enterance fee	xxx	By Pur of material	xx
To Lifetime membership fee	xx	By Exp. on medical camp	xx
To Donation	xx	By Honorarium	xx
To subscription	xx	By Pur of Assets	xx
To sales of old Asset	xx	By Pur of Investment	xx
To sales of old News paper	xx	By other Exp	xx
To Govt. Grant	xx	By Bal c/d cash xx Bank xx	xxx
To Interest Recd	xx		
To other Receipt	xx		
	xxx		xxx

Format of Income & Expenditure A/C

Income & Expenditure A/C
for the year ended ________

Expenditure	Amt	Income	Amt
To Salary & wages	xx	By subscription (W.N.3) R&P xxx (+) O/s this yr xx (−) O/s last yr (xx) (−) Adv this yr (xx) (+) Adv. last yr xx	xx
To Honorarium	xx	By Enterance fee	xx
To material (W.N.2) op xx (+) Pur xx (−) C/o. xx	xxx	By sales of old News papers	xx
To Exp. on medical camp	xx	By Interest Recd	xx
To Depreciation	xx	By Gain on sales of Assets	xx
To surplus (B/f) (Excess of Income over Expenditure)	xx	By Donation (W.N.1)	xx

If Dr > Cr, treated "Deficit" → (Excess of Expenditure over Income)

Scanned with CamScanner

Fund Accounting

Eg(i) = Donation Recd for medical camp = ₹ 200000
medical camp exp = ₹ 120000
Prize Distributed to meritorious students ₹ 40000

I&E

To Prize Exp 40000	

B/S

Medical camp fund Donation 200K (-) Exp 120K 80K	

Eg(ii) medical camp exp ₹ 50000
Donation for prize = 100000
op. Bal. of Prize fund: 40000
Prize Distributed = 120000

I&E

To medical camp exp 50K	

B/S

Price fund op = 40000 (+) cy Don = 100000 (-) Exp = 120000 20K	

Eg(iii)

op. Bal of fair fund: 40000
cy Donation Recd for fair: 200000
cy fair expenses: 180000
fair fund Investment: 40000
Int Recd from fair fund Invest: 8000
Int Recd from Bank on fixed Deposit: 30000

I&E

	By Int Recd 30000

B/S

fair fund op = 40K cy Donat: 200K Int = 8K (-) Exp = 180K 68K	fair fund Invest 40K

Eg(iv)

Donation for tournament Recd = 400000
Op. Bal of tournament fund = 30000
cy. tournament exp = 500000

I&E

To tour. Exp 70K	

B/S

Tour fund op 30K (+) cy. Don 400K 430K (−) Exp 430K —	

Eg(v)

(a) Donation for Building ₹ 300000
capital fund = ₹ 200000

B/S

Build fund (Donat) 300000	
capital fund 200000	

(b) Donation for Build. Recd = ₹ 300000
capital fund = ₹ 200000
Building WIP = 180000

B/S

Build fund Donat 300K (−) Exp 180K 120K	Building WIP 180K
cap fund 200K (+) 180K 380K	

(c) Donation for Building Recd = 300000
capital fund = ₹ 200000
Building contruction completed 300000

B/S

Build fund Donat 300K (−) Exp 300K —	Building 300K
Capital fund 200K (+) 300K 500K	

(d) Donation for Building ₹ 300000
Building construction completed cost = ₹ 400000
Capital fund : ₹ 200000

B/S

Build fund Donat = 300K (-) Exp = 300K —	Building 400000
capital fund 200K (+) 300K 500K	

Material consumed

Consumed = op stock + purchase − c/o. stock

Consumed ↓ Dr. in I&E A/C

op stock ↓ opening B/S

c/o. stock ↓ c/o. Balance-sheet

Eg. 1. medicine purchase during 2020-21 = ₹ 400000
c/o. stock of medicine = ₹ 20000

I&E 2020-21

To medicine consumed 400000 (-) 20000 380K	

B/S as on 31 m 21

	stock of medicine 20K

Eg 2. op stock of medicine = 40000
medicine pur 2020-21 = 500000
c/o. stock of medicine = 180000

I&E 2020-21

To medicine consumed op 40K (+) pur 500K (-) c/o 180K 360K	

B/S 31 m 20

	stock of medi 40000

B/S 31 m 21

	stock of medi 180000

Eg 3.

Particular	1.4.2020	31.III.2021
Stock of sports material	20000	30000
creditors	100000	80000

Payment made to creditor During the year ₹ 320000

material consumed = ?

I & E

To sports mat consumed op 20k (+) pur 300k* (−) c/o 30k 290k	

B/S 1.4.2020

creditors 100000	stock 20000

B/S 31.III.2021

creditors 80000	stock 30000

W.N.

creditors A/C

To cash 320000	By B/d 100000
To c/d 80000	By Purchase 300000 (B/F)

Alternate

I & E

To material consumed cash paid to cred x (+) op stock x (+) c/o. cred x (−) c/o. stock (x) (−) op. cred (x) xxx	

I & E

To sports material consumed cash paid 320k (+) op stock 20k (+) c/o. cred 80k (−) c/o stock 30k (−) op cred 100k 290k	

Eg 4

	1.4.2020	31 m 2021
stock of materi	10000	20000
creditors	30000	40000
Adv. to creditors	50000	10000

cash paid to creditors = 320000
cash pur during the year = 80000

material consumed debited in I&E A/C --- ?

I&E A/C 2020-21

To material consumed op stock 10k (+) purchase 450k (−) c/o stock 20k 440k	

B/S 1.4.20

creditors 30000	stock 10000 Adv to creditor 50000

B/S 31 m.21

creditor 40000	stock 20000 Adv to creditor 10000

WN:

creditors A/C

To B/d (Adv)	50000	By B/d	30000
To cash	320000	By pur* (B/f)	370000
To c/d	40000	By c/d (Adv)	10000
	410000		

purchase: cash + credit
= 8000 + 370000 = 450000

Alternate

I&E

To material consumed cash pur x (+) cash paid to cred x (+) op stock x (+) op Adv x (+) c/o cred x (−) c/o stock (x) (−) c/o Adv. (x) (−) op creditor (x) xxx	

Scanned with CamScanner

Eg5

op. stock of material = 10000
Purchase of material = 200000
clo. stock of material = 50000
material costing 10000 sold in 12000
material consumed = ?

I&E

To material consumed op stock 10000 (+) Pur 200000 (-) sold 10000 (-) clo stock 50000 150K	By Profit on sales of material 2000

Eg6

	1.4.20	31.m.21
stock	10000	20000
creditors	15000	30000

Pur of material During the yr = 200000

I&E

To mat consum op 10000 (+) Pur 200000 (-) clo 20000 190K	

Treatment of expenses & income in Income & expenditure A/C

Eg1 salary paid = ₹ 100000
salary O/S = ₹ 15000

I&E

To salary 100K (+) O/S 15K 115K	

B/S

	O/S salary 15000

Eg 2

salary paid = ₹ 100000 During 2020-21
salary o/s 1.4.2020 = ₹ 15000
salary o/s 31.m.2021 = ₹ 10000

I&E

To salary 100000 (+) o/s this 10000 (−) o/s last 15000 95k	

B/S 31m20

o/s salary 15000	

B/S 31m21

o/s salary 10000	

Eg 3

Advertisement Exp paid during 2020-21 = 50000
Prepaid Advertisement = ₹ 10000

I&E

To Adv 50k (−) Prepaid 10k 40k	

B/S 31m21

	Prepaid Advertise 10K

Eg 4

Advertisement Exp paid during 2020-21 = 50000
Prepaid Advertisement 31m20 = 14000
31m21 = 10000

I&E

To Adv 50000 (−) Prepaid this (10000) (+) Prepaid last 14000 54K	

B/S 31m20

	Prep Adv 14000

B/S 31m21

	Prep Adv 10000

Treatment in Brief

O/s — cy = Add
— Last yr = Less

Prepaid — cy = Less
— last yr = Add

Accrued — cy = Add
— Last yr = Less

Unearned — cy = Less
— Last yr = Add

Accounting for subscription

subscription = i.e. membership fee Received from member each yr

Eg. 1 No. of member in club = 1000
Annual membership fee = 500
Membership Recd during = 2020-21 = 470000

I&E

	By subscription REP = 470000 (+) o/s this = 30000 — 500000

B/S 31m21

	o/s sub 30000

Eg2 No. of member in club = 1000
Annual membership fee = 500
Membership fee Recd during the yr = 480000
included 20 member paid membership fee for Next yr

I&E

	By subscription REP ~~500000~~ 480000 (+) o/s this 30000 (−) Adv this (10000) 500000

B/S 31m21

Adv sub 10000	o/s sub 30000

Eg3

R&P 2020-21

To subscription 2019-20 10K 2020-21 95K 2021-22 2K 107K	

- Total member in club 1000
- Membership fee 100 Rs per member

I&E 2020-21

	By Subscription R&P 107K (+) o/s this 5K (-) o/s last 10K (-) Adv. this 2K 100K

B/S 31M20

	o/s sub 10K

B/S 31M21

Adv. sub 2K	o/s sub 5K

Eg4

R&P 2020-21

To subscription 2019-20 10K 2020-21 95K 2021-22 2K 107K	

- Subscription o/s as on 31M2020 = 12000
- Total member = 1000
- Membership fee per member = ₹100

I&E

	By subscri R&P 107K (+) o/s this 5K (-) o/s last 10K (-) Adv. this 2K 100K

B/S 31M20

	o/s sub 12K

B/S 31M21

Adv. sub 2K	o/s sub 7K (5K+2K)

Eg 5

R&P 2020-21

To subscrip	
2019-20 10K	
2020-21 95K	
2021-22 2K 107K	

subscription o/s as on 31M2020 = 12000
subscription o/s as on 31M2021 = 7000

I&E

	By subscription R&P 107K
	(+) o/s this 5K
	(-) o/s last 10K
	(-) Adv this 2K 100K

B/S 31M20

	o/s sub 12000

B/S 31M21

Adv sub 2000	o/s sub 7000 (5K+2K)

Eg 6

R&P 2020-21

To subscrip	
2019-20 10K	
2020-21 95K	
2021-22 2K 107K	

subscription o/s as on 31M2020 = 12K
subscription o/s for the yr 20-21 = 10K
Adv. sub. Recd in 2019-21 for 2020-21 = 5000

I&E

	By subscrip R&P 107000
	(+) o/s this 10000
	(-) o/s last (10000)
	(-) Adv this (2000)
	(+) Adv last 5000 11000

B/S 31M20

Adv sub 5000	o/s sub 12000

B/S

Adv sub 5000	o/s sub 12000 (10K+2K)