

CHAPTER – 1

Quick Revision Notes

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATION

General Formats

1. Format of Receipt and payment account

| Receipts | Rs | Payment | Rs |
|---|-------|-----------------------------|----|
| To balance b/d: | | By balance b/d | |
| Cash in hand | | By Revenue Payment | |
| Cash at bank | | Wages and Salaries | |
| To Revenue Receipts | | Rent | |
| Subscription | | Rates and Taxes | |
| General donation | | Insurance | |
| Sale of newspaper/periodicals/waste paper | | Printing and Stationary | |
| Sale of old sports material | | Postage and Courier | |
| Interest on fixed deposits | | Advertisement | |
| Interest/dividend on general investment | | Sundry Expenses | |
| Locker rent | | Telephone Charges | |
| Sale of scraps | | Entertainment Expenses | |
| Proceeds from charity show | | Audit Fees | |
| Miscellaneous receipts | | Honorarium | |
| Grant-in -aid | | Repair and Renewals | |
| To Capital Receipts : | | Upkeep of Ground | |
| Legacies | | Conveyance | |
| Life Membership Fee | | Newspapers and Periodicals | |
| Specific/Purpose Donation | | By capital Payment : | |
| Sale of Investment | | Purchase of Fixed Assets | |
| Sale of Fixed Assets | | Purchase of Investment | |
| Endowment Fund | | Fixed Deposits | |
| | | By Balance c/d : | |
| | | Cash in hand | |
| | | Cash at bank | |

2. FORMAT OF INCOME AND EXPENDITURE ACCOUNT

| Expenditure | Rs | Income | Rs. |
|---|----|--|-----|
| To all revenue payments after making adjustment for outstanding and prepaid exp.(current and previous year) | | By all revenue payments after making adjustment for outstanding and prepaid exp. (current and previous year) | |
| To depreciation | | By profit on sale of fixed asset | |
| To Bad Dept | | By deficit | |
| To Discount | | | |
| To Loss on Sale of Fixed Assets | | | |
| To Consumed Part of Medicine, Stationery, Sports Equipment etc. | | | |
| To Surplus | | | |



3. Format for CALCULATION OF CAPITAL FUND

| Liabilities | Rs | Assets | Rs. |
|---|----|---|-----|
| Creditors Bank overdraft Outstanding expenses in the beginning of the current year Subscription received in advance in the beginning of the year Capital fund(balancing fig being opening capital fund) | | Cash in hand Cash at bank Subscription outstanding of previous year Opening stock of stationary, medicine etc. Prepaid expenses in the beginning of the current year Books Furniture Machinery Investment | |

Points to be remember for the accounting treatment of some important items of a N.P.O.

- Subscription** – Subscriptions to be credited to Income & Expenditure A/c can be calculated by preparing an account as follows:

Subscription A/c

| Particulars | Rs. | Particulars | Rs. |
|---|-----|--|-----|
| To subscription outstanding(opening balance) To Income & Expenditure A/c (Amt. to be credited to income & exp. A/c) To subscription received in advance(closing balance) | | By subscription received in advance(opening balance) By Bank(Receipts & Payment A/c) By subscription outstanding(closing balance) | |
| | | | |

Always remember a subscription received in advance is shown in the balance sheet as current liability and outstanding subscription is shown in the balance sheet as a current asset.

- Donations** - If donations are general it can be treated either income (if the amount is small) or can be capitalized (if the amount is large).

If the donation is for a specific purpose, it is capitalized and is shown in the liabilities side of the balance sheet.

- Legacies** – These are the amount received by N.P.O. as per the WILL of a deceased person. It is always capitalized and shown in the liabilities side.

4. Calculation of the cost of Consumable goods

| Particulars | Amount |
|---|--------|
| Opening stock of consumable goods Add: consumable goods purchased during the year(cash & credit) Less: Closing stock of consumable goods consumable goods used during the year (to be debited to Income & Expenditure A/c) | |

OR



| Particulars | Amount |
|---|--------|
| Opening stock of consumable goods Add: Amount paid for consumable goods Add: Creditors for consumable goods(closing balance) Add: Advance paid for consumable goods(opening balance) Less: Creditors for consumable goods(opening balance) Less: Advance paid for consumable goods(closing balance) Less: Closing stock of consumable goods consumable goods used during the year (to be debited to Income & Expenditure A/c) | |

4. **Fund based accounting** – N.P.O. sometimes maintain separate Fund for specific activity such as tournament, prize match etc. In such cases, contributions, donations for, income, expenses of these activity are not recorded in Income & Expenditure A/c but are directly adjusted in specific fund A/c. If funds are more, balance is shown in the liabilities side of the balance sheet and if expenses are more, it is transferred to the debit of Income & Expenditure A/c.
5. **Honorarium** – It is a token payment made to a person who voluntarily undertakes a service which would normally command a fee. It is shown as an expenditure in Income & Expenditure A/c.