

Examrace

Not for Profit Organization

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Organization, which are formed not for earning profits but for a charitable or social purpose are called as not for profit organization

- Set up for providing service to its members and the public in general
- Clubs, charitable institutions, schools, religious organizations, trade unions, welfare societies and societies for promotion of art and culture
- Service as the main objective and not the profit like business organization

Managed by Trustee Who is Fully Accountable for That

- Major sources of their income are subscription from their members donations, grants-in-aid, income from investments, legacies etc.
- Funds collected from there are credited to capital fund or general fund account
- The main objective of keeping the records in such organization is to meet the statutory requirement and help them in exercising control over utilization of their funds.
- Financial statement- submit them to the statutory authority called registrar of societies
- Earns reputation on the basis of their contributions to the welfare of the society rather than customers or owners satisfaction

Accounting Records

- Cash book where all receipts and payments are duly recorded
- Example of cash transaction:
- Ledger- containing the accounts of all incomes, expenses, assets and liabilities which facilitates the preparation of financial statement
- Stock register – to keep complete record of all fixed assets and the consumables
- Capital fund a/c – goes on accumulating due to surpluses generated, life membership fees, donations, legacy etc.

Financial Statements

- Receipts and payments accounts
- Income and expenditure account
- Balance sheet

General Principles of Accounting Are Fully Applicable

Receipts and Payments Accounts

- It is a real account
- Summary of cash and bank transactions which helps in preparation of Income and exp. And Balance sheet
- Receipts on the debit side and Payments on the credit side
- Records all cash transaction irrespective of the period
- Includes all receipts and payments whether they are of capital nature or of revenue nature
- Does not show any non-item like depreciation
- NO distinction is made whether it is cash or bank transaction
- Legal requirement to prepare
- Submitted to the registrar of societies along with Income and exp. And Balance sheet.
- It begins with opening balance and closes with the year-end balance of cash in hand or bank Overdraft
- Opening balance represents cash in hand/cash at bank
- Closing balance shows cash in hand at the end of the year
- Prepared at the end of the year on the basis of cash book

Steps to Prepare Receipts and Payment Account

Format of Receipts and payment account



Receipts	Amount	Payments	Amount
To Bal b/d Cash xxx		By Bal b/d (Bank O/D)	xxx
Bank xxx	xxx	By Revenue Payments	
To Revenue Receipts		Wages & Salaries	xxx
Subscription	xxx	Rent, Rates & Taxes	xxx
General Donations	xxx	Insurance	xxx
Sale of newspaper	xxx	Printing & Stationary	xxx
Sale of periodicals	xxx	Postage	xxx
Sale of old sports material	xxx	Advertising	xxx
Locker rent	xxx	Sundry Expenses	xxx
Sale of scraps	xxx	Telephone charges	xxx
Proceeds of show	xxx	Audit fees	xxx
Miscellaneous Receipts	xxx	Honorarium	xxx
Entrance fee	xxx	Conveyance	xxx
Grant in aid	xxx	Newspapers	xxx
To Capital Receipts		Repairs	xxx
Legacies	xxx	By Capital Payments	xxx
Life Membership fees	xxx	Purchase of fixed Assets	xxx
Specific Donation	xxx	Purchase of investments	xxx
Sale of Investment	xxx	Fixed deposits	xxx
Sale of fixed assets	xxx	By Bal Bank xxx	
Endowment Fund	xxx	Cash xxx	xxx
To Bal c/d (Bank O/D)	xxx		

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Income and Expenditure Account

- **Nominal a/c**
- Summary of income and expenditure for the accounting year
- Serves same purpose as P & L a/c for businesses
- All the revenue items for the current period are shown
- Incomes and gains on the income side and expenses and losses are shown on expenditure side
- Net operating result in the form of Surplus (excess of income over Expenditure) or Deficit (Excess of Expenditure over Income) that is transferred to Capital fund in Balance sheet.
- It is prepared on accrual basis
- Items included in this a/c are:
 - Depreciation of fixed assets
 - Provision for doubtful debt, if required
 - Profit or loss on sale of fixed asset

Format

Income & Expenditure A/c For the year ended

Expenditures	Amount	Incomes	Amount
To all revenue payments (current year whether paid or not) To Depreciation To Bad debts To Loss on sale of fixed assets To Consumed part of medicine, stationery, spot equipments etc. To Surplus (Excess of income over Expenditure)		By all revenue receipts (current year whether received or not) By profit on sale of fixed assets By Deficit (Excess of expenditure over Income).	

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Difference between Income and Expenditure Method & Receipts and Payments Account

Difference between Receipts and Payments account and	
<i>Income and Expenditure account</i>	
Receipts and Payments account	Income and Expenditure account

Summary of Cash book	Like P & L account
Records Receipts and Payments of revenue as well as capital nature	Records Income and Expenditure of revenue nature only
Relate to preceding and succeeding periods	Relate only to current period
Do not includes non -cash item such as Depreciation	Includes Depreciation
It has opening and closing balance	There is no opening balance
<i>Difference between Income and Expenditure Method & Receipts and Payments Account</i>	

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