

CHAPTER 1: Not-For-Profit Organisation

Characteristics or features of Not-For-Profit Organisation

1. **Entity:** has a separate legal entity promoted by individuals.
2. **Purpose:** is to further cultural, educational, religious, professional objectives and rendering service to people at large.
3. **Ownership:** it is set up as charitable society or trust. Thus owned by an individual or group of individuals.
4. **Financial statements:** it prepares its financial statement every year which includes receipts and payments account, income and expenditure and balance sheet.
5. **Funds:** required for operations are given by its members and donors as entrance fee, membership fee, subscription and donations. It is supplemented by surplus from operations.

Receipts and payment account: is a summary of cash and bank transactions for a given period. It is prepared from the cash book at the end of financial year. All cash receipts are entered on the debit side and all the cash payments on the credit side.

Features:

- It is a summary of cash and bank transactions
- It can be inferred that the receipts and payment account is similar to a cash account
- No distinction is made between capital and revenue items, and excludes all non-cash items.
- It records all cash and bank transactions whether pertaining to the current period, previous period or succeeding period.

Dr.	Cr.
Receipts	Payments
To opening balance (bal b/d)	By balance b/d (opening bal)
Cash in hand	By salaries
Cash at bank	By rent
To capital receipts (subscriptions)	By repairs
For previous year	By investment
For present year	By audit fee
For next year	By miscellaneous payments
To grant for specific purpose	By insurance
To general grants	By drawings
To general donations	By bank overdraft
To rent received	By building
To dividends	By books
To interest received	By loan
To life membership fees	By Balance c/d (closing balance)
To sale of fixed assets	Cash in hand
To balance c/d (bank overdraft)	Cash at bank
Total	Total

Income and Expenditure:- the surplus or deficit of a particular period for non-trading concern is determined by drawing up an income and expenditure account.

Features:

- It is a revenue account prepared at the end of an accounting period to determine the surplus or deficit.
- The expenses and revenue of the period are matched in order to determine deficit or surplus.
- Both cash and non-cash items are considered.

- The surplus in this account is not distributed among members, but added to the capital fund.
- Excess of income over expenditure is a surplus and excess of expenditure over income is a deficit.

Expenditure	Rs.	Income
To salaries		By subscriptions
<i>Add:</i> outstanding at the end		By entrance fees
<i>Less:</i> outstanding in the beginning		By sports fees
To rent		By sale on old newspapers
To insurance premium		By interest on investments
To printing and stationary		By deficit (taken to bal. sheet)
To sports expenses		
To electricity charges		
To loss on sale of furniture		
To sundry expenses		
To newspaper and periodicals		
To depreciation on		
Furniture		
Sports material		
To surplus taken to balance sheet		
Total		Total

Example 1:

From the under mentioned receipts and payments account for the year ending March 31st March, 2017 of Peoples club, prepare income and expenditure account for the same period:

Receipts and Payment Account

Dr.	Rs.	Cr.
Expenditure		Payment
balance c/d bank		1,12,500.00 Purchase of furniture
subscriptions		Salaries
2015	6,750.00	Telephone expenses
2016	45,000.00	Electricity expenses
2017	2,250.00	54,000.00 Postage and stationary
Donations		9,000.00 Purchase of books
Rent of hall		1,350.00 Entertainment of expe
Interest on bank deposits		2,025.00 Purchases of 5% govt.
Entrance fees		4,500.00 Miscellaneous expens
		Balance c/d
		Cash
		Bank
		1,83,375.00

The following information is available:

1. Salaries outstanding
2. Entertainment expenses outstanding
3. Bank interest receivables
4. Subscriptions accrued
5. 50% of entrance fees is to be capitalized
6. Furniture is to be depreciated at 10% per annum

Solutions:

Income & Expenditure Account

Dr.	Amount	Cr.
Expenditure		Income

Salaries	9,000	Subscriptions
<i>Add: outstanding</i>	6,750	Donations
Telephone expenses		1,350.00 Entrance fees (50% of
Electricity charges		2,700.00 Bank Interest
Postage and stationary		675.00 <i>Add: outstanding inter</i>
Entertainment expenses	4,052	Interest on investment
<i>Add: outstanding</i>	2,250	6,300.00 Hall rent
Miscellaneous expenses		2,700.00
Miscellaneous expenses depreciation on furniture		1,687.50
Surplus		31,837.50
		63,000.00