

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 05.05.2021

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Accounting for Not-for-Profit Organisation

Question 6:

What is subscription? How is it calculated?

ANSWER:

Subscription is the main source of income for an NPO besides entrance fees, donations, grants, etc. Subscriptions refer to the amount of money paid by the members on periodic basis for keeping their membership with the organisation alive. It is paid monthly, quarterly, half yearly or annually by the members.

It is shown in the debit side of the Receipt and Payment Account with the total amount received during the year that may be related to the current period and to the previous and next accounting period.

While calculating subscription for the current period, advance subscription received for the current period in the previous period and outstanding subscription for the current period are added to the subscription received during the current period. Whereas, on the other hand, advance subscription received for the next accounting period during the current period and outstanding subscription for the preceding period are deducted from the subscription received during the current period.

Calculation of Subscription

| | | |
|--|-----|-----|
| Subscription received during the year | | *** |
| <i>Add:</i> Subscription received (in advance) during previous year for current year | *** | |
| <i>Add:</i> Subscription outstanding at the end of the year | *** | |
| | | *** |
| <i>Less:</i> Subscription received in advance for the next year | *** | |
| <i>Less:</i> Subscription outstanding for the previous year | *** | *** |
| ## Subscription shown in Income and Expenditure Account | | *** |

This subscription is related to the current accounting period and is shown in the Income side of the Income and Expenditure Account.

Question 7:

What is Capital Fund? How is it calculated?

ANSWER:

Capital fund is the excess of NPOs' assets over its liabilities. In other words, the excess of assets over the liabilities for a profit earning organisation is termed as capital and the same for an NPO is termed as capital fund. Any surplus or deficit ascertained from Income and Expenditure account is added to (deducted from) the capital fund. It is also termed as Accumulated Fund.

Calculation of Capital Fund

| | | |
|--|-----------|------------|
| Capital Fund at the beginning of the year | | ** |
| <i>Add:</i> Surplus from Income and Expenditure Account | ** | |
| <i>Add:</i> Subscription Amount (Capitalised amount) | ** | |
| <i>Add:</i> Life membership fee. | ** | ** |
| <i>Less:</i> Deficit from Income and Expenditure Account | | ** |
| Capital Fund at the end of the year | | *** |
