THE HIGH RANKERS

A/162, GANGA RAM GALI MANDAWALI, DELHI-110092

Not for profit organisations

Meaning of not for profit organisations

Not-for-profit-organisation refers to those organisation which

- Are formed for the purpose of promoting commerce,art,scienc,religion,charity or any other useful object,
- Intend to spend their income in promoting their objectives, and
- Prohibit the payment of any dividend to their members
- The examples of such organisation includes sports clubs,social clubs ,libraries,charitable hospital,educational institutions,temples,churches,gurdwaras and masjids.

Receipts and payments account

Meaning

The receipts and payments account is an asset account (real account) which shows the classified summary of transaction of cash book along with the cash & bank balances in the beginning and at the end of an accounting period.

Features of receipts & payments account

The main features of receipts account are as following:

- It starts with the opening balance of cash in hand & cash at bank.
- It is debited withal sums received.
- It credited with all sums paid out.
- It records all receipts and payments whether they are of revenue nature or capital nature.
- It records all receipts and payments whether they relate to the previous, current or following accounting year.
- It does not record non-cash items
- It ends with closing balance of cash in hand cash at bank.

Format of receipts and payments account

A general format of receipts and payment account is given below:

Receipts and Payments Account
For the year ended on ....

Dr. Cr

RECEIPTS	Amount Rs	PAYMENTS	Amount Rs
TO Balance b/d		By Purchase of Assets	
Cash		By Printing and stationery	
Bank		By Repairs and Renewal	
TO Donations		By Newspapers/Magazines	
TO Legacies		By Rent and taxes	
TO Membership fees		By Postage	
TO Entrance fees		By Investments	
TO Subscriptions		By Conveyance	
TO Sale of fixed assets		By Honorarium	
TO Interest on investments TO		By Charity	
Miscellaneous Receipts		By Insurance Premium	
TO Sale of old periodicals		By Upkeep of Ground	
		By Telephone Charges	
		By Balance c/d :	
		Cash	
		Bank	

Preparation of Receipts and Payments Account

Following are the steps followed to prepare Receipts and Payments A/c :

At first the cash and bank balance carried forward from the last year is written on its debit side. In case there is bank overdraft at the beginning of the year, enter the same on the credit side of this account.

The amounts are written under relevant heads such as subscription, donations etc. on the receipts side and salary, rent, purchase of sports equipment, books etc. on the Payment side.

The amounts comprise of only cash and all cash received or paid during the period for which Receipts and Payments Account is prepared. No distinction is made between the items of revenue nature or capital nature and whether these belong to current year, previous year or the coming year.

Finally, this account is balanced by deducting the total of the credit side i.e. the total payments from the total of the debit side i.e. total receipts and is put on the credit side as 'balance cld'.

It shows the closing cash and Bank balance which is written on the asset side of the Balance sheet of the concerned organisation

Income and expenditure account

Meaning

An income expenditure account is a final account like profit & loss account, which shows the classified summary of revenue income, expenses and losses for current accounting period along with surplus or deficit which is transferred to the capital fund.

Features of income & expenditure account

- It is debited with the expenses and losses.
- It is credited with the incomes.
- It records only those expenses and losses which are of revenue nature.
- It records only those expenses and losses which relates to current accounting year.
- Its balance at the end which represents either the surplus or deficit which is transferred to the capital fund in the balance sheet.

Format f income and expenditure account

A general format of receipts and payment account is given below:

Income and expenditure Account
For the year ended on ....

Dr **Cr**

Expenditure		Income	
To Salaries And Wages Paid Xxx Add: Outstanding At The End Xxx Advance In Beginning Xxx Less: Outstanding In The Beginning Xxx Advance At The End Xxx		By Subscription Received Xxx Add: Outstanding At The End Xxx Advance In The Beginning Xxx Less: Advance In The Beginning Xxx Outstanding In The Beginning Xxx	
To Rent,Rates And Taxes To Insurance Premium To Depreciation On Assets To Audit Fees To Printing & Stationery To Honorarium		By Entrance Fees By General Donation/Legacies By Life Membership Fees By Profit On Annual Sports (Receipts- Expenses) By Rent Of Club Hall	

To Bank Charges To Postage & Traveling To Electricity & Water To Sundry Expenses To Surplus		By Dividend & Interest By Sundry Receipts By Deficit	

Distinction between receipts & payments account and income & expenditure account

Receipts & Payments Account	Income & Expenditure Account
Receipts are shown on debit side and payment shown on creditside	Expenses are shown on debit side and Incomes are shown on credit side
Starts with the opening balance of cash in hand and at bank	It has no opening balance
Only cash transactions takes place	Other transactions also take place
Capital as well as revenue items appear	Only revenue items appear
The difference of two sides is the cash in hand and at bank at the end of the periods	The difference between is either surplus or deficit for the period
All receipts and payments are shown irrespective of the year to which they relate	Only those expenses and incomes are shown which related to the period for which the account is prepared

Subscription

Treatment of subscription

Meaning - It is a regular payment made by the members to the organisation. It is generally contributed annually. It is one of the main sources of income. It appears on the debit side i.e. Receipts side of the Receipts and Payments Account and It appears on the credit side i.e. income side of the income and expenditure.

(a)Statement showing computation of subscriptions income for the current year

Particulars	Amount
A. Subscription received during the year	Xxx
B. Add : (i) Outstanding subscription at the end of current year xxx (ii) Advance subscription in the beginning of the current year xxx	Xxx
C . less : (i) Outstanding subscription in the beginning of the current year (xxx) (ii) Advance subscription at the end of current year (xxx)	(xxx)
D subscription income to be credited to income and expenditure account (A+B-C)	xxxxxx

(b) in account form

Dr subscription account Cr

Particular	Amount	Particular`	Amount
To outstanding subscription A/C (Outstanding subscription in the beginning) To income & expenditure A/C (balancing firgure) To Advance subscription A/C (advance subscription at the end)	Xxx Xxx Xxx	By advance subscription A/C (Advance subscription in the beginning) By bank A/C (total subscription received during the year) By outstanding subscription A/C (Outstanding subscription at the end)	Xxx Xxx xxx
	xxxx		xxxx

Treatment of donations and legacies

Meaning – donations represent the amount donated by any person to the organisation for a general or specific purpose legacies represents the donation which for given under a will on the death of a donor.

Accounting treatment..

(a) General donation & legacies ---→ these donation & legacies are treated as revenue receipts and thus are transferred the credit of income & expenditure account.

(b) Specific donations & legacies --→ these donations & legacies are treated as capital receipts and thus are transferred to a special fund account (eg. Building fund) maintained for the purpose. Any income relating to such 'Special Fund Account' is added to the respective fund. Any revenue expenditure relating to 'Special Fund Account' is deducted from the respective fund. However, any expenditure of capital nature on account of this Special Fund (e.g., expenditure on the construction of building out of Building fund) should be shown on the assets side of the balance sheet and an equal amount should be transferred from the Special Fund of the Capital Fund.

Illustration – show how will you deal with the following items while preparing the final accounts for the ending on march 31,20x2 in each of the following alternative cases:

Case (a) prize awarded Rs 2000.

Case (b) prize awarded Rs 2000,prize fund as at 31.3.20x1 Rs 12000.

Case (c) prizes awarded Rs 2000,prize fund as at 31.3.20x1 Rs 12000,donations for prizes received during the year 20x1-20x2 Rs 2800.

Case(d) prizes awarded Rs 2000,prize fund as at 31.3.20x1 Rs 12000,donations for prizes received during the year 20x1-20x2 Rs 2800,10% prize fund investments as at 31.3.20x1 Rs 12000.intrest received on prize fund investments Rs 1200.

Illustration – How will you deal with following items while preparing the income and expenditure account for the year ending on march 31,20x2 and balance sheet as on that date in each of the following alternative cases?

Case (a)	as at 1.4.20x1	as at 31.3.20x2
Creditors for sports materials	2000	1300
Stock of sports materials	3000	500

During 20x1-20x2,the payment made to these creditors was Rs 10,800.There was no cash purchase.

Case (b)	as at 1.4.20x1	as at 31.3.20x2
Creditors for sports materials	2300	5900
Stock of sports materials	7500	15200

During 20x1-20x2,the payment made to these creditors was Rs 28,400.There was cash purchases amounted to Rs 8000.

Case (c)	as at 1.4.20x1	as at 31.3.20x2
Amount due to suppliers of sports materials	15000	9750
Stock of sports materials	15000	2500
Advances to suppliers of sports of sports material	5000	3250

During 20x1-20x2,the payment made to these creditors was Rs 54000.There was cash no purchase.

Balance sheet

Meaning of a balance sheet

(a) A balance sheet is the statements of assets and liabilities of an accounting unit at a given data.
(b) It is prepared at the end of an accounting period after the income & expenditure account has been prepared.
(c) It is called a balance sheet because it is a sheet of balances of ledger accounts which are open even after the preparing of income and expenditure account.
(d) In not-for-profit organisations, the opening capital fund and the excess of income over the expenditure is added to the opening capital fund and the excess of expenditure over the income is deducted from the opening capital fund.

Format of balance sheet

Balance sheet
For the year ended on ....

Liabilities	Amount	Assets	Amount
Capital fund:		Fixed assets	
Opening balance x xx		Building xxx	
Add surplus xxx		Add additions xxx	
		Less depreciation xxx	Xxx
Add entrance fees xxx	Xxx		
Building fund		Furniture xxx	
Opening fund		Add additions xxx	
Add donation for building xxx		Less depreciation xxx	Xxx
Income from building fund xx			
Investment xxx	Xxx	Current assets	
		Cash in hand xxx	
Sports fund		Cash at bank xxx	
Opening balance xxx		Subscription in arrear xxx	
Add donation for sports fund xxx		Accrured interest xxx	Xxx
Interest on sports fund xxx			
Investment xxx		Investments:	
Less sports prize awarded xxxx	Xxx	Building fund investment xxx	
		Sports fund investment xxx	Xxx
Current liabilities			
Outstanding expenses		Prepaid:	
Rent xxx		Insurance xxx	
Salaries xxx		Rates and taxes xxx	Xxx
Electricity/water xxx	Xxx		
Subscription received in advance	xxx		
	Xxxx		Xxxx