

NOT FOR PROFIT **ORGANISATION**

PROJECTED BY :-

AKRITI SINGH

(ASST. PROF.)

(DEPT. OF COM.)

(PATNA WOMEN'S COLLEGE)

INTRODUCTION

In every country such institutions are found whose object is to provide service to the society or recreation of their members and to safeguard their interest but not to make profit. These institutions are known as non trading institutions or organisations. Non trading organisations are those organisations which are formed with the basic purpose of promoting commerce, art, science, religion, charity, or any other useful object. For example – Charitable Schools, Colleges, Clubs, Hospitals, Charitable Institutions etc. The trustees of the organisation is fully accountable for the proper utilisation of funds raised for meeting the objectives of the institution. These organisations basically depend and survive on donations, grants, subscription receive from members and public in large.

FINANCIAL STATEMENTS OF NON TRADING ORGANISATION

❖ **At the end of the year, these organisations prepare financial statements on the basic principles of Book keeping, Financial Statement of a non trading institution consists of :-**

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

RECEIPTS AND PAYMENT ACCOUNT

- 1) It is a real account which shows a summary of cash book.**
- 2) Receipts are recorded in the debit side while payments are recorded in the credit side.**
- 3) It contains all capital and revenue receipts and payments.**
- 4) Current year, previous year and future year receipts and payments are recorded.**
- 5) It begins with opening balance of cash in hand and closes with closing balance of cash in hand.**

INCOME AND EXPENDITURE

ACCOUNT

- 1. It is a nominal account.**
- 2. It is prepared exactly in the same manner as profit and loss account is prepared.**
- 3. It does not record opening or closing balances of cash or bank.**
- 4. Only revenue income and expenditure are recorded in it.**
- 5. Only current year income and expenditure are recorded.**
- 6. Excess of income over expenditure results in surplus and excess over income results in deficit.**

BALANCE SHEET

- **Like trading organisation non profit institutions prepare balance sheet to know the financial position of the institution. It is prepared on the same principles as the balance sheet of the trading organisation. It may be prepared either in the order of the liquidity or in the order of performance after preparation of income and expenditure account.**
- **The excess of assets over liabilities in non profit institution is termed as capital fund.**

ANALYSIS OF IMPORTANT ITEMS OF INCOME AND EXPENDITURE ACCOUNT

1. SUBSCRIPTION :- In case of non profit organisation, subscription means a membership fee paid by a member on annual basis. It is a major source of revenue income of a not for profit organisation. It may be paid by members on yearly basis. It appears on the debit side of receipts and payment account.

• **Calculation of Subscription for Current Year :-**

Total subscription received during the year –

Add 1. Outstanding subscription at the end of the current year -

2. Subscription received in advance with previous year -

Less 1. Outstanding subscription at the beginning of the current year -

2. Subscription received in advance at the end of current year -

Total subscription of current year to be credited to income and expenditure account.

2. DONATION :- The not for profit organisation often receive voluntary contribution (in cash or property) from some person or organisation. All donations are recorded in the receipt side of receipt and payment account but whether they will be shown as income in the income and expenditure account or not, depends on the nature of donation and volume of amount.

3. LEGACY :- Legacy denotes the amount received as per the will of the deceased donor. It is treated as capital receipt because it is non recurring in nature and it is shown on the liability side of the balance sheet.

4. LIFE MEMBERSHIP FEE :- Certain not for profit organisation also provides for life membership and charge lump sum amount instead of paying periodic subscription. It is treated as capital receipt because it is paid only once in life by the member. Life membership fee is recorded in the liability side of the balance sheet.

5. ENTRANCE FEE :- It is the initial amount payable at the time of seeking admission by a person who intends to become a member of a club, association of a society.

CALCULATION OF AMOUNT OF CONSUMED GOODS

Opening stock at the beginning of current year

Add : Cash Purchases of stock during the year

Add : Creditors of stock at the end of current year

Add : Advance Payment for stock in the beginning of current year

Less : Creditors of stock at the beginning of current year

Less : Advance payment for stock at the end of current year

Less : Closing stock at the end of current year

Amount of consumed goods to be debited to Income and Expenditure Account.

SPECIMEN OF INCOME AND EXPENDITURE ACCOUNT

<u>EXPENDITURE</u>	<u>Amt</u>	<u>INCOME</u>	<u>Amt</u>
To Depreciation on Fixed Assets		By Locker's Rent	
To Newspapers and Magazines		By Sale of Newspapers	
To Charity (Dr)		By Donations	
To Postage and Stamps		By Membership Fees	
To Electricity		By Charity	
To Bad Debts		By Excess of Expenditure over Income -	
To Bank Charges		Deficit (if so)	
To Travelling Expenses			
To General Expenses			
To Excess of Income over Expenditure - Surplus	<u>B/F</u>		<u>B/F</u>
	_____		_____
	_____		_____

SPECIMEN OF RECEIPTS AND PAYMENTS ACCOUNT

<u>RECEIPTS</u>	<u>AMT</u>	<u>PAYMENTS</u>	<u>AMT</u>
To Bal b/d (opening balance)		By Salaries and Wages	
Cash in Hand		By Rent, Rates and Taxes	
Cash at Bank		By Advertisement Expenses	
To Subscription (present, past, future)		By Printing and Stationery	
To Entrance Fees		By Insurance	
To Interest		By Building Purchased	
To Life Membership Fee		By Furniture	
To Donation		By Books	
To Legacies		By Investments	
		By Bal c/d (closing balance) :	
		Cash in Hand	
		Cash at Bank	
	_____		_____
	_____		_____

SPECIMEN OF BALANCE SHEET

<u>CAPITAL AND LIABILITIES</u>	<u>AMT</u>	<u>ASSETS AND PROPERTIES</u>	<u>AMT</u>
Outstanding Expenses of current year		Prepaid Expenses of Current Year	
Subscription received in advance in current year		Outstanding Subscription of current year	
Bank overdraft		Cash in Hand	
Creditors		Cash at Bank	
Life Membership Fees		Closing Stocks of Books	
Legacy		Investments	
Entrance Fees		Fixed Assets :	
Capital Fund (opening balance)		Opening Balance of Fixed Assets	
Add : Surplus or		Add : Purchase of Assets during the year	
Less : Depicit		Less : Book value of Assets sold/disposed off	
		Less : Depreciation	
	_____		_____
	_____		_____

QUES :- From the undermentioned Receipts and Payments Account for the year ended March 31, 2016 of Negi's Club, prepare Income and Expenditure Account for the same period :

Receipts and Payments Account
(for the year ended March 31, 2016)

EXPENDITURE	AMOUNT	INCOME	AMOUNT
To Balance c/d : Bank	25,000	By Purchase of Furniture (1.7. 2015)	5,000
To Subscriptions : Rs.		By Salaries	2,000
2014 - 15 1,500		By Telephone Expenses	300
2015 - 16 10,000		By Electricity charges	600
2016 - 17 <u>500</u>	12,000	By Postage and Stationery	150
To Donation	2,000	By Purchases of Books	2,500
To Hall Rent	300	By Entertainment expenses	900
To interest on Bank deposits	450	By Purchases of 5% government papers (1.9.2015)	8,000
To Entrance Fees	1,000	By Miscellaneous expenses	600
		By Balance c/d :	
		Cash	300
		Bank	<u>20,400</u>
	<u>40,750</u>		<u>40,750</u>

The following additional information is available :

	Rs.
1. Salaries outstanding	1,500
I. Entertainment expenses outstanding	500
II. Bank interest receivable	150
III. Subscriptions accrued	400
IV. 50 per cent of entrance fees is to be capitalised	
V. Furniture is to depreciated at 10 per cent per annum	

SOLUTION :-

Income and Expenditure Account of Negi's Club (for the year ended 31.3.2016)

EXPENDITURE	AMOUNT	INCOME	AMOUNT
To Salaries	2,000	To Subscriptions	10,000
<i>Add : Outstanding</i>	<u>1,500</u>	<i>Add : Accrued Subs.</i>	<u>400</u>
	3,500		10,400
To Telephone Expenses	300	To Donation	2,000
To Electricity charges	600	To Entrance Fees	
To Postage and Stationery	150	(50% of Rs. 1,000)	500
To Entertainment exp.	900	To Bank Interest	450
<i>Add : Outstanding exp.</i>	<u>500</u>	<i>Add : Outstanding int</i>	<u>150</u>
	1,400		600
To Miscellaneous expenses	600	To Interest on Investments	200
To Depreciation on furniture	375	To Hall Rent	300
To Surplus (Excess of Income over Expenditure)	<u>7,075</u>		
	<u>14,000</u>		<u>14,000</u>

THANK YOU