

Non Profit Organization

Meaning of NPO

Not-for-Profit Organizations (NPO) are set up with the prime objective of providing services and not to earn profit thereby enhancing the welfare of society. Such organizations include schools, hospitals, trade unions, religious organizations, etc. The person/s or the groups of individuals who govern and manage the working of an NPO are known as trustees. NPO's main sources of income are donations, subscriptions, life membership fees, grants etc. As these organizations are not set up with profit motive, they do not prepare Trading and Profit and Loss Account. Instead, they maintain Receipt and Payments Account, Income and Expenditure Account and Balance Sheet.

Examples of non-profit organizations

Charitable organizations such as Human rights groups, animal right organizations, Hospitals, health care clinics, Emergency relief services such as Red Cross, charitable schools / colleges etc.

Professional Associations and Trade Associations such as chamber of commerce, Association on American Indian Affairs, American Lung Association, Association for Firefighters and Paramedics, Teacher's Retirement fund Associations etc.

Religious organizations for example churches, mosques, Islamic International Foundation of Cooperation (IslamIFC)

Welfare organizations and clubs such as Calgary women's emergency shelter, Institute of Field Research Expeditions, sports club, social clubs etc.

Scientific groups such as general research groups, cancer research groups, chemistry research group

Features of Not-For Profit Organizations

Their main objective is to render service and is not expected to earn profit.

1. They do not normally engage in trading activities.
2. Usually, these organizations not entertain credit transactions.
3. Usually, such concerns keep Cash Book to record all daily receipt and payments, it help to prepare Receipt and payment Account.
4. They usually maintain a ledger containing the accounts of all incomes, expenses, assets and liabilities which facilitates the preparation of financial statements at the end of the accounting period.
5. The main sources of income of such organizations are subscription from members, donations, legacies, grant, income from investment etc.
6. The funds raised by such organizations through various sources are credited capital fund or general fund.
7. The surplus generated in the form of excess of income over expenditure is not distributed amongst the members. It is simply added to capital fund. They do not maintain capital account, instead they maintain capital fund.

Final Accounts of non-trading concern

Not-For Profit Organizations are required to prepare financial statements at the end of each accounting period. They required providing necessary financial information to members, donors, contributors, Registrar of Societies. It is also necessary to know whether the income during the year is sufficient to meet the expenses or not. The final accounts of a

Not-For Profit Organizations consists of the following:

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

Receipts and Payments Account:

Receipt and payment account is the summary of cash and bank transactions under various heads. It is prepared at the end of an accounting year on the basis of cash receipts and payments recorded in the cash book. (For example, subscriptions received from the members on different dates which appear on the debit side of the cash book, shall be shown on the receipt side of the Receipt and payment account as one item with its total amount. Similarly salary, rent etc on the payment side. Thus Receipt and payment account gives summarized picture of various receipts and payments).

Receipt and payment account records all cash receipts and all cash payments, irrespective of whether they relate to the current period, previous period succeeding period or whether they are of capital or revenue nature. Receipt and payment account never records noncash items like depreciation, outstanding expenses, accrued incomes etc. The opening balance in Receipt and payment account represents cash in hand/cash at bank which is shown on its receipts side and the closing balance of this accounts represents cash in hand/cash at bank as at the end of the year, which appear on the credit side of the Receipt and payment account . If there is a bank over draft at the end it shall be shown on its debit side as the last item.

In Receipts and Payments Account

Items	Record/Not
Current year's receipts	Record
Previous year's receipts	Record
Succeeding year's receipts	Record
Capital receipts	Record
Revenue receipts	Record
Outstanding receipts/payments	Not record
Non cash items like depreciation	Not record

Capital Receipt: The non recurring receipt of the organization is called s Capital Receipts. It is never considered as an income.

Example: Specific donations, Life Membership Fees, Sale of investments, sale proceeds of fixed assets, Loans from banks etc. Capital receipt should be shown on the liabilities side of the Balance Sheet. Decrement

Revenue Receipt: Receipts which are recurring in nature and which are available for meeting all day to day expenses (revenue expenditure) of a concern are known as "Revenue receipts", e.g. Subscriptions, interest on investment received, sale of old news paper, General Donations, Profit on sale of Assets, locker rent, commission received, rent received, dividend received etc.

2. (Boring Road and kankarbagh Patna "By Nitesh sir")

Capital expenditure: Any expenditure which is incurred in acquiring or increasing the value of fixed assets is termed as capital expenditure. Such expenditure yields benefit over a long period and hence treated as an asset. Eg. Purchase of Fixed Assets, Books, Investments etc

Revenue expenditure: Revenue expenses are shorter-term expenses and the full benefit of which is received during one accounting period. Such expenditure does not result in an increase in the earning capacity of the business but only helps to maintaining the existing earning capacity.

Examples: Salaries, Telephone Expenses, Electricity Charges, Postage and Stationery, Depreciation, Audit fees. Loss on sale of machinery, Advertisements, Insurance, sports expenses



Summary Features of Receipts and Payment Account

- It starts with opening balance and ends with closing balance
- It is the summary of cash and bank transaction
- Actual cash transactions are entered.
- It includes capital as well as revenue items
- It follows cash system of accounting
- It shows cash position and excludes all non-cash items.
- It is a real account.
- It does not take any income/expense outstanding at the beginning or at the end

Features of Receipt and Payment Account in briefs:

The following are the features of Receipt and Payment Account:

1. **Nature:** It is a Real Account. It is a summarized version of Cash Book.
2. **Nature of Transactions:** It records only cash and bank transactions. Transactions other than cash and bank like depreciation, loss/ profit on sale of assets, etc. are not recorded in this account.
3. **No distinction between Capital and Revenue items:** It records all cash and bank receipts and payments of both capital and revenue nature.
4. **Opening and closing balance:** It begins with the opening balance of cash and bank and ends with the closing balance of the cash and bank (balancing figure) at the end of the accounting period.
5. **Purpose:** It reveals the cash position of an organization. It helps to ascertain the total amount paid and received during an accounting period.

Steps in the preparation of receipts and payments account

1. Take the opening balances of cash in hand and at bank and enter the same on the debit side. (In case there is bank over draft at the beginning it should be entered on the credit side)
2. Show the total amounts of all receipts on its debit side irrespective of their nature (i.e capital or revenue) and period (i.e current year, previous or succeeding years)
3. Show the total amounts of all payments on its credit side irrespective of their nature and period.
4. Accrued incomes and outstanding expenses etc not to be entered in this account as they do not involve inflow or out flow of cash.
5. Find out the difference between the total of the debit side and the total of the credit side of the account and if the total of the debit side is more than the total of the credit side, it is 'closing cash in hand/bank'.

.. **Receipt and payment account for the year ending.....**

Receipts	Amount	Payments	Amount
To Balance b/d		By Balance b/d (Bank o/d)	XXX
Cash in hand	XXX	Wages and salaries	XXX
Cash at bank	XXX	Rent	XXX
Subscriptions	XXX	Rent and rates	XXX
General donations	XXX	Insurance	XXX
Sale of old news papers	XXX	Printing and stationery	XXX
Sale of scraps	XXX	Postage and courier	XXX
Locker rent	XXX	Advertisement	XXX
Interest on investment	XXX	Sundry expenses	XXX
Proceeds from charity show	XXX	Telephone charges	XXX
Miscellaneous receipts	XXX	Entertainment expenses	XXX
Grant-in -aid	XXX	Audit fee	XXX
Legacies	XXX	Honorarium	XXX
Specific donations	XXX	Repair and rewards	XXX
Sale of investments	XXX	Repair and rewards	XXX
Sale of Fixed Assets	XXX	Upkeep of grounds	XXX
Life Membership Fees	XXX	Conveyance	XXX
Entrance Fees	XXX	News papers and periodicals	XXX
Receipts on account of spec		Purchase of assets	XXX
purpose funds	XXX	Purchase of investments	XXX
Interest on specific fund investment		Balance c/d	
Balance b/d (Bank Overdraft)	XXX	Cash in hand	XXX
		Cash at bank	XXX
	XXX		XXX

Income and Expenditure Account:

It is a Nominal Account. It is in the form of Profit and Loss Account. It is concerned with only revenue items—expenses and incomes. It records all losses and expenses on its debit side and all incomes and gains on its credit side. Of the incomes and expenses of revenue nature, only the portion pertaining to the current year is shown in the Income and Expenditure Account i.e. amount relating to the previous year or future year are excluded. Again, the incomes and expenses of current year, whether received or not, must be shown. In other words, incomes and expenses have to be adjusted for both out-standing and pre- payments. All non-cash items, Depreciation, Bad Debts, Provision for Doubtful Debts etc. are taken into account. The difference between the debit side and the credit side is either surplus or deficit for the year concerned and the difference will be transferred to the Capital Fund (also called General Fund or Accumulated Fund) appearing in Balance Sheet.

Steps in the preparation of income and expenditure account

1. Follow the receipts and payments account thoroughly.
2. Exclude the opening and closing balances shown in the Receipts and Payments Account.
3. Exclude the capital receipts and capital payments as they are to be shown in the balance sheet.

4. Identify the revenue incomes relating to the current year from the debit side of Receipts and Payment Account and record it in the income side. Any accrued income must be added and income received in advance must be deducted.
5. Identify revenue expenses to the expenses relating to the current year from the credit side of Receipts and Payments Account and record it in the expenditure side. Any outstanding expenses must be added and prepaid expenses must be deducted.
6. Consider the following items not appearing in the receipt and payment account that need to be taken into this account for determining the surplus/deficit for the current year:
 - Depreciation of fixed assets
 - Provision for doubtful debts
 - Profit or loss on sale of fixed assets

Summary Features of Income and Expenditure Account

1. It is prepared in lieu of Profit and Loss Account.
2. It is a nominal account.
3. It is based on mercantile system of accounting.
4. There is no opening balance.
5. It ends with Surplus or Deficit.
6. It excludes all capital income and capital expenses.
7. It includes only revenue items.
8. It records all expenses whether paid or not, and all incomes whether received or not

Income and Expenditure Account

Expenditure	Amount	Income	Amount
TO Salaries	XXXX	BY Subscription	XXXX
Honorarium	XXXX	General Donation	XXXX
Rent, rates and taxes	XXXX	Entrance Fee (Not Capitalized)	XXXX
Postage	XXXX	Hall rent	XXXX
Printing and stationery	XXXX	Locker Rent	XXXX
Telephone charges	XXXX	Sale of old news papers	XXXX
Charities	XXXX	Sale of grass	XXXX
Wages	XXXX	Interest received	XXXX
Upkeep of grounds	XXXX	Sale of refreshments	XXXX
Insurance	XXXX	Profit on sale of Fixed. Asset	XXXX
Electricity charges	XXXX	Miscellaneous receipts	XXXX
Interest	XXXX	Deficit (Excess of expenditure	XXXX
General exp	XXXX	over income)	
Entertainment Exp	XXXX		
Bank Charges	XXXX		
Conveyance	XXXX		
Repairs	XXXX		
Newspapers			
& periodicals	XXXX		
Loss on sale of F. Assets	XXXX		
Depreciation on Fixed.			
Assets	XXXX		
Surplus (Excess of			
income over	XXXX		XXXX
expenditure)	_____		_____

Features of Income and Expenditure Account in brief:

The following are the basic features of Income and Expenditure Account

1. **Nature:** It is a Nominal Account. The debit side of I&E records all expenses and losses and the credit side records all incomes and gains related to the current accounting period.
2. **Basis:** It is prepared on the basis of Receipt and Payment Account (R&P). All the revenues items whether incomes or expenditures are transferred from R&P.
3. **Excludes Capital Transactions:** The transactions those are capital in nature are excluded from this account. For example, only profit or loss on sale of fixed assets is recorded but the total amount of sales is not recorded since sale of fixed asset is considered as a capital receipt.
4. **Akin to Profit and Loss Account:** Income and Expenditure Account (I&E) is similar to the Profit and Loss Account in the sense that while the former is prepared to ascertain surplus or deficit during an accounting period the latter is prepared to ascertain net profit or net loss incurred during an accounting period.
5. **Records only Current Year's items:** This account records only those transactions that are related to current accounting year. In other words, transactions related to the preceding or succeeding accounting period are excluded even if these transactions are realized in the current period.
6. **Adjustments:** Various cash and non-cash items like, outstanding expenses, prepaid expenses, income received in advance, income due but not received, depreciation, bad debts, etc. can be adjusted in this account.
7. **Balancing Figure:** The balancing figure of this account is expressed in terms of either surplus (if incomes > expenses) or deficit (if expenses > incomes). The surplus balance, if any, is added to the Capital Fund, whereas, the deficit balance, if any, is deducted from the Capital Fund.

Accrual Basis of Accounting

The income and expenditure account is prepared on accrual basis. It is an accounting method under which revenue is recognized on the income statement when they are earned rather than when the cash is received.

Cash Basis of Accounting

Cash basis refers to a major accounting method that recognizes revenues and expenses at the time cash is received or paid out. This contrasts accrual accounting, which recognizes income at the time the revenue is earned and records expenses when liabilities are incurred regardless of when cash is received or paid

Difference between income and expenditure account and receipts and payments account

Basis of Difference	Receipts and Payments Account	Income and Expenditure Account
1. Nature	It is a summary of cash and bank transactions	It is a summary of current year income and expenses
2. Revenue and Capital	It records transactions related to both revenue and capital nature.	It records transactions related to revenue nature only.

3. Debit Side	Debit side of this account records cash and bank receipts during an accounting period.	Debit side of this account records expenses and losses incurred in the current accounting period.
4. Credit side	Credit side of this account records payments in cash and through cheques.	Credit side of this account records income and gains earned in the current accounting

		Period.
5. Type of account	It is a Real Account	It is a Nominal Account
6. Period	It records receipts and payments made during the year that may be related to the current accounting period or the preceding period and the succeeding accounting period.	It only records income and expenditure made during the current accounting period.
7. Object	This account depicts the cash position of an NPO.	This account shows the net result in terms of surplus or deficits due to the business activities during the year.
8. Opening Balance	This account begins with the opening balance of cash in hand and cash at bank or overdraft.	Usually, it has no opening balance but sometimes surplus or deficits forwarded from the last accounting period (if not added to the Capital Fund) can be shown as the opening balance of this account.
9. Closing balance	The balancing figure of this account is expressed in terms of the closing balance of cash in hand and cash at bank or overdraft.	The balancing figure is expressed in terms of either surplus (if incomes > expenses) or deficit (if expenses > incomes).
10. Depreciation	It does not include non-cash items like depreciation, appreciation, etc.	It includes non-cash items like depreciation, bad-debts, provisions, etc. in order to ascertain the actual net profit or net loss.
11. Adjustment	Receipts and Payments during the year can be adjusted before preparation of the financial statements.	Adjustments regarding both cash and non-cash transactions can be made.
12. Transfer of Balance	The opening balance of this account is brought forward from the last year's Receipts and Payments Account and the closing balance of this account is carried forward to the subsequent year's Receipts and Payments Account and is shown in the Balance Sheet of the current accounting period.	If the closing balance of this account is surplus then it is added to the Capital Fund in the Balance Sheet. If the closing balance is deficit then it is deducted from the Capital Fund in the Balance Sheet.
13. System	It is prepared on cash basis.	It is prepared on accrual basis.

Difference between Profit Organization and Not for Profit Organization

Basis	Profit Organization	Not for Profit Organization
Objective	To earn profit	To render service
Owners	Proprietors/owners	Members
Result of activities	Profit/loss	Surplus/deficit
Distribution of profit	Distribute among owners	Not distributed among members but added to capital fund
Important Accounts	Trading Profit and Loss Account, Balance Sheet	Receipts and Payments Account, Income and Expenditure Account, Balance Sheet

Balance sheet

Not-For Profit Organizations' prepares balance sheet to display the financial position of the organization. The preparation of the balance sheet is on the same pattern as that in the case of a profit organizations .However, in Not for Profit organization there is **capital fund** in place of **capital** in profit organization and the surplus or deficit should be added to or deducted from capital fund, as the case may be. Capitalized portion of legacies, entrance fees, life membership fees etc.directly added to the capital fund. Specific purposes funds like building fund, sports fund, etc. are shown separately in the liability side of the balance sheet.

Steps in the preparation of balance sheet

1. Take the capital fund as per the opening balance sheet (or given) and add the surplus from the income and expenditure account .Add capitalized portion of entrance fees, legacies, life membership fees etc received during the year to Capital Fund.
2. Take opening capital fund to the liability side and add/less the surplus/deficit as the case may be to the opening capital fund.
3. Add capitalized portion of entrance fee, legacies, life membership fees etc.(if any)received during the year to capital fund.
4. Outstanding expenses, income received in advances etc.as on the closing date are shown on the liability side of the closing balance sheet.
5. Accrued incomes, prepaid expenses etc are shown on the asset side.
6. Closing cash/bank balances are shown on the asset side.
7. Assets at the beginning of the year should be adjusted with additions, disposal, and depreciation, if any.
8. New assets purchased should be shown on the asset side.
9. Any special purpose funds like building fund, tournament fund etc. should be shown separately in the liability side.

Balance Sheet

Liabilities	Amount	Assets	Amount
Capital Fund:-		Cash in hand/at bank	xxx
Opening balance	xxx	Outstanding income	xxx
Add: Surplus	xxx	Prepaid expenses	xxx
Or		Closing stock of consumable ite	
Less: Deficit	(xxx)	Fixed assets	xxx
Add: Capitalised		Special fund investment	xxx
portion of:			
Legacies	(xxx)		
Entrance fee	(xxx)		
Life membership fee	(xxx)		
	xxx		
Special purpose fund/donations:			
Previous balance (if any)	xxx		
Add: Receipt for the item			
During the year	xxx		
Add: Interest earned on fund investment	xxx		
Less: Expenses paid out of fund	xxx		
	xxx		
Creditors	xxx		
Bank over draft	xxx		
Outstanding expenses	xxx		
Income received in advance	xxx		
	xxx		xxx

Some important definitions

i) Annual Subscription

- Subscriptions received during an accounting year (whether related to the current year or previous and subsequent year) are shown on the debit side of the Receipts and Payments Account.
- Subscription amount related to the current accounting year only, whether received or yet to be received are shown on the credit side of the Income and Expenditure Account.
- Subscriptions received in advance for the subsequent year are shown on the Liabilities side of the Balance Sheet.
- Subscriptions due but not received are shown in the Assets side of the Balance Sheet.

Donation

It is a sort of gift in cash or property received from some person or organization. It appears on the receipts side of the receipts and payment account. Donation can be for specific purpose or for general purpose.

- Specific purpose donation:** If donation received is to be utilized only for specific purpose, it is called specific donation. The specific purpose may be to an extension of the existing building, construction of a new computer lab, etc. Such donation is to be capitalized (capital receipts) and should be shown on the liability side of the balance sheet irrespective of the

fact whether the amount is big or small. It is a capital receipt so it never recorded in Income and expenditure account.

- b. **General donations:** such donations are to be utilized to promote the general purpose of the organization. These are treated as revenue receipts as it is a regular source of income hence; it should be taken to the income side of the income and expenditure account. It does not shown in the balance sheet.

Legacies:

It is the amount received as per the will of a deceased person. It appears on the receipt side of the receipts and payment account and is **directly added to the capital fund** in the balance sheet, because it is **not a recurring nature**.

However, legacies of a small amount may be treated as income and should be shown on the income side of the income and expenditure account.

Life membership fees:

Some members prefer to pay lump sum amount as life membership fee instead of paying periodic subscription. Such amount is treated as capital receipt and added directly to the capital fund in the balance sheet.

Entrance Fees:

Entrance fee also known as admission fee is paid only once by the member at the time of becoming a member. In clubs and some charitable institutions the membership is limited and the amount of entrance fee is quite high. Hence, it is **treated as non-recurring item and added directly capital fund**.

However, for some organizations like educational institutions the entrance fees is a regular income and the amount involved may also be small. In this case, it is customary to treat this item as a revenue receipt. However, if there is specific instruction, it is advisable to treat the amount as capital receipt and the amount should be directly added to capital fund.

Sale of old asset

Receipts from the sale of an old asset will appear in the **receipts side of the receipts and payments account** of the year in which it is sold. But any **gain or loss on the sale of asset is taken to the income and expenditure account of the year**.

(For example, suppose, furniture with a book value of Rs.800 is sold for Rs.700 and the sale price of Rs.700 should be shown as receipts in the in the receipts and payment account and Rs.100,loss on sale of furniture should be shown in the expenditure side of the income and expenditure account as loss on sale of furniture and in balance sheet book value,Rs.800 will be deducted from total book value of furniture).

Treatment:

1. Amount received on sale of furniture (here Rs.700) - Rs.700 recorded on the **Receipts side of R & P Account**.
2. Book value (value of asset recorded in the last balance sheet) of the asst is Rs.800.But, here it is sold for Rs.700,i.e there is a loss on sale of asset **Rs.100(800-700)-Loss on sale of asset should be shown**

On the expenditure side of I & E Account.

3. Due to this transaction there is a reduction in the value of furniture to the extent of Rs. 800. So **book value Rs.800 deducted from the value of asset in balance sheet**.

Sale of periodicals

It is an item of recurring nature and shown as the income side of the income and expenditure account.

Sale of old sports materials

Sale of used sports materials like old balls, bats, net, etc is the regular feature with any sports club. It is usually treated as an income and should be credited in the income and expenditure account.

Payment of honorarium

It is the amount paid to the person who is not a regular employee of the institution. Payment to an artist for giving performance at the club is an example of honorarium. This is shown on the expenditure side of the income and expenditure account.

Endowment fund

It is a fund arising from an inheritance or gift, the income of which is devoted for a specific purpose. Hence, it is a capital receipt and should be shown on the liability side of the balance sheet as an item of a specific purpose fund.

Government grant

Schools, colleges, public hospitals etc depend upon government grant for their activities. The recurring grant in the form of maintenance grant is treated as revenue receipt and is credited to income and expenditure account. However, special purposes grant like building grant is treated as capital receipt and transferred to the building fund account and should be shown on the liability side of the balance sheet.

It may be noted that some not-for profit organizations receive cash subsidy from the government or government agencies. This subsidy is treated as revenue income and shown on the income side of the income and expenditure account.

Honorarium

Honorarium is a payment to a person for his/her services that are generally supposed to be performed voluntarily. In other words, an honorarium is a payment to a person for his/her services which are customarily not required any fee or money to be paid. For example, a person (an outsider) got paid RS 500 (honorarium) for giving a good lecture to the students of a non- profit college

What is subscription? How is it calculated?

Subscription is the main source of income for an NPO besides entrance fees, donations, grants, etc. Subscriptions refer to the amount of money paid by the members on periodic basis for keeping their membership with the organization alive. It is paid monthly, quarterly, half yearly or annually by the members. It is shown in the debit side of the Receipt and Payment Account with the total amount received during the year that may be related to the current period and to the previous and next accounting period. While calculating subscription for the current period, advance subscription received for the current period in the previous period and outstanding subscription for the current period are added to the subscription received during the current period. Whereas, on the other hand, advance subscription received for the next accounting period during the current period and outstanding subscription for the preceding period are deducted from the subscription received during the current period.

Calculation of Subscription

Subscription received during the year		***
Add: Subscription received (in advance) during previous year for current year	***	
Add: Subscription outstanding at the end of the year	***	

Less: Subscription received in advance for the next year	***	
Less: Subscription outstanding for the previous year	***	***
## Subscription shown in Income and Expenditure Account		***

This subscription is related to the current accounting period and is shown in the Income side of the Income and Expenditure Account

Subscription Account

Date	Particulars	Amount	Date	Particulars	Amount
	Opening outstanding	XXXX		Opening pre-received	XXXX
	Income and expenditure a/c(subscription for the current year)	?		Receipts and payment account (cash received during year)	XXXX
	Closing pre received	XXXX		Closing outstanding	XXXX
		XXXX			XXXX

Special funds

The Not-for-Profit Organizations generally create **special funds** for certain purposes such as match fund, tournament fund, sports fund, prize funds etc. Sometimes such funds are invested in securities and the **income** earned on such investments is **added to the respective fund**, not credited to income and expenditure account. Similarly, the **expenses incurred on such specific purposes** are also **deducted from the special fund**. (For example, a club may maintain a special fund for sports activities. In such a situation, the interest income on sports fund investment is added to the sports fund and all expenses on sports are deducted there from. The special funds are shown in the balance sheet. However, if, after adjustment of income and expenses the balance in **special fund is negative**, it will be transferred to the **expenditure (debit) side of the Income and Expenditure Account**.

Balance Sheet

Liabilities	Amount	Assets	Amount
Tournament fund: ██████████		Tournament	
Fund as per Receipts and payment Account	XXXX	fund investment	XXX
Add:			
Collection for Tournament	XXXX		
Donation for Tournament	XXXX		
Interest from Tournament-		<p>If this figure is negative (-) it should be transferred to the expenditure (debit) side of the Income and Expenditure</p>	
Fund Investment	<u>XXXX</u>		
	XXXX		
Less:			
Tournament Expense	<u>XXXX</u>	XXXX ←	

Q.Show the treatment of the following items in the financial statement of a Not for Profit organization.

	Dr	Cr
Tournament fund		35000
Tournament fund Investment	35000	
Tournament collection		2700
Subscription received towards tournament fund		4000
Tournament expenses	1000	
Interest on tournament fund investment		400

Note: Tournament fund is a special purpose fund, so expenses and incomes related to that fund should be adjusted with that fund on the liability side of the balance sheet. If, after the adjustment of income and expenses the balance in **special fund is negative**; it will be transferred to the **expenditure (debit) side of the Income and Expenditure Account**. Tournament fund investment is an asset, so it should be shown on the **asset side** of the balance sheet.

Liabilities		Amount	Assets	Amount
Tournament fund	35000		Tournament fund	
Add:			Investment	35000
Tournament collection	2700			
Subscription received towards tournament				
-fund	4000			
Interest on tournament fund investment	<u>400</u>			
	42100			
Less: Tournament expense	<u>1000</u>	41100		

Balance sheet

Note: Suppose, if tournament expense is 43000 instead of 1000, i.e tournament fund becomes negative (42100-43000= -900) 900 should be shown on the expenditure side of the income and expenditure account.

Treatment of Income with Adjustments

Income and Expenditure Account

Expenditure	Amount	Income	Amount
		Income received as per R&P Account	XXXX
		Add:	
		Closing Accrued Income	XXXX
		Opening Pre-received	XXXX
			XXXX
		Less:	
		Opening Accrued Income	XXXX
		Closing Pre-received	<u>XXXX</u>
			XXXX

Note: Accrued income is an Asset

Amount of Income credited to Income & Expenditure

Pre-received income is a Liability

Q. From the following particulars given below find out the amount of interest to be credited to Income and Expenditure Account.

Interest received during the year 2018 is Rs.7250 (of which Rs.250 related to previous year)

Interest due but not received (31-12-2018) Rs.1500

Interest received in advance on 1-1-2018 Rs.650

Interest received in advance on 31-12-2018 Rs.700

Interest due but not received on 31-12-2017 Rs.350

Calculation of Interest to be credited to Income and Expenditure Account:

Income received as per R&P Account	7250		
Add:			
Closing Accrued Income	1500		
	65		
Opening Pre-received	<u>0</u>		
	9400		
Less:			
Opening Accrued Income	250		
Closing Pre-received	<u>700</u>	<u>950</u>	8450

Amount of Interest Received to be credited to I & E A/C

Treatment of Expenses with Adjustments:

Total Expenses paid during the year	xxxx
Add: outstanding Expenses at the end of year (closing)	xxxx
Add: Prepaid Expenses at the beginning of year (opening)	xxxx
Less: outstanding Expenses at the beginning of year (opening)	(xxxx)
Less: Prepaid Expenses at the end of year (closing)	(xxxx)
Current year expenses debited to income & expenditure	<u>xxxx</u>

Income and Expenditure Account

Expenditure		Amount	Income	Amount
Expense paid as per R&P Account	XXXX			
Add:				
Closing outstanding	XXXX			
Opening Pre-paid	XXXX			
	<u>XXXX</u>			
Less:				
Opening Outstanding	XXXX			
Closing Pre-paid	<u>XXXX</u> <u>XXXX</u>	XXXX		

Amount of expense debited to Income and Expenditure A/C

Note: Prepaid Expense is an Asset, Outstanding expense is a Liability

Expenditure Stock Item

Items like Printing and Stationery, sports materials, bats, balls etc are called expenditure stock items. In this case, actual consumption is debited to Income and Expenditure Account. It is calculated as follows:

Calculation of Cost of consumable goods	
Total payment made during the year	*****
Add: Opening stock of material	*****
Add:- Advance made in beginning of year(Opening)	*****
Add:- Creditors at the End of year (closing)	*****
Less: Closing Stock of Material	*****
Less: Advance made at the end of year (closing)	*****
Less:- Creditors At the beginning of year(Opening)	*****
Amount to be Shown in Income and Expenditure	*****

What is Capital Fund? How is it calculated?

Capital fund is the excess of NPOs' assets over its liabilities. In other words, the excess of assets over the liabilities for a profit earning organization is termed as capital and the same for an NPO is termed as capital fund. Any surplus or deficit ascertained from Income and Expenditure account is added to (deducted from) the capital fund. It is also termed as Accumulated Fund.

Calculation of capital Fund

Capital Fund at the beginning of the year		**
Add: Surplus from Income and Expenditure Account	**	
Add: Subscription Amount (Capitalized amount)	**	
Add: Life membership fee.	**	**
Less: Deficit from Income and Expenditure Account		**
Capital Fund at the end of the year		***

Assignment 1.

Receipt and Payment Account of Maitrey Sports Club showed the following information for the year ended on March 31, 2020.

Receipts	Amount	Payment	Amount
To Subscription For 2018-19- 25000 For 2019-20-160000 For 2020-21- <u>15000</u>	2,00,000		

The additional information was as under:

1. Subscription Outstanding as on March 31, 2019 were Rs 25000,
 2. Subscription received in advance as on March 31, 2019 were Rs 10000,
 3. Subscription Outstanding as on March 31, 2020 were Rs 20000,
- Show how that above information would appear in the final accounts for the year ended on March 31, 2020 of Maitrey Sports Club.

Assignment 2.

Receipt and Payment Account of Patna Sports Club showed the following information for the year ended on March 31, 2020.

Receipts	Amount	Payment	Amount
To Subscription For 2018-19- 30000 For 2019-20-180000 For 2020-21- <u>10000</u>	2,20,000		

The additional information was as under:

1. Subscription Outstanding as on March 31, 2019 were Rs 35000,
2. Subscription received in advance as on March 31, 2019 were Rs 15000,
3. Subscription Outstanding as on March 31, 2020 were Rs 25000,

Show how that above information would appear in the final accounts for the year ended on March 31, 2020 of patna Sports Club.

Assignment 3.

Receipt and Payment Account of Patna Sports Club showed the following information for the year ended on March 31, 2020.

Receipts	Amount	Payment	Amount
To Subscription For 2018-19- 20000 For 2019-20-150000 For 2020-21- <u>10000</u>	1,80,000		

The additional information was as under:

1. There are 500 members and each paying an annual subscription of Rs 420
3. Subscription Outstanding as on March 31, 2019 were Rs 25000,

Show how that above information would appear in the final accounts for the year ended on March 31, 2020 of patna Sports Club.

Assignment 4.

Find out the cost of medicines consumed during 2015-16 from the following information

Particulars	Amt (Rs)
Payment for purchase of medicines	3, 70,000
Creditors for medicines purchased	
On 1st April, 2015	25,000
On 31st March, 2016	17,000
Stock of medicines	
On 1st April, 2015	62,000
On 31st March, 2016	54,000
Advance suppliers of medicines	
On 1st April, 2015	11,500
On 31st March, 2016	18,200

Assignment 5.

From the following information, calculate the amount of salary to be debited to the income and expenditure account for the year 20017-18.

Salary paid during the year	50,000
Salary outstanding on 31st March, 2017	20,000
Salary outstanding on 31st March, 2018	6,000
Salary paid in advance (prepaid) on 31st March, 2017	8,000
Salaries paid in advance (prepaid) on 31st March, 2018	9,000

Assignment 6. From the following Receipts and Payments Account and additional information given below, prepare Income and Expenditure Account of Rural Literacy Society as on 31st March, 2019:

RECEIPTS AND PAYMENTS ACCOUNT
for the year ended 31 st March, 2019

Dr.

Cr.

Receipts	Amount (Rs)	Payments	Amount (Rs)
To Balance b/d:		By General Expenses	32,000
Cash in Hand	40,000	By Newspaper	18,500
Cash at Bank	1,55,500	By Electricity	30,000
To Subscriptions:		By Fixed Deposit with Bank	1,80,000
2017-18	12,000	(On 30th September, 2018 @ 10% p.a.)	
2018-19	2,65,000	By Books	40,000
2019-20	5,000	By Salary	36,000
To Legacy	12,500	By Rent	65,000
To Life Membership Fee	1,20,000	By Telephone Bill	16000
To Sale of Old Furniture	37,000	By Insurance	8000
(Book value Rs 50,000)		By Postage Charges	3,000
To Interest received on Fixed Deposit	4,500	By Furniture (purchased)	1,05,000
To Entrance Fee	30000	By Building	80000
To Donation	5000	By Balance c/d:	
To Endowment Fund	15000	Cash in Hand	30,000
To Sale of Old Newspaper	1000		
To Annual membership Fee	18000	Cash at Bank	82,000
	7,25,500		7,25,500

Additional information:

- (i) Subscription outstanding as on 31st March, 2018 Rs 20,000 and on 31st March, 2019 Rs 15,000.
- (ii) Subscription Received On Advance as on 31 st March 2018 Rs 8000
- (iii) On 31st March, 2019, salary outstanding Rs 6,000 and one month rent paid in advance.
- (iv) On 31 st March 2019 Telephone Bill Outstanding Rs 4000 and Prepaid Insurance Rs 2000
- (v) Depreciation Charge on Books @ 5% p.a and Other Assets @ 10% P.a