

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 its member
- d) Separate Entity
- e) managed by ~~elect~~ 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 Assistance by Govt. Agencies

Books of Accounts maintain by NPO

- a) membership Register
- b) Cash Book / Ledger
- c) Register of Assets
- d) memorandum Books

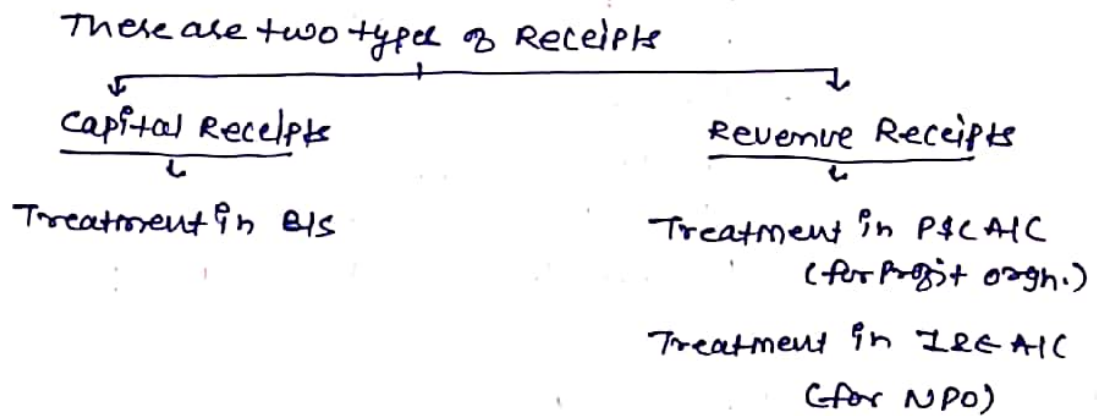
Final Account of NPO consists of

- a) Receipts & Payment A/c - (just like cash A/c)
- b) Income & expenditure A/c (just like P&L A/c)
- c) Balance sheet

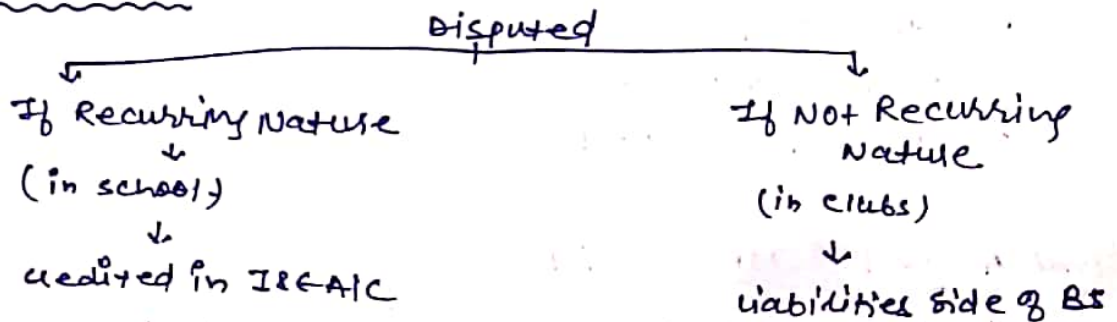
Topic to be Discussed in this chapter

- (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



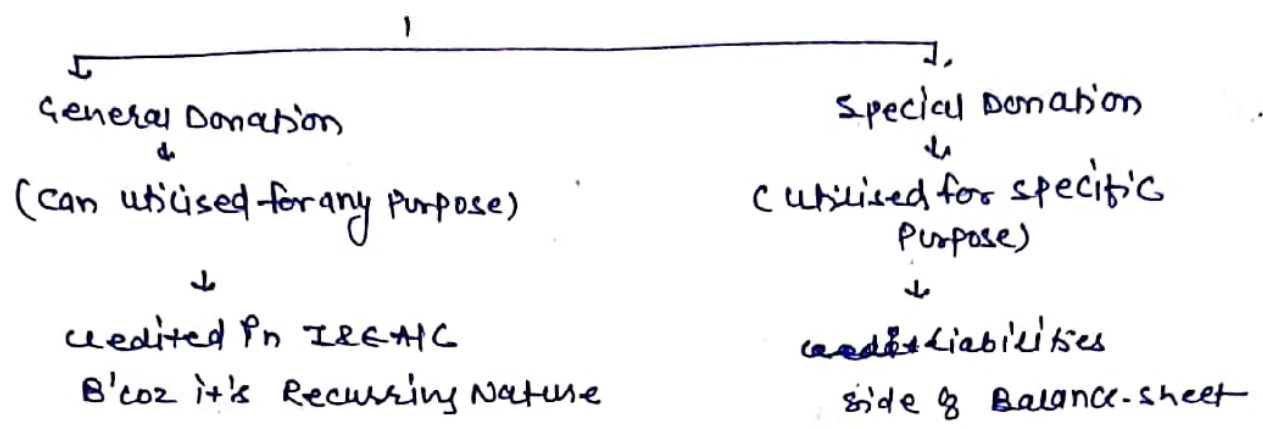
(i) ENTRANCE FEE -



If no information in question, credited to IRE A/C

(ii) lifetime membership fee - Nature = Non Recurring
↓
Liabilities side of BS

(iii) Donation :



(iv) Subscription :- i.e. membership fee = Received each year = so it is Recurring Nature
↓
credited in IEEAIC

IEEAIC		
By subscription		
Rep	xxx	
(+) Dist this	xx	
(-) Dist last	(xx)	
(-) Adv this	(xx)	
(+) Adv last	xx	xxx

(v) sale of old Assets = Non Recurring Nature
cost of Assets deducted from value of Assets in BS
(+)
Gain/Profit from sale of Assets - credited in IEEAIC
(OR)
Loss from sale of Assets - Debited in IEEAIC

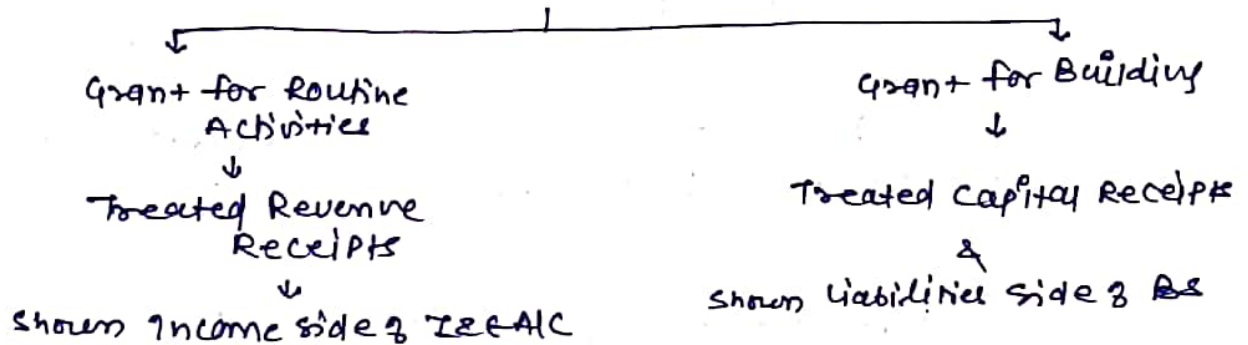
(vi) sale of old News papers Recurring Nature
↓
credited in IEEAIC

(vii) Legacy - It is the amount received as per the will of deceased person. (4)

- It has non-recurring nature, so directly added in the capital fund in Balance-sheet
- However, legacy of a small amount may be treated as income and shown in income side of I&A/C

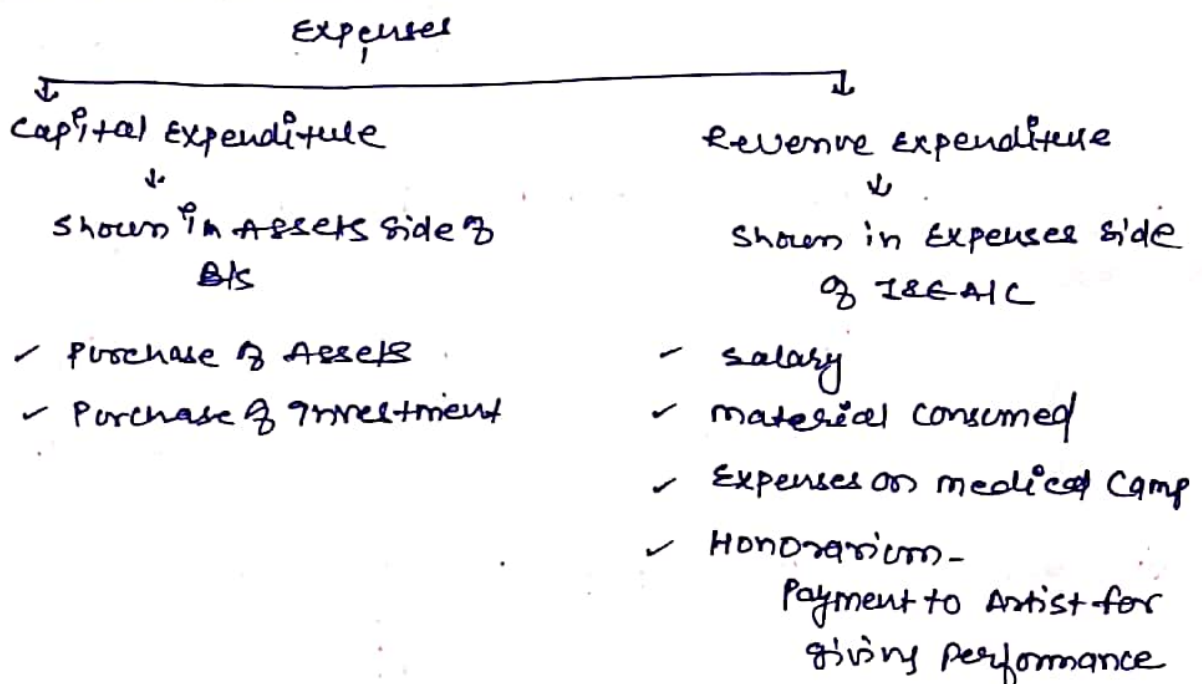
(viii) Government Grant -

It depends upon the objective of Govt Grant



(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 receipt & shown in liabilities side of BS

Accounting Treatment of Expenses by NPO



Format of Receipt & Payment A/c

6

Receipts and Payment A/c for the year ended -----

To Bal. B/d		By salary	xx
cash xx		By pur of material	xx
Bank xx	xxx	By Exp. on medical Camp	xx
To Entrance fee	xxx	By Honorarium	xx
To life time membership fee	xx	By pur of Assets	xx
To Donation	xx	By pur of Investment	xx
To subscription	xx	By other Exp	xx
To sales of old Asset	xx	By Bal. c/d	
To sales of old News Paper	xx	cash xx	
To Govt. Grant	xx	Bank xx	xxx
To Intelect 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)	
To Honorarium	xx	R&P xxx	
To material (W.N.2)		(+) O/S this yr xx	
op xx		(-) O/S last yr (xx)	
(+) pur xx		(-) Adv this yr (xx)	
(-) clo. xx	xxx	(+) Adv. last yr xx	xx
To Exp. on medical Camp	xx	By Entrance fee	xx
To Depreciation	xx	By sales of old News Papers	xx
To surplus (Bt)	xx	By Intelect Recd	xx
(Excess of income over expenditure)		By Gain on sales of Assets	xx
		By Donation (W.N.1)	xx

By Dr > Cr, treated "Deficit"
↓
(Excess of expenditure over income)

Fund Accounting

⑥

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

I & E		- BIS	
To Prize Exp	40000	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		BIS	
To medical camp exp	50K	Prize 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		BIS	
	By Int Recd 30000	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		BIS	
Tot tour. exp 70K		Tour fund	
		op 30K	
		(+) Cy Don 400K	
		430K	
		(-) Exp 430K	-

Eg (v)

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

BIS	
Build fund	
(Donat) 300000	
cap fund 200000	

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

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

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

BIS	
Build fund	
Donat 300K	
(-) Exp 300K	-
Capital fund 200K	
(+) 300K	500K
	Building 300K

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

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

Material Consumed

$$\begin{array}{ccccc} \text{Consumed} & = & \text{op stock} & + & \text{Purchase} & - & \text{Clo. Stock} \\ \downarrow & & \downarrow & & & & \downarrow \\ \text{Dr. in I&A/c} & & \text{opening B/S} & & & & \text{Clo. Balance Sheet} \end{array}$$

Eg 1. medicine purchase during 2020-21 = ₹ 400000
Clo. stock of medicine = ₹ 20000

I&A 2020-21	B/S as on 31/12/21
To medicine Consumed	
400000	
(-) 20000	
380K	Stock of medicine 20K

Eg 2. op stock of medicine = 40000
medicine Pur 2020-21 = 500000
Clo. stock of medicine = 180000

I&A 2020-21	B/S 31/12/20
To medicine Consumed	
op 40K	
(+) Pur 500K	
(-) Clo 180K	
360K	Stock of med 40000

B/S 31/12/21
Stock of med 180000

Eg 3.

Particular	1.4.2020	31.3.2021
Stock of sports material	20000	30000
creditors	100000	80000

Payment made to creditor during the year ₹ 320000
material consumed = ?

I & E	
TO Sports material consumed	
Op 20k	
(+) Pur 300k	
(-) Cl 30k	290k

B/S 1.4.2020	
creditors	stock
100000	20000

B/S 31.3.2021	
creditors	stock
80000	30000

WN:

creditors A/C	
TO cash 320000	By B/d 100000
TO Cl 80000	By Purchase 300000
	(B/d)

Alternate

I & E	
TO material consumed	
Cash paid to cred x	
(+) Op stock x	
(+) Cl used x	
(-) Cl stock (x)	
(-) Op used (x)	xxx

I & E	
TO sports material consumed	
Cash paid 320k	
(+) Op stock 20k	
(+) Cl used 80k	
(-) Cl stock 30k	
(-) Op used	100k 290k

eg 4

10

	1.4.2020	31m.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 TEE A/c --- ?

TEE A/c 2020-21	
TO material consumed	
op stock 10k	
(+) purchase 450k	
(-) clo. s to clo 20k 440k	

B/S 1.4.20	
creditors	30000
stock	10000
Adv to creditor	50000

B/S 31m.21	
creditors	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/d)	370000
TO clo	40000	By clo (Adv)	10000
	410000		

$$\begin{aligned} \text{purchase} &= \text{cash} + \text{credit} \\ &= 80000 + 370000 = 450000 \end{aligned}$$

Alternate

TEE	
TO material consumed	
cash pur x	
(+) cash paid to cred x	
(+) op stock x	
(+) op Adv x	
(+) clo cred x	
(-) clo stock (x)	
(-) clo Adv. (x)	
(-) op creditor (x) xxx	

Eg 5

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

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

Eg 6

	1.4.20	31.12.21
stock	10000	20000
creditors	15000	30000

Pur of material during the ym = 200000

T & A	
To mat consumed	
op 10000	
(+) Pur 200000	
(-) clo 20000	190K

Treatment of expenses & income in Income & expenditure AC

Eg 1

salary paid = ₹ 100000
 salary o/s = ₹ 15000

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

B/L	
O/S salary 15000	

Eg 2

salary paid = £ 100000 during 2020-21
 salary o/s 1.4.2020 = £ 15000
 salary o/s 31.3.2021 = £ 10000

J&C	
To salary	
100000	
(+) o/s to b/s 10000	
(-) o/s to b/s 15000	
	95k

B/S 31.3.20	
o/s salary	15000
B/S 31.3.21	
o/s salary	10000

Eg 3

Advertisement Exp paid during 2020-21 = 50000
 Prepaid advertisement = £ 10000

J&C	
To Adv 50k	
(-) prepaid 10k	
	40k

B/S 31.3.21	
Prepaid Advertisement	10k

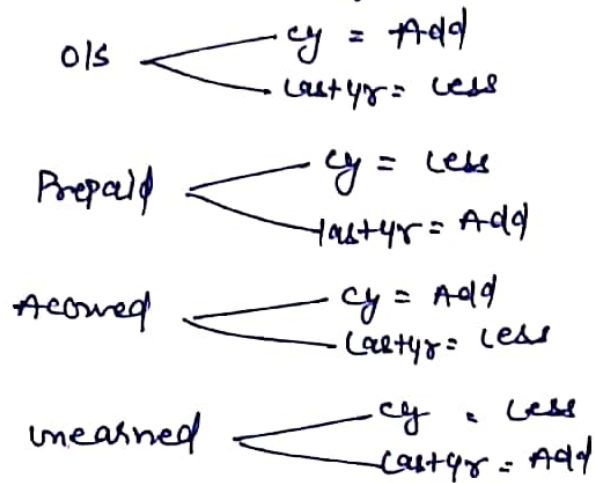
Eg 4

Advertisement Exp paid during 2020-21 = 50000
 Prepaid advertisement 31.3.20 = 14000
 31.3.21 = 10000

J&C	
To Adv 50000	
(-) prepaid to b/s (10000)	
(+) prepaid to b/s 14000	
	54k

B/S 31.3.20	
Prep Adv	14000
B/S 31.3.21	
Prep Adv	10000

Treatment in Brief



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

T&A	
	By subscription
	RRP = 470000
	(+) O/S this = 30000
	500000

B/S 31/12/21	
O/S sub	30000

eg 2

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

T&A	
	By subscription
	RRP 500000 480000
	(+) O/S this 30000
	(-) Adv this (10000)
	500000

B/S 31/12/21	
Adv sub 10000	
O/S sub	30000

Eg 3

REP 2020-21	
To subscription	
2019-20	10K
2020-21	95K
2021-22	2K
	<u>107K</u>

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

I & E 2020-21	
By Subscription	
REP	107K
(+) O/S this	5K
(-) O/S last	10K
(-) Adv. this	<u>2K</u>
	100K

B/L 31/12/20	
O/S sub	10K

B/L 31/12/21	
Adv. sub	2K
O/S sub	5K

Eg 4

REP 2020-21	
To subscription	
2019-20	10K
2020-21	95K
2021-22	2K
	<u>107K</u>

- = subscription O/S as on 31/12/2020 = 12000
- = Total member = 1000
- = membership fee per member = ₹100

I & E	
By subscription	
REP	107K
(+) O/S this	5K
(-) O/S last	10K
(-) Adv. this	<u>2K</u>
	100K

B/L 31/12/20	
O/S sub	12K

B/L 31/12/21	
Adv. sub	2K
O/S sub	7K
	(5K + 2K)

Eg 5

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

Subscription o/s as on 31/12/2020 = 12000
 Subscription o/s as on 31/12/2021 = 7000

Trs
By Subscriptions
REP 107K
(+) O/s due 5K
(-) O/s paid 10K
(-) Advt due 2K 100K

B/L 31/12/20
O/s Sub 12000
B/L 31/12/21
Adv Sub 2000
O/s Sub 7000 (5K+2K)

Eg 6

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

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

Trs
By Subscrip
REP 107000
(+) O/s due 10000
(-) O/s paid (10000)
(-) Adv due (2000)
(+) Adv paid 5000 11000

B/L 31/12/20
Adv sub 5000
O/s Sub 12000
B/L
Adv sub 5000
O/s Sub 12000 (10K+2K)