

UNIT-2

Accounts of Non-Profit Organization:

The organisations which are having the main objective of serve their members and not-profit making are called as non-profit organisations. The trading concerns include hospitals, educational institutions, sports clubs, political associations, libraries etc. are coming under non-profit organisations.

Accounts prepared under non-Profit organizations:

Final accounts of non-trading concerns usually consist of the following accounts,

1. Receipts and payments Account.
2. Income and Expenditure Accounts.
3. Balance sheet.

I Receipts and Payment-accounts:

It is a summary of all cash and bank transactions for a year. It starts with the opening balance of cash and ends with closing balance of cash in the credit side of this account.

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Procedure for Preparing Receipts and Payment Account:

- (i) It Begins with the opening balance of cash in hand and at bank in the debit side.
- (ii) It ends with the closing balance of cash in hand and at bank in the credit side of the account.
- (iii) Only actual cash transactions are to be entered in this account.
- (iv) All the receipts of cash and cheques are to be entered on the debit side ~~and~~ headed over 'Receipts'.
- (v) All the payments made by cash or cheque are recorded on the credit side which are headed over 'Payments'.
- (vi) All the capital and revenue receipts are entered ~~in~~ on the ~~credit~~ debit side and all the capital and revenue payments are entered on the Credit side.
- (vii) The receipts and payments of the previous years and future years are also entered in this account.
- (viii) The difference between the two sides are mentioned as Cash in hand and at bank at the end.

Format:

Name of the Organisation/club...
 Receipts and Payments A/c for the
 year ended

Receipts		Payments	
To Balance b/d		By Rent & Taxes	xxx
Cash	xxx	By Salaries	xxx
Bank	<u>xxx</u>	By Electricity	xxx
To Subscriptions		By Printing & Stationery	xxx
Previous years.	xxx	By Purchase of furniture	xxx
For current yr.	xx	By Purchase of Books	xxx
For future yrs.	<u>xx</u>	By Purchase of Investments	xxx
To Life membership fee	xxx	By Insurance	xxx
To Entrance fee	xxx	By Repairs	xxx
To Donations	xxx	By Miscellaneous exps.	xxx
To Income from Lectures and concerts	xxx	By Balance c/d	
To Real-	xxx	Cash	xxx
		Bank	<u>xxx</u>
	<u>xxx</u>		<u>xxx</u>

II Income and Expenditure Accounts:

It is prepared in lieu of profit and loss account and is prepared on the basis of standard accounting principles. It is nominal account in nature.

Procedure to prepare Income and Expenditure Account:

- (i) It is prepared for the current year, and has no relation to the previous or following years.
- (ii) All the revenue income for the current year are shown on the credit side of this account.
- (iii) All the revenue payments or expenditures are shown on the debit side of this account.
- (iv) Income received in advance and income relating to the previous years is excluded.
- (v) Provisions are made for the accrued income i.e. income made during the year but not received.
- (vi) The opening and closing cash balances in the receipts and payments account to be omitted.
- (vii) Depreciation and bad debts are to be entered in this account.