

CHAPTER-1**ACCOUNTING FOR NOT-FOR PROFIT ORGANISATION****Meaning of Not-for-profit Organization**

Not-for-Profit organizations are those organisations which are formed for the purpose of promoting commerce, art, science, religion, charity or any other useful object. The primary motive of not-for-profit organization is to render services to their members to promote culture, art, education and other religious, social and charitable activities. Main Sources of their Income are Subscription, Donation, Aid by the Govt, etc.

Financial Statement of Non-Profit Organisations

1. Receipts and Payments Account
2. Income and Expenditure Account
3. Balance Sheet

Receipts and Payments Account

This account is merely a summary of the transactions appearing in the cash book. All receipts are shown on its debit side and all payments are shown on its credit side. It is a real account. Thus Receipts are shown on its debit side and payments on the credit side. Receipts and payments Account records only the actual receipts and payments of cash. Non-Cash expense such as Depreciation, outstanding expenses. etc. are not shown in it.

Receipts and Payments Account

Receipts	Rs	Payments	Rs
To balance b/d		By Balance b/ d (Bank OD)	

Cash in Hand		Payment for Building Construction and Maintenance	
Cash at Bank		Purchase of Fixed Asset like Furniture, Car, Machinery, Building, Land, Sports Equipment, Books, etc.	
Entrance Fees [Non- Recurring]		Repayment of Loan	
Entrance Fees [Recurring]		Payment for	
Legacies		Salary	
Endowment Fund		Rent	
Sale of Fixed Asset		Postage	
Life Membership Fee		Advertisement	
Subscription for Specific Purpose		Insurance	
Subscription		Tax	
Present		Gardening	
Past		Repairs	
Future		Maintenance	
Donation for Specific Purpose		Prize Distribution	
Grant for Specific Purpose		Audit fee	
Receipt of Match Fund		Office Expenses	
Receipt of Prize Fund			
General Donations			
Locker Rent			
General Grants			
Sale of News Paper, old sports materials, grass, etc.			
Interest on investment			
Proceeds from Entertainment			
Rent Received			
Other Interest Received			
Dividend Received			
Miscellaneous Receipts			
Proceeds from Entertainment			

Income and Expenditure Account

Income and Expenditure Account serves the same purpose for a Not-for-profit organization as the Profit and Loss Account for a business enterprise. This is a nominal account. It records only Revenue receipts and payment.

Income and Expenditure Account

Expenditure	Rs	Income	Rs
Rent		Subscription	
Add: Outstanding at End		Add: Outstanding at End	
Less: Outstanding at beginning		Less: Outstanding at beginning	
Salary		Add: Advance in the Beginning	
Add: Outstanding at End		Less : Advance at the End	
Less: Outstanding at beginning		Rent of library hall	
Insurance		Miscellaneous Receipts	
Less: Prepaid Premium		[Revenue receipt nature]	
Sports Material Consumed		Donations	
Audit Fees		Entrance Fee	
Honorarium to Secretary		Sale of old news Paper	
Telephone Expenses		Deficit [Balancing figure,	
Depreciation		expenditure is more than income]	
Repairs			
Surplus			
[Balancing figure, income is more than expenditure]			

Important Items of Not for Profit Organizations

1. Legacy: Legacy represents the amount of property received by organization under a will on death of the contribution.

2. Entrance Fees: Entrance fee is called Admission fee.
3. Grant: Grant is an aid issued by a Govt agency to any Not-for- profit organization for specific purpose or general purpose.
4. Donation: Donation is the amount received by Not-for-profit Organization from any person or institution without any consideration and not periodically.
5. Suscription: Subscription is the amount payable by members of Not- for- profit Organization for renewal of membership periodically.
6. Life Membership Fee: Life Membership Fee is the fee received from those members who do not pay periodic fee or subscription but pay a lump sum amount to become life time members.
7. Honorarium: Honorarium is an amount paid to a person (other than employee) for rendering some special services for Not-for-profit organization.

**Calculation of Subscription to be shown in the
Income and Expenditure Account for current year.**

(a) Statement of Actual amount of subscription for the current year.

Particulars	Amount
Subscription received during the year	
Add: Outstanding Subscription (at the end of Current Year)	
Prepaid or advance (at the beginning Of previous year)	
Less: Outstanding Subscription (at the beginning of Current Year)	
Prepaid or Advance (at the end of current year)	
Amount of subscription to be shown in Income & Exp. A/C	

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Subscription Account

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Particulars	Amount	Particulars	Amount
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To Bal. b/d (outstanding Subscription at the Beginning)		By Bal. b/d (Prepaid Subscription at the Beginning)	
To Income & Expenditure A/C		By Receipts & Payment A/C	
(Balancing Figure)		By Bal. c/d	
To Bal. c/d ((Prepaid Subscription at the end)		(Outstanding subscription at the end)	

Calculation Of Stationary To Be Shown In Income And Expenditure Account

Particulars	Amount
Amount paid to creditors for stationary during current year	
Add: Opening Stock of stationary	
Closing Creditors of Stationary	
Prepaid or advance (Beginning of previous year)	
Less: Closing Stock of stationary	
Opening Creditors of Stationary	
Prepaid or Advance (End of current year)	
Amount of subscription to be shown in Income & Exp. A/C	