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Accounting for Not for Profit Organization

There are certain institution or organization which are set-up not to earn a profit, but for providing service to its members and the public in general. The main aim of this institution or organization is rendering service to its members and the public, but not the profit as in the case of business. Such organization includes schools, hospitals, clubs, charitable institutions, religious organizations, trade unions, welfare societies, consumer-cooperatives, literary societies, etc.

These organizations or institutions are managed by a group of people known as trustees who are fully accountable to their members and the society for the utilization of funds and the objectives of the organization. So, they have to maintain proper accounts and financial statements in the form of the Receipt and Payment Account, Income and Expenditure Account, and the Balance Sheet. This financial statement helps them to keep track of their income and expenditure as well as fulfill the legal requirements for maintaining records.

Meaning of Not-For-Profit Organisation:

All trading and business organizations are profit organizations since their main objective is to earn profit. Not-For-Profit Organisations are those organizations whose main aim/objective is to rendering service to their members or the society at large and not the earning of profits.

These organizations refer to the organizations that are set up for the welfare of the society, as charitable institutions, which run without a profit motive. Their main aim is to provide services to its members or the society at large. The funds, raised by such organizations are represented as capital funds or general funds. The main source; of their income usually are subscriptions from their members, donations, grants, income from investment, etc.

These organization keeps the accounting records to meet the statutory requirements and controlling utilization of their funds. They usually prepare them at the end of the financial year to ascertain their income and expenditure and the financial position of the organization and submit them to the statutory authority i.e. Registrar of Societies.

Characteristics of Not-For-Profit Organisation:

1. Service Motive: The main motive of these organizations is service motive. They provide service either free of cost or at a nominal cost and not to earn profit. These are formed for rendering service to a specific group or society at large such as education, health care, recreation, sports, and so on without any consideration of caste, creed, and color.

2. Organisation: Not-For-Profit Organisations are organized as charitable trusts or societies. The subscribers to such trust or societies are called its members.

3. Management: The affairs of Not-For-Profit Organisations are normally managed by a managing committee or executive committee. These committees are elected by their members or subscribers.

4. Source of Income: The main source of income of these organizations are:

1. Subscriptions from members
2. Life-membership fees

3. Endowment fund
4. Donations
5. Legacies
6. Grant-in-aid
7. Income from investments etc.

5. Capital Fund or General Fund: The funds raised by Not-For-Profit Organisations through various sources are credited to capital funds or general funds.

6. Surplus Added to Capital Fund: The surplus generated in the form of excess income over expenditure is simply added to the capital fund or general fund. It is not distributed amongst the members as in trading or business organization.

7. Goodwill: The Not-For-Profit Organisation earn their reputation or goodwill on the basis of their contribution to the welfare of the society rather than on the customers' satisfaction or owner's satisfaction.

8. Accounting Records: The accounting records of these organizations are totally different from the trading or business organization. They are not prepared financial statements like Trading Account and Profit and Loss Account, instead, they prepare Receipts and Payment Account and Income and Expenditure Account. The preparation of the Balance Sheet is the same in both organizations.

9. Statutory Requirement: The accounting information provided by such organizations is meant for the present and potential contributors to meet the statutory requirements.

Accounting Records of Not-For-Profit Organisations:

As we know that Not-For-Profit Organisations are not engaged in any trading or business activity normally. Their main source of income is subscriptions/donations, financial assistance or grant from the government, etc. Most of their transactions are in form of cash or through the bank. These organizations are required by law to keep proper accounting records and keep proper control over the utilization of their funds.

For maintaining accounting records these organizations usually keep a cash book to record all receipts and payments and maintain ledger accounts of all income, expenses, assets, and liabilities. In addition, they maintain a stock register to keep records of all fixed assets and consumables.

In place of the capital account, they maintain a capital fund or general fund that goes on increases due to surpluses, life membership fees, donations, legacies, etc. received from year to year.

Final Accounts or Financial Statements of Not-For-Profit Organisations:

As they are non-profit making entities, so they are not required to make Trading and Profit and Loss Account but instead of these accounts to know whether the income during the year was enough to meet the expenses or not they prepare:

1. Receipts and Payment Account,
2. Income and Expenditure Account, and
3. Balance Sheet.

For the preparation of these financial statements, the general principles of accounting are fully applicable. The statements provide the necessary financial information to members, donors, and to the Registrar of Societies.

Along with all these, Not-For-Profit organizations also prepare a trial balance for checking the accuracy of ledger accounts. The trial balance also facilitates the preparation of an accurate Receipt and Payment Account as well as the Income and Expenditure Account and the Balance Sheet.

Receipts and Payment Account:

A Receipts and Payments Account is a summary of cash transactions. It is prepared at the end of the accounting period from the cash receipts journal and cash payment journals.

"Receipts and Payment Account is nothing more than a summary of the cash book (Cash and Bank transactions) over a certain period, analyzed and classified under the suitable heading. It is the form of account most commonly adopted by the treasurers of societies, clubs, associations, etc. When preparing the results of the year's working." – William Pickles

In other words, the Receipt and Payment Account simply is a summary of cash and bank transactions under various heads. On the debit side, it begins with an opening balance of cash and bank and records all the items of receipts irrespective of whether they are of capital or revenue nature or whether they pertain to the current or past or future accounting periods.

The payments are recorded on the credit side without making any distinction between items of revenue and capital nature and whether they belong to the current or past or future accounting period(s). It may be noted that this account does not show any non-cash item like depreciation.

At the end of the period, this account is balanced to ascertain the balance of cash in hand or cash at the bank. The annual totals of various items of receipts and payments are found from their respective accounts in the ledger or from the cash book and are then entered in the Receipts and Payment Account.

Salient Features of Receipts and Payment Account:

1. Real Account: It is a real account, so the rule of a real account i.e. 'Debit what comes in and credit what goes out, is followed. Thus receipts are recorded on the Debit side and the payments are recorded on the Credit side.
2. Summary of the Cash Book: It is a summary of the cash book. Its form is similar to cash book (without discount and bank column) with debit and credit sides.
3. Shows amount irrespective of period: It shows the total amount of all receipts and payments irrespective of the period to which they pertain.
4. No distinction between nature (Capital or Revenue nature): It includes all receipts and payments whether they are of capital nature or of revenue nature.
5. No distinction between the mode of the transaction (Cash or Bank): No distinction is made in receipts/payments made in cash or through the bank. With the exception of the opening and closing balances, the total amount of each receipt and payment is shown in this account.
6. Do not show non-cash items: Non-cash items like depreciation, outstanding expenses, accrued income, etc. are not shown in this account.
7. Opening and closing balances: The opening and closing balance in its respective mean cash in hand or cash at a bank in the beginning and at the end. The balance of receipts and payment account must be debit being cash in hand or cash at the bank unless there is a bank overdraft.
8. Does not reflect net income or net loss: This account does not tell us whether the current income exceeds the current expenditure or vice versa or in other words, it does not give any information of net income or a net loss.

Steps in the preparation of Receipt and Payment Account:

1. Put the opening balance of cash in hand and cash at the bank at the beginning on the Receipt side. If there is a bank overdraft at the beginning, but the same in the Payment side of the account.
2. Enter the total amounts of all receipts (either cash or cheque) in the Receipt side (Dr. side) irrespective of their nature, (whether capital or revenue) and whether they pertain to past, present, and future periods.
3. Enter the total amounts of all payments (either cash or cheque) in the Payment side (Cr. side) irrespective of their nature (whether capital or revenue) and whether they pertain to past, present, and future periods.
4. Do not enter the non-cash item like depreciation, outstanding expenses, accrued income, etc.

5. Find out the difference between the total debit side and the total credit side of the tired account and enter the same on the credit side as the closing balance of cash or bank balances.

But, if the total of credit side is more than of debit side, show the difference on the debit as bank overdraft and close the account.

Examples of Important Receipts and Payments Items:

S. No.	Receipts	S.No.	Payments
1.	Donations (a) General Donations (b) Specific Donations	1.	Purchase of Fixed Assets
2.	Entrance Fees	2.	Purchase of Sports Material
3.	Legacies	3.	Investment in Securities
4.	Sale of Investments	4.	Printing and Stationery
5.	Sale of Fixed Assets	5.	Postage & Courier Charges
6.	Subscriptions from Members	6.	Advertisement
7.	Life Membership Fees	7.	Wages and Salary
8.	Sale of Old Newspaper	8.	Honorarium
9.	Sale of Old Sports Material	9.	Telephone Charges
10.	Interest on Fixed Deposits	10.	Electricity Charges
11.	Interest/Dividend on Investments	11.	Water Charges
12.	Proceeds from Charity Shows	12.	Repairs and Renewals
13.	Sale of Scrap	13.	Upkeep of Playground
14.	Grant-in-aid	14.	Subscription for Periodicals
15.	Interest/Dividend on Specific Fund Investments	15.	Conveyance Charges
16.	Locker Rent	16.	Audit Fees
17.	Endowment Fund Receipts	17.	Municipal Taxes
18.	Sale of Tickets	18.	Charity
		19.	Entertainment Expenses
		20.	Insurance
		21.	Rent Paid
		22.	Rates and Taxes
		23.	Printing of Year Book

Format of Receipts and Payments A/c:

Receipts and Payments Account			
for the year ending			
Dr.			Cr.
Receipts	Amt. (Rs.)	Payments	Amt. (Rs.)
Balance b/d (opening balance)		Revenue Payments (for past, present and future periods)	
Cash in Hand	xxx	Printing and Stationery	xxx
Cash at Bank	xxx		

Receipts	Amt. (Rs.)	Payments	Amt. (Rs.)
Revenue Receipts (for past, present and future periods)		Advertisement	xxx
Subscriptions	xxx	Entertainment expenses	xxx
General Donations	xxx	Secretary's Honorarium	xxx
Sale of newspaper/ periodicals/waste paper	xxx	Audit Fees	xxx
Sale of old materials	xxx	Telephone and Telegram	xxx
Sale of tickets	xxx	Charity	xxx
Interest/Dividend on General investment	xxx	Printing of year book	xxx
Locker's Rent	xxx	Repairs and Renewals	xxx
Proceeds from Charity Show	xxx	Newspaper and Periodicals	xxx
Miscellaneous Receipts	xxx	Bar Purchases and Expenses	xxx
Capital Receipts (for past, present and future periods)		Insurance	xxx
Legacies	xxx	Rent	xxx
Specific purpose donations e.g. building, prizes etc.	xxx	Salaries	xxx
membership Fees	xxx	Prizes paid	xxx
Entrance Fees	xxx	Expenses on special food to patients	xxx
Sale of Investments	xxx	Gardening	xxx
Endowment Fund Receipts	xxx	Upkeep of lawns	xxx
Sale of office furniture	xxx	Municipal taxes	xxx
Sale of sports equipment	xxx	Courier	xxx
Receipts on account of special funds e.g. Prize Fund, Tournament Fund etc.	xxx	Sundry Expenses	xxx
Interest/Dividend on specific fund investment	xxx	Capital Payment (for past, present and future periods)	
Balance c/d (closing balance)		Building construction	xxx
Cash at Bank (Bank overdraft)*	xxx	Books	
		Sports Equipment	xxx
		Cost of leasehold and investment	xxx
		Advance for purchase of buildings	xxx
		Government's Loan	xxx
		Furniture	xxx
		Investment Purchased	xxx
		Balance c/d (closing balance)	
		Cash in Hand	xxx
		Cash at Bank*	xxx
	xxx		xxx

There will be either of the two amounts i.e. cash at a bank or bank overdraft, not both.

Limitations of Receipts and Payments Account:

1. It does not show expenses and incomes on an accrual basis.
2. It does not show whether the organization is able to meet its day-to-day expenses out of its income.

Income and Expenditure Account:

It is a nominal account of the Not-For-Profit Organisation equivalent to the profit and loss account of the trading concerns. The terms profit is substituted by the words excess of income over expenditure (surplus) and the loss is expressed as an excess of expenditure over income (deficit).

It reveals the surplus or deficit arising out of the organization's activities during an accounting period. This account is prepared on an accrual basis and includes only items of revenue nature. All the revenue items relating to the current period are shown in this account, the expenses and losses on the expenditure side (debit side), and incomes and gains on the income side (credit side) of the account. It shows the net

operating result in the form of surplus or deficit, which is transferred to the capital fund shown in the balance sheet.

Salient Features of Income and Expenditure Account:

1. Nominal Account: It is a nominal account, therefore the rule of nominal account i.e. "Debit all expenses and losses and credit all incomes and gains" is followed.
2. Ignore Items of Capital Nature: In this account, only items of revenue nature are to be considered and all the items of capital nature should be ignored.
3. Prepare from Receipt and Payment Account: It is generally prepared from a given Receipts and Payments Account and other information after making necessary adjustments.
4. No Opening and Closing Balances: In this account, no opening and closing balances of cash and bank are recorded.
5. Same as Profit and Loss Account: This account is prepared in the same manner in which a Profit and Loss Account is prepared, considering, all adjustments relating to the current year.
6. Exclude Past and Future Items: It excludes all the items of income and expenditure which do not pertain to the current period.
7. End-balance of this Account: The end balance of the Income and Expenditure Account, which may be either 'excess of income over expenditures' or 'excess of expenditure over income' would be added to or deducted from, as the case may be, to the capital fund, on the liabilities side of the Balance Sheet.

Steps in the Preparation of Income Expenditure Account:

1. From the Receipts and Payments, the Account excludes the opening and closing balance of cash and bank as they are not an income.
2. Exclude the items of capital nature as these are to be shown in the balance sheet.
3. Take out the revenue receipts only for the current year to be shown on the income side of the Income and Expenditure Account. These are adjusted by excluding the amounts relating to the preceding and the succeeding periods and including the amounts relating to the current year not yet received.
4. Take out the revenue payments only for the current year to be shown on the expenditure side of the Income and Expenditure Account. These are adjusted by excluding the amounts relating to the preceding and the succeeding periods and including the amounts relating to the current year not yet paid,
5. Make the adjustments of non-cash items like:
 - (a) Depreciation on fixed assets.
 - (b) Provision for doubtful debts, if required.
 - (c) Profit or Loss on sale of fixed assets etc.

For determining the surplus/deficit for the current year.

So, we can also prepare the Income and Expenditure Account with the help of the following methods after considering Receipt and Payment Account and information given:

Income and Expenditure Account for the year ended.

Expenditure	Amt. (Rs.)	Income	Amt. (Rs.)
All Revenue Expenses paid during the year	xxx	All Revenue Income received during the year	xxx
Less : Expenses paid for the last year	xxx	Less : Income received for previous years	xxx
Less : Expenses paid for the future period	xxx	Less : Income received for future years	xxx
	xxx		xxx
Add : Current year outstanding	xxx	Add : Income due but not received	xxx
Excess of Income over Expenditure (Surplus)	xxx	Excess of Expenditure over Income (Deficit) (if any)	xxx
	xxx		xxx

Format of Income and Expenditure Account Income and Expenditure Account for the year" ended.

Expenditure	Amt. (Rs.)	Income	Amt. (Rs.)
Expenses A/c <i>(e.g. Salaries)</i>		Income A/c <i>(e.g. Subscriptions)</i>	
Total Salaries paid during the current year	xxx	Total amount of Subscription received during the year	xxx
Add : Outstanding at the end of current year	xxx	Add : Outstanding Subscription at the end of current year	xxx
	xxx		xxx
Less : Outstanding in the beginning of current year	xxx	Less : Outstanding Subscription in the beginning of current year	xxx
	xxx		xxx
Add : Paid advance in last year for current year	xxx		xxx
	xxx		xxx
Less : Paid advance in current year for next year	xxx	Add : Advance Subscription received last year	xxx
	xxx		xxx
Salaries for the current year	xxx	Less : Advance Subscription received this year for next year	xxx
	xxx		xxx
Expenses on Consumable Material (e.g. Stationery)		Current year's Subscription Profit on Sale of Assets	xxx
Opening Stock of Stationery	xxx	Sale Price of Assets	xxx
Add : Purchase during the year	xxx	Less : Book value of Assets sold	xxx
	xxx		xxx
Less : Creditors for Stationery in the beginning	xxx	Net Profit on Sale of Assets	xxx
	xxx	Income from Specific Item	
Add : Creditors for Stationery at the end of current year	xxx	Receipt for Specific items	xxx
	xxx	Less : Expenses paid	xxx
Add : Advance payment for Stationery last year	xxx	Net Income on Specific Item	xxx
	xxx	Entrance Fees (only that amount which is treated as revenue)	xxx
Less : Advance payment for Stationery in the current year	xxx	Sale of Newspapers	xxx
	xxx	Sale of Scrap	xxx

Expenditure	Amt. (Rs.)	Income	Amt. (Rs.)
Less : Closing Stock of Stationery xxx		Donations	xxx
Stationery used in year	xxx	Other incomes and gains after necessary adjustments	xxx
Loss on Sale of Fixed Assets		Excess of Expenditure over Income (Deficit) (if any)	xxx
Book value of Assets Sold xxx			
Less : Sale Price xxx			
Net loss on Sale of Assets	xxx		
Expenses for Specific Purpose			
Expenses paid xxx			
Less : Collection xxx			
Net expenses on Specific Item	xxx		
Depreciation on fixed assets	xxx		
Honorarium	xxx		
Other expenses and losses after necessary adjustments	xxx		
Excess of Income over Expenditure (Surplus) (if any)	xxx		
	xxx		xxx

The distinction between Income and Expenditure Account and Receipt and Payment Account

Basis	Income and Expenditure Account	Receipt and Payment Account
1. Nature	It is like a Profit and Loss Account of a Profit seeking entity.	It is a statement of cash transaction for a period.
2. Nature of Items	It records income and expenditure items of revenue nature only.	It records receipts and payment items of both <i>i.e.</i> revenue nature as well as capital nature.

Basis	Income and Expenditure Account	Receipt and Payment Account
3. Period	It contains income and expenditure of the current accounting period only.	It may comprise not only receipts and payments for the current year but also for the previous or/and succeeding years.
4. Sides of Account	Debit side of this account records expenses & losses and credit side records income and gains.	Debit side of this account records receipts and credit side records payments.
5. Adjustment of non-cash items	It includes the adjustments regarding non-cash items like depreciation, accrued income etc.	It only records cash transactions.
6. Opening Balance	There is not any opening balance.	It starts with the opening balance of cash and bank.
7. Closing Balance	Closing balance of this account indicates either excess of income over expenditure (surplus) or excess of expenditure over income (deficit).	Closing balance of this account represent the closing cash in hand and at bank or bank overdraft.
8. Type of Account	It is a nominal account.	It is a real account.
9. Balance Sheet	The balance sheet is usually accompanied with this account.	It need not necessarily be accompanied by a Balance Sheet.
10. Transfer of Closing Balance	Closing balance of this account is transferred to the capital fund in the Balance Sheet.	Closing balance of this account is transferred to the receipt and payment account of the next period.

Balance Sheet:

Not-For-Profit organizations prepare a Balance Sheet at the end of an accounting period to ascertain the financial position of the organization. The preparation of their Balance Sheet is the same as that of the business or trading entities. It is prepared in the usual way showing assets on the 'right-hand side' and the liabilities on the 'left-hand side. However, the term capital is not to be found.

Instead, there will be a capital fund or a general fund, or an accumulated fund, and the surplus or deficit as per Income and Expenditure Account shall be added to or deducted from this fund. Some capitalized items like legacies, entrance fees, and life membership fees directly (added) in the capital fund.

Sometimes it becomes necessary to prepare a Balance Sheet at the beginning of the year in order to find out the opening balance of the capital/general fund.

Steps in the Preparation of Balance Sheet:

1. Find out the Capital fund as per the Opening Balance Sheet and add surplus from the Income and Expenditure Account. Then, add capitalized items like legacies, entrance fees, and life membership fees, etc. received during the year.
2. Put all the fixed assets (from the opening balance sheet) with additions (from Receipts and Payments Account) after charging depreciation (as per Income and Expenditure Account), on the assets side of the balance sheet.
3. Compare items on the receipts side of the Receipts and Payments Account with the income side of the Income and Expenditure Account to find out the amounts of:
 - (a) Subscription due but not yet received,
 - (b) Income received in advance,
 - (c) Sale of fixed assets made during the year,
 - (d) Items to be capitalized etc.
4. Compare items on the payment side of the Receipts and Payments Account with the expenditure side of the Income and Expenditure Account to find out the amount of:
 - (a) Outstanding Expenses,
 - (b) Prepaid Expenses,
 - (c) Purchases of a fixed asset during the year,
 - (d) Depreciation on fixed assets,
 - (e) Stock of consumable items like stationery in hand,
 - (f) Closing balance of cash in hand and cash at bank etc.

Format of Balance Sheet:

Balance Sheet of.....
as on.....

Particulars	Amt. (Rs.)
Total Subscriptions Received during the current year	xxx
Add : Subscription outstanding at the end of current year	xxx
	xxx
Less : Subscription outstanding in the beginning of the year	xxx
	xxx
Add : Subscription received in advance in the beginning of the year	xxx
	xxx
Less : Subscription received in advance at the end of the year	xxx
Subscription to be shown in Income and Expenditure Account	xxx

or

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
Balance b/d (outstanding in the beginning of year)	xxx	Balance b/d (received in advance during previous year)	xxx
Income and Expenditure Account (Balancing Figure)	xxx	Cash (Subscription received)	xxx
Balance c/d (received in advance at the end)	xxx	Balance c/d (outstanding at the end of year)	xxx
	xxx		xxx

3. Subscription Outstanding at the end of the year is shown on the assets side of the Balance Sheet and subscription received in advance in the current year for the next year is shown on ' the liabilities side of the Balance Sheet.

2. Donations: It is a type of gift in cash or in property received from some person, firm, or company. The donation can be for specific purposes or for general purposes. Both the donation received appears on the receipts side of the Receipts and Payments Account.

1. Specific Donations: If the amount received as the donation is for a specific purpose such as a donation for extension of the existing building, donation for the library, for construction of new computer laboratory, etc., it is capitalized and is shown in the liabilities side of Balance Sheet.

2. General Donations: Such donations are to be utilized to promote the general purpose of the organization. It is of two types:
 (a) General Donation of Big Amount: It is shown on the liability side of the Balance Sheet because it is non-recurring in nature as the donations of huge amounts cannot be expected every year.
 (b) General Donation of Small Amount: These are treated as revenue receipts as it is a regular source of income hence, it is taken to the income side of the Income and Expenditure Account of the current year.

3. Legacies: It is in the nature of a gift, received in cash or in the property as per the will of a deceased person. It is not treated as an income because it is not of recurring nature. Such receipts come very rarely

and therefore it is of a capital nature and is shown on the liabilities side of the Balance Sheet. It appears on the receipt side of the Receipts and Payments Account and is directly added to Capital Fund in the Balance Sheet. However, legacies of the small amount may be treated as income and show on the income side of the Income and Expenditure Account.

4. Life Membership Fees: In order to become a member of an organization for the whole of the life, some members pay the fee in lump sum i.e. once in their lifetime. It is a receipt of non-recurring nature since the members will not be required to pay the fees regularly. It is shown on the receipt side of the Receipt and Payment Account and added to the Capital Fund in the Balance Sheet. It should not be credited to the Income and Expenditure Account.

5. Entrance Fees: The entrance fee also known as the Admission Fee is paid only once the member at the time of becoming a member.

1. In the case of organizations like clubs and some charitable institutions, where the membership is limited and the amount of Entrance Fees is quite large. It is treated as a non-recurring item and added directly to Capital Fund in the Balance Sheet and also shows in the receipt side of the Receipt and Payment Account.
2. For some organizations like educational institutions the entrance fee is a regular income and the amount is quite small. So it is treated as the recurring item and shown in the income side of the Income and Expenditure Account. It is also shown on the receipt side by the Receipt and Payment Account.

From the examination point of view, if there is no specific instruction about Entrance Fees, it should be treated as Capital Receipt and directly added to Capital Fund in the Balance Sheet.

6. Sale of Old Assets: Receipt from the sale of the old asset appears in the receipt side of Receipt and Payment Account. Only the profit or loss on the sale of a fixed asset is credited or debited, as the case may be, to the Income and Expenditure Account. In the Balance Sheet, the book value of the asset sold should be deducted from the relevant asset.

7. Sale of Periodicals: Receipts from the sale of periodicals shown in the receipt side of Receipt and Payment Account. It is an item of recurring nature and shown in the income side of the Income and Expenditure Account.

8. Sale of Sports Materials: The sale of sports materials like old bats, old nets, etc. is a regular feature with any sports club. It is treated as revenue income on the assumption that their book value is zero. It is therefore shown in the income side of the Income and Expenditure Account. It is also shown on the receipt side of the Receipt and Payment Account.

9. Payment of Honorarium: It is the payment made to a person for his specific services rendered by him, not as a regular employee. This is an item of expense and is shown in the 'debit or expenditure side' of the Income and Expenditure Account.

10. Endowment Fund: "It is a fund arising from a bequest or gift, the income of which is devoted for a specific purpose. – Eric L. Kohler
Thus, Endowment Fund is a capital receipt and is shown on the liabilities side of the Balance Sheet.

11. Government Grant: Some organizations like schools, colleges, public hospitals, etc. depend upon Government grants for their activities.
It is shown on the receipt side of the Receipt and Payment Account:

1. The tie maintenance grant is a recurring grant. It is treated as a revenue receipt and shown on the income side of the Income and Expenditure Account.

2. Grants such as building grants are treated as capital receipts and transferred to the building fund account.

Cash subsidy: Some Not-For-Profit Organisations receive cash subsidies from the Government or Government agencies. This subsidy is also treated as revenue income for the year in which it is received.

12. Special Funds: Not-For-Profit Organisation creates some special funds for a specific purpose such as 'prize funds', 'match fund' and 'sports fund' etc. The number of such funds is invested in securities and the income earned on such investment is added to the respective fund, not credited to the Income and Expenditure Account. Similarly, the expenses incurred on such a specific purpose are also deducted from the fund.

13. Stationery (or some consumable items): Expenses incurred on Stationery (or some consumable items) are charged to the Income and Expenditure Account.

If the opening or closing stock of stationery is given, then the amount of stationery consumed during the year will be shown in the Income and Expenditure Account and the closing stock in the Balance Sheet.

The calculation for Expenses for the Current Year

Particulars	Amt. (Rs.)
Total Amount Paid for expenses during the current year	xxx
Add : Outstanding expenses at the end of the current year	xxx
	xxx
Less : Outstanding expenses in the beginning of the current year	xxx
	xxx
Add : Prepaid expenses in the beginning of the current year	xxx
	xxx
Less : Prepaid expenses at the end of the current year	xxx
Amount shown in Expenditure side of Income and Expenditure Account	xxx

Total Amount Paid shown in Payment side of Receipt and Payment Account. Outstanding expenses at the end of the current year shown in the Liabilities side of the Balance Sheet and prepaid at the end shown in the Assets side of the Balance Sheet.

The calculation for Income for the Current Year

Particulars	Amt. (Rs.)
Total Amount Received as Income during the current year	xxx
Add : Accrued Income at the end of the current year	xxx
	xxx
Less : Accrued Income in the beginning of the current year	xxx
	xxx
Add : Income received in advance in the beginning of the current year	xxx
	xxx
Less : Income received in advance at the end of the current year	xxx
Amount shown in Income side of Income and Expenditure Account	xxx
	xxx

Total Amount Received shown in Receipt side of Receipt and Payment Account. Accrued income at the end of the current year shown in assets side of Balance Sheet and Income received in advance at the end of the current year shown in the liabilities side of Balance Sheet