

# Financial statement of not for profit organisation

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1. **Not for profit organisation:** those organisations whose objective is not to earn profit but to render services to its members and to the society.
2. **Receipt and payments account:** it is a summary of cash and bank transactions prepared at the end of accounting period. It records all receipts and payments, whether of revenue and capital nature, and irrespective of the period of which they relate.

## **Limitations of R&P Account:**

- i) It does not show expenses or income on accrual basis.
- ii) It does not show whether N.P.O is able to meet its day to day expenses out of its income.

## **INCOME AND EXPENDITURE ACCOUNT:**

It is a summary of income and exp. Of the year matching revenue expenses with revenue receipts to ascertain surplus and deficit. It shows surplus and deficit.

- Current account periods revenue items only are considered.
- Exp. and income account only are considered for preparing income and expenditure accounts while assets and liabilities capital fund are considered for preparation of balance sheet.
- Income and expenditure account does not have an opening balance. Closing balance is either surplus and deficit. Which is transferred to capital fund in balance sheet.

## **FUND BASE ACCOUNTING**

- **Entrance fees:** it is a revenue receipt and credited to income and expenditure account.
- **Life membership fee:** it is a capital receipt and added to capital fund in balance sheet.
- **Special receipt:** contribution received for annual dinner. Such contributions are credited to separate account. An expense against these receipts are debited. The balance is transferred to income and expenditure account.
- **Legacy:** general donation - treated as revenue receipt, special donation treated as capital receipt and is credited to **fund account** maintained for the purpose shown in the

liabilities side of balance sheet.

- **Sale of used sport material : 1.** old sport material shown as consumed debit to income and exp. Account is sold the sale proceed are shown on credit side of income and expenditure account
- 2. Old sport material appears in balance sheet is sold - income (sale - book value) show on credit side and in case of loss shown to dr. Side of income and expenditure account.
- **SUBSCRIPTION :** subscription relating to the current year wheather received or not, are shown on the credit side of income and expenditure account. Subscription not received outstanding are shown on asset side of balance sheet and subscription received in advance for following year are shown on liabilities side.

#### **TABLE SHOWING CALCULATION OF SUBSCRIPTION**

Subscription received during the year

add: subscription outstanding at the end of year

Subscription received in advance in the begining

Less: subscription outstanding at the begining of the year.

Subscription received in advance at the end of year.

**Amount to be transferred to income and expenditure account**

#### **CALCULATION OF COST OF GOODS CONSUMED**

Amount paid on stock

Add: opening stock of goods

Creditors at the end of period

Advance in the begining of period

**Less:** closing stock of goods

Creditors at the begining

Advance at the end of period

**Amount to be transferred to income and expenditure account**

#### **PREPARATION OF INCOME AND EXPENDITURE AND BALANCE SHEET WITH ADJUSTMENT**

**If balance of capital fund is not given balance sheet in the begining prepared. A balance sheet is to be prepared to find the capital fund by considering items given in question**

## **REVENUE RECEIPT IN WHICH ADJUSTMENT IS REQUIRED**

### **Calculation of revenue receipt**

Amount received during the year

**Add:** outstanding income at the end of year

Income received in the beginning of the year

**Less:** outstanding income at the beginning of year

Income received in advance at the end of year

**Amount to be transferred to income and expenditure account**

### **Calculation of revenue payments**

Amount paid during the year

**Add:** outstanding expenses at the end of the year

Prepaid expenses in the beginning

**Less:** outstanding expense in the beginning

Prepaid expenses at the end of the year.