# CHAPTER – 1

**Quick Revision Notes**

**ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATION**

**General Formats**

1. Format of Receipt and payment account

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

2. FORMAT OF INCOME AND EXPENDITURE ACCOUNT

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Rs</th>
<th>Income</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To all revenue payments after making adjustment for outstanding</td>
<td>By all revenue payments</td>
<td>after making adjustment for outstanding and prepaid exp. (current and previous year)</td>
<td></td>
</tr>
<tr>
<td>and prepaid exp. (current and previous year)</td>
<td></td>
<td>(current and previous year)</td>
<td></td>
</tr>
<tr>
<td>To depreciation</td>
<td></td>
<td>By profit on sale of fixed asset</td>
<td></td>
</tr>
<tr>
<td>To Bad Dept</td>
<td></td>
<td>By deficit</td>
<td></td>
</tr>
<tr>
<td>To Discount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Loss on Sale of Fixed Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Consumed Part of Medicine, Stationery, Sports Equipment etc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Format for CALCULATION OF CAPITAL FUND

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

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

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

   **Subscription A/c**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To subscription outstanding(opening balance)</td>
<td></td>
<td>By subscription received in advance(opening balance)</td>
<td></td>
</tr>
<tr>
<td>To Income &amp; Expenditure A/c (Amt. to be credited to income &amp; exp. A/c )</td>
<td></td>
<td>By Bank(Receipts &amp; Payment A/c )</td>
<td></td>
</tr>
<tr>
<td>To subscription received in advance(closing balance)</td>
<td></td>
<td>By subscription outstanding(closing balance)</td>
<td></td>
</tr>
</tbody>
</table>

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.

2. **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.

3. **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**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening stock of consumable goods</td>
<td></td>
</tr>
<tr>
<td>Add: consumable goods purchased during the year( cash &amp; credit)</td>
<td></td>
</tr>
<tr>
<td>Less: Closing stock of consumable goods</td>
<td></td>
</tr>
<tr>
<td>consumable goods used during the year ( to be debited to Income &amp; Expenditure A/c)</td>
<td></td>
</tr>
</tbody>
</table>

OR
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.