

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 07.04.2021

Teacher name – Ajay Kumar Sharma

Accounting for Not-for-Profit Organisation

There are certain organizations which are set up for providing service to its members and the public in general. Such organizations include clubs, charitable institutions, schools, religious organizations, trade unions, welfare societies and societies for the promotion of art and culture. These organizations have service as the main objective and not the profit as is the case of organizations in business. Normally, these organizations do not undertake any business activity, and are managed by trustees who are fully accountable to their members and the society for the utilization of the funds raised for meeting the objectives of the organisation. Hence, they also have to maintain proper accounts and prepare the financial statement which take the form of Receipt and Payment Account; Income and Expenditure Account; and Balance Sheet. at the end of for every accounting period (normally a financial year). This is also a legal requirement and helps them to keep track of their income and expenditure, the nature of which is different from those of the business organizations. In this chapter we shall learn about the accounting aspects relating to not-for-profit organisation.

1.1 Meaning and Characteristics of Not-for-Profit Organisation

Not-for-Profit Organizations refer to the organizations that are for used for the welfare of the society and are set up as charitable institutions which function without any profit motive. Their main aim is to provide service to a specific group or the public at large. Normally, they do not manufacture, purchase or sell goods and may not have credit transactions. Hence they need not maintain many books of account (as the trading concerns do) and Trading and Profit and Loss Account. The funds raised by such organizations are credited to capital fund or general fund. The major sources of their income usually are subscriptions from their members donations, grants-in-aid, income from investments, etc. The main objective of keeping records in such organisations is to meet the statutory requirement and help them in exercising control over utilisation of their funds. They also have to prepare the financial statements at the end of each accounting period (usually a financial year) and ascertain their income and expenditure and the financial position, and submit them to the statutory authority called Registrar of Societies.

The main characteristics of such organisations are:

1. Such organisations are formed for providing service to a specific group or public at large such as education, health care, recreation, sports and so on without any consideration of caste, creed

and colour. Its sole aim is to provide service either free of cost or at nominal cost, and not to earn profit.

2. These are organised as charitable trusts/societies and subscribers to such organisation are called members.

3. Their affairs are usually managed by a managing/executive committee elected by its members.

4. The main sources of income of such organisations are: (i) subscriptions from members, (ii) donations, (iii) legacies, (iv) grant-in-aid, (v) income from investments, etc.

5. The funds raised by such organisations through various sources are credited to capital fund or general fund.

6. The surplus generated in the form of excess of income over expenditure is not distributed amongst the members. It is simply added in the capital fund.

7. The Not-for-Profit Organisations earn their reputation on the basis of their contributions to the welfare of the society rather than on the customers' or owners' satisfaction.

8. The accounting information provided by such organisations is meant for the present and potential contributors meet the statutory requirement.

ऐसे संगठनों की मुख्य विशेषताएं हैं:

1. ऐसे संगठन किसी विशेष समूह या जनता को सेवा प्रदान करने के लिए बनाए जाते हैं जैसे कि शिक्षा, स्वास्थ्य देखभाल, मनोरंजन, खेल और इतने पर बिना किसी जाति, पंथ और रंग के विचार के। इसका एकमात्र उद्देश्य सेवा को या तो मुफ्त या मामूली लागत पर उपलब्ध कराना है, न कि लाभ कमाना है।

2. इन्हें चैरिटेबल ट्रस्ट / सोसाइटी के रूप में संगठित किया जाता है और ऐसे संगठन के सदस्य सदस्य कहलाते हैं।

3. उनके मामलों का प्रबंधन आमतौर पर उसके सदस्यों द्वारा चुनी गई एक प्रबंध / कार्यकारी समिति द्वारा किया जाता है।

4. ऐसे संगठनों की आय के मुख्य स्रोत हैं: (i) सदस्यों से सदस्यता, (ii) दान, (iii) विरासत, (iv) अनुदान-इन-सहायता, (v) निवेशों से आय, आदि।

5. ऐसे संगठनों द्वारा विभिन्न स्रोतों के माध्यम से उठाए गए धन को पूंजीगत निधि या सामान्य निधि में जमा किया जाता है।
6. व्यय से अधिक आय के रूप में उत्पन्न अधिशेष को सदस्यों के बीच वितरित नहीं किया जाता है। इसे केवल कैपिटल फंड में जोड़ा जाता है।
7. नॉट-फॉर-प्रॉफिट ऑर्गनाइजेशन ग्राहकों की संतुष्टि या मालिकों की संतुष्टि के बजाय समाज के कल्याण में उनके योगदान के आधार पर अपनी प्रतिष्ठा अर्जित करता है।
8. ऐसे संगठनों द्वारा प्रदान की गई लेखांकन जानकारी वर्तमान के लिए है और संभावित योगदानकर्ता वैधानिक आवश्यकता को पूरा करते हैं।