

Chapter 1- Company Accounts Financial Statements of Not-for-Profit Organisations

Question 1

Define Non-for-Profit Organization.

Answer: The Non-for-Profit Organization is an organization which does not intend to make any profit and are exempted from paying tax. These organizations are basically formed for religious, educational, cultural, charitable, public service to the public or special cause. The Non-for-Profit organization is also known as a Non-Profit Organization.

Question 2

State funds received by the Not-for-Profit Organization.

Answer: The funds received by the Not-for-Profit Organization are a donation, membership fee or entrance fee, subscription, loans, and government and institutional grants.

Question 3

Explain three features of Not-for-Profit Organization.

Answer: the features of the Not-for-Profit Organization are.

- **The purpose-** Its objective is to render service to any individual or a group or work for a cause without any expectation of return or profit.
- **Ownership-** The organization is established as a trust or a charitable society. Therefore, it does not have an individual or group of an individual as an owner but belongs to society.
- **Objectives-** This organization does not function with the object of earning a profit, but, its motive is to serve society. However, the profit they make is used to upgrade the organization and its operation process and is not distributed among its members.

Question 4

Mention the financial statements of the Not-for-Profit Organization.

Answer: The financial statements of the Not-for-Profit Organization are.

- Payment and receipt account
- Expenditure and Income account

- Balance Sheet

Question 5

Non-for-Profit Organisation prepare

- (a) Income and Expenditure account
- (b) Trading and Profit & Loss account
- (c) Only the trading account
- (d) None of the above

Answer: Income and Expenditure account

Question 6

Receipt and payments account is a summary of

- (a) Debit & Credit balance of Ledger account
- (b) Cash receipts & payment
- (c) Income and Expenses
- (d) A balance of assets and liabilities

Answer: Cash receipts & payment

Question 7

Subscription received in advance by a club are shown

- (a) In the credit side of the income and expenditure account
- (b) In the asset side of the balance sheet
- (c) In the liabilities side of the balance sheet
- (d) None of the above

Answer: In the liabilities side of the balance sheet

Question 8

Donation received for a special purpose is a

- (a) Liability
- (b) Revenue Receipt
- (c) Capital Receipt
- (d) None of the above

Answer: Capital Receipt

Question 9

Receipt and Payment account is

- (a) Nominal Account
- (b) Real Account
- (c) Personal Account
- (d) None of the above

Answer: Real Account

Question 10

Subscription received in advance during the current year is

- (a) An income
- (b) An asset
- (c) A liability
- (d) None of the above

Answer: A liability

Question 11

If there is a match fund, then match expenses and match income are transferred to

- (a) Income and Expenditure Account
- (b) An assets side of Balance Sheet
- (c) Liabilities of the Balance Sheet
- (d) None of the above

Answer: Liabilities of the Balance Sheet

Question 12

Show the format of receipt and payments account.

Answer:

Dr. Receipt and Payments Account Cr.			
Receipt	₹	Payment	₹
To Balance b/d (Opening Balance)	–	By Balance b/d (Opening Balance)	–
Cash in hand	–	(in case of bank overdraft)	–
Cash in bank	–	By Salaries	–
To subscriptions:	–	By Rent	–

For Previous Year(s) –	–	By Postage Expense	–
For the Current Year –	–	By Advertisement Expense	–
For Next Year(s) –	–	By Newspaper & Magazine, etc	–
To General Donation	–	By Repairs	–
To Grant for Specific Purpose	–	By Audit Fee	–
To Entrance/Admission Fees	–	By Maintenance Expence	–
To General Grants	–	By Insurance	–
To Sale of Newspaper, Grass, etc	–	By Secretary's Honorarium	–
To Sale of old or Used Sports Materials	–	By Honorarium	–
To Interest on Investments	–	By Municipal Tax	–
To Income from Concerts	–	By Prize Distributed	–
To Dividends	–	By Office Expense	–
To Rent Received	–	By Expense on Show	–
To Interest Received	–	By Miscellaneous Payment	–
To Miscellaneous Receipt	–	By Purchase of Fixed Assets	–
To Life Membership Fee	–	By Sports Equipment	–
To Subscription of Specific Purpose	–	By Investment	–
To Donation for Specific Purpose	–	By Books	–
To Legacies		By Loan	–
To Endowment Fund		By Buildings	
To Sale of Fixed Assets		By Balance c/d (Closing Balance)	
To Receipt on Account Specific Fund, i.e Match Fund, Prize Fund,etc.		Cash in Hand	
To Balance c/d (Bank Overdraft)		Cash in Bank	

Question 13

Mention two difference between the receipt and payment account and the cash book.

Answer:

Basis	Receipt and Payment Account	Cash Book
Basis	It is a summary of the cash book and is prepared from the cash book	It records every single transaction of receipt and payment separately

Period	It is prepared at the end of the accounting year	It is recorded on a daily basis
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Question 14

Mention the important features of Income and Expenditure Account

Answer: The important features of Income and Expenditure Account are

- **Entrance/Admission Fee-** This fee is paid by an individual at the time of becoming a member of the Not-for-Profit Organisation. It is a revenue receipt and credit under income and expenditure account.
- **Life Membership Fee-** This membership fee is recorded under capital fund and accounted as a capital receipt on the liabilities side of the balance sheet. It is not accounted for as income because it is paid once a year.
- **Special Receipt-** This receipt is about a special receipt for a special occasion. Like, Annual dinner contribution, this type of contribution is credited in different account and expenses are debited to it. The balance amount is transferred to income and expenditure account.

Question 15

On the basis of the information mentioned below, calculate the stationery amount to be debited to income and expenditure account of a Good Health Sports Club for the year end 31st March 2019. Stationery purchased as on 31st March 2019 is 4,70,000

Particulars	1st April 2018	31st March 2019
Stock of Stationery	80,000	60,000
Creditors for Stationery	90,000	1,10,000

Answer:

Solution

Good Health Sports Club Income and Expenditure Account Dr. for the year end 31st March 2019 Cr.			
Particulars	₹	Income	₹
To Stationery Consumed (WN)	4,90,000		

Working Note:

Stationery Consumed (2018-19)

= Opening stock of stationery + Purchase of Stationery - Closing stock of stationery

= ₹80,000 + ₹4,70,000 - ₹60,000 = ₹4,90,000

Since stationery purchased during the given year is given, creditors are already adjusted in it and, therefore, no treatment is given to creditors.