

A STUDY ON FINANCIAL STATEMENT OF NOT-FOR-PROFIT ORGANISATIONS; ANALYSIS OF RECEIPTS AND PAYMENTS ACCOUNT

Dr.Chitta Ranjan Mishra

Asst-professor of commerce
D.K.N COLLEGE (UTKAL UNIVERSITY)
Eranch, Cuttack

ABSTRACT; *Not profit for organizations (NPOs) refer to all those organizations that do not benefit their trustees, owners, and shareholders financially and serve the society with all of its means without the intent of generating a profit. there are certain organization whose objective is not earn profit but to render services. these organization, are called non-profit making organization. such organizations function to promote charitable interests in various fields such as education, health, culture, art, sports, religious, charity, etc. so non profit making organization also prepare their financial statement at the end of each accounting period. Their financial statements comprise of the following 1.Receipts and Payment Account; 2-Income and Expenditure Account; 3-Balance sheet. Out of three statement in this research analysis only one that is Receipts and payment accounts.*

KEY WORD; *Non –Profit –Organization, Receipts & Payment Accounts, Analysis of figure and Table*

1-INTRODUCTION

NOT-FOR-PROFIT ORGANISATIONS–MEANING

In this types of organizations which are not engaged in business activities. Their objective is not to make profits but to serve. Examples of such organizations are: schools, hospitals, charitable institutions, welfare societies, clubs, public libraries, resident welfare association, sports club etc. These are called Not-for-Profit Organizations (NPOs). These organizations provide services to their members and to the public in general. Their main source of income is membership fees, subscription, donation, grant-in-aid, etc. As the money is involved in the activities of these organizations, they also maintain accounts. These organizations prepare certain statements to ascertain the results in financial terms of their activities for a particular period say, one year.

1.1-OBJECTIVE OF THE STUDY

- To state the meaning and characteristics of Not-for-Profit Organizations;
- To state the meaning and need for preparing Receipts and Payments account;
- To identify the items of Receipts and Payments Account and prepare Receipts and Payments Account as per format;
- To analysis of Receipts and payment account;

1.2-Characteristics of Not-for-profit organizations (NPOs)

Following are the main characteristics or the salient features of Not for Profit organizations (NPOs) :

1. The objective of such organizations is not to make profit but to provide service to its members and to the society in general.
2. The main source of income of these organizations is not the profit earned from purchase and sale of goods and services but is admissions fees, subscriptions, donations, grant-in-aid, etc.
3. These organizations are managed by a group of persons elected by the members from among themselves. This group is called managing committee.
4. They also prepare their accounts following the same accounting principles and systems that are followed by business for profit organisations that are run with an objective to earn profits : The type of financial statements that are generally prepared by Not-for Profit Organisations (NPOs) are :

1. Receipts and Payments Account
2. Income and Expenditure Account
3. Balance Sheet

The receipts and payments account is the summary of cash and bank transactions which helps in the preparation of Income and expenditure Account and the Balance Sheet. Income and Expenditure A/c is similar to Profit and Loss Account. NPOs usually prepare the Income and Expenditure Account and balance Sheet with the help of Receipts and Payments Account.

1.3-METHODOLOGY OF THE STUDY

Research design

For the study purpose both primary and secondary data are used. For collection of primary data for this research work accounting techniques has been used. Accounting techniques is found suitable for this study because the study is a problem with analysis topic.

The study is based on both primary and secondary data.

Primary data:- The primary data is collected from the organization for the purpose of the study along with the secondary information to identify the business events and analyze these transactions, and record them as journal entries, ledger, trial balance, final account.

Secondary data:-The secondary data will be collected from the books, records available printed manuscripts, official and articles, journals, files and different booklet of organization

2-RECEIPTS AND PAYMENTS ACCOUNT– MEANING AND NEED

Like any other organizations Not-for-Profit Organizations (NPOs) also maintain cash book to record cash transactions on day to day basis. But at the end of the year they prepare a summary of cash transactions based on the cash-book. This summary is prepared in the form of an account. It is called Receipts and Payments account. All cash receipts and payments are recorded in this account whether these belong to current year or next year or previous year. All receipts and payments are recorded in this account whether these are of revenue nature or capital nature. As it is an account so it has the debit side and the credit side. All receipts are recorded on its debit side while all payments are shown on the credit side. This account begins with opening cash or/and bank balance. Closing balance of this account is cash in hand and or cash at bank/overdraft. Items in this account are recorded under suitable heads.

Following are the main features of Receipts and Payments Account:

1. It is prepared at the end of the year taking items from the cash book.
2. It is the summary of all cash transactions of a year put under various heads.
3. It records all cash transactions which occurred during the year concerned irrespective of the period they relate to i.e. previous/current/next year.
4. It records cash transactions both of revenue nature and capital nature.
5. Like any other account it begins with opening balance and ends with closing balance.

2.1-Need for preparing Receipts and Payments Account

As most of the transactions of Not-for-Profit Organizations are for cash, the Receipts and Payments Account shows most of the items at one place

As it is in a summary form, it gives an idea of large number of transactions at a glance. It contains accounting information under various heads. So it gives information item wise for the accounting year. It shows the closing cash or/and bank balance, this cash/Bank balance is taken to the Balance Sheet. The Receipts and Payments Account serves the purpose of trial balance and becomes the basis of preparing financial statements i.e. Income and Expenditure Account and Balance sheet for the organization. Very small Not-for-Profit Organizations (NPOs) prepare only Receipts and Payments Account. As the name itself suggests, Receipts and Payments Account is an account which has two sides, the debit side and the credit side. All receipts are written on the debit side and payments on the credit side

3-SPECIFIC ITEMS OF RECEIPTS AND PAYMENTS ACCOUNT

Subscription

It is a regular payment made by the members to the organization. It is generally contributed annually. It is one of the main sources of income. It appears on the debit side i.e. Receipts side of the Receipts and Payments Account. Apart from amount for current year, it may include amount pertaining to previous year or advance payment for next years.

Entrance fees or Admission fees

Whenever a person is admitted as a member of the organization certain amount is charged from him/her to give him/her admission. This is called entrance fee or admission fee. It is an item of income and is shown on the debit side of the Receipts and Payments Account

Life membership fees Membership,

if granted to a person for the whole life, special fee is charged from him/her, this is called life membership fees. It is charged once in the life time of a member. It is a capital receipt for the organization.

Endowment fund

It is a fund which provides permanent means of support for the organization. Any contribution towards this fund is an item of capital receipt.

Donation

Donation is the amount received from some person, firm, company or any other body by way of gift. It is also an important item of receipt. It can be of two types : (a) Specific donation : It is a donation received for a specific purpose. Examples of such donations are : donation for library, donation for building, etc. (b) General donation : It is a donation which is received not for some specific purpose. It can be of two types : (i) General donation of big amount (ii) General donation of small amount

Legacy

It is the amount which is received by organizations as per the will of a deceased person. It is treated as a capital receipt.

Sale of old newspapers/periodicals and sports material

Old newspapers used/condemned sport material is sold and fetches some money. It is a source of revenue. It is taken to the debit of Receipts and Payments account.

Purchase of fixed assets

Assets such as building, machinery, furniture, books etc. are purchased for the organisation. These are items of capital expenditure. These are shown on the credit side i.e. the payment side of Receipts and Payments Account.

Payment of honorarium

This is another item of payment. This is an amount paid to persons who are not the employees of the organization but take part in the management of the organization. Remuneration paid to them is called honorarium. For example, payment made to the secretary of the club as honorarium. This is a payment of revenue nature.

Purchase of consumable items

Items such as stationery, sports material, drugs and medicines etc. are called consumable items. Payments are regularly made by Not-for-Profit Organization (NPO). These are shown on the payment side. Payments are made for rent, salary, and insurance, office expenses etc. which are payments made as revenue expenditure by both businesses for profit and not for Profit Organizations (NPOs).

3.1-Preparation of Receipts and Payments Account

Following are the steps followed to prepare Receipts and Payments A/c :

At first the cash and bank balance carried forward from the last year is written on its debit side. In case there is bank overdraft at the beginning of the year, enter the same on the credit side of this account.

The amounts are written under relevant heads such as subscription, donations etc. on the receipts side and salary, rent, purchase of sports equipment, books etc. on the Payment side.

The amounts comprise of only cash and all cash received or paid during the period for which Receipts and Payments Account is prepared. No distinction is made between the items of revenue nature or capital nature and whether these belong to current year, previous year or the coming year.

Finally, this account is balanced by deducting the total of the credit side i.e. the total payments from the total of the debit side i.e. total receipts and is put on the credit side as 'balance cld'. It shows the closing cash and Bank balance which is written on the asset side of the Balance sheet of the concerned organization.

3.2-Analysis of Receipts and Payments

From the following information ,draft Receipts and Payments Accounts of Loyely Club Bhubaneswar for the year end 3 Fe1st March ,2018, Cash on 1st April 2017 Rs 440,subscription Rs 3,760, Donation Rs 800,Entrance Fees Rs 430,Rent realized from club hall Rs525,Electricity charges Rs244,TaxesRs150,Depreciation Rs520,Salaies and wages Rs2,150,Honorarium to secretary Rs250,Interest received on investment Rs295,Printing and stationary Rs35,Petty cash payments Rs90,Insurance premium paid Rs 31,Expenses unpaid this year Rs 2,940,Purchase of Crockery Rs1,500,Surplus on Bar Account Rs 1,500 ,Expenses for maintenance of garden Rs 300.

Table-1

**Lovely ladies Club, Bhubaneswar
Receipts and payment Account**

For the year ended 31st March,2018

Dr.

Cr.

Receipts	Amount(Rs)	Payments	Amount(Rs)
To Balance b/d Cash in Hand		By Electricity Charges	244
To Subscriptions	440	By Taxes	150
To Donation	3760	By Salaries and Wages	2,150
To Entrance Fees	800	By Honorarium to Secretary	250
To Rent	430	By Printing & Stationary	35
To Interest on Investment	525	By Petty Cash Payment	90
To Surplus on Bar Account	295	By Purchase of Crockery	1500
	1,500	By Maintenance. Exp. of Garden	300
		By insurance Premium	
		By Balance c/d cash in Hand	31
			3000
	7,750		7,750

4-Conclusion

In this study found out the receipts and payment account is basically a summary of transaction related to the cash and bank for a given period of time and transaction are not recorded date-wise..It is a real account in nature. It is prepared at the end of the year and to present summary of all cash transactions. Generally it is prepared for non-profit organization. The table -1 shows the preparation of receipts and payment account. Every kind are receipts in the debit side and payments are recorded in the credit side of receipts and payment accounts.

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