



# St. Lawrence High School



A Jesuit Christian Minority Institution

Study Material 15

Sub: ACCOUNTANCY

Class 11

Chapter: Unit 8: Financial Statements

Date: 13/02/2021

Topic: Not for Profit Organization

## Meaning of Not for Profit Organization:

A not for profit organization is operated for the benefit of the society as a whole. They do not operate for the profits or gains of their individual member.

## Features of a Not for Profit Organization

1. A not for profit organization is governed by elected members.
2. They do not operate with the objectives of earning profit.
3. Their main objective may be social, educational, religious or charitable and they take the form of clubs, societies or charitable bodies and so on.
4. They render services to the members of the public which may range from a limited member of citizens of a community to almost to entire population of the city, state or nation.
5. These entities generally depend on the donations given by the members and outsiders.
6. It is very important for not for profit organization to prepare an annual budget.
7. A not for profit organization generally employs accrual basis of accounting.
8. There is absence of defined ownership interests that can be sold or transferred.

## Receipt & Payment Account:

A Receipt & Payment Account is a summary of bank and cash transactions. All receipts whether revenue or capital and all payments whether revenue or capital are shown in the left-hand side and right-hand side respectively.

## Income & Expenditure Account:

Income & Expenditure is similar to profit & loss account of a business enterprise. This accounts shows surplus or deficit as a result of income over expenditure. In this account only revenue transactions are recorded which are related to current year.

## Differences between Receipt & Payment Account and Income & Expenditure Account:

Receipt & Payment Account	Income & Expenditure Account
1. All receipts are considered whether revenue or capital.	1. Only revenue receipts are considered.
2. All payments are considered whether revenue or capital.	2. Only revenue payments are considered.
3. It is prepared under cash basis.	3. It is prepared under accrual basis.



Balance Sheet as at .....

Liabilities	Amount (Rs)	Assets	Amount (Rs)
<b>Opening Capital Fund</b>		All fixed assets	
Add: Surplus		Less: Depreciation	
Less: Deficit		All current assets	
Any fund created			
Other liabilities			

Types of Problem:

1. Preparation of Income & Expenditure A/C from Receipts & Payments A/C (with/without Balance Sheet)
2. Preparation of Receipt & Payment A/C from Income & Expenditure A/C (with/without Balance Sheet)

Important notes regarding Incomes and Expenditures under accrual basis:

Incomes/Expenses	****
Add: Closing Accrued or outstanding	****
Less: Opening Accrued or Outstanding	****
Add: Opening Pre-Received or Pre-Paid	****
Less: Closing Pre-Received or Pre-Paid	****
Incomes /Expenses under accrual basis	****

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