

## LESSON-19 NOT FOR PROFIT ORGANISATION: AN INTRODUCTION

### SUMMARY

Not-for-Profit Organisations are sports clubs, charitable institutions, schools, welfare societies, health clubs, blood banks, etc.

### NOT-FOR-PROFIT ORGANISATIONS— MEANING AND CHARACTERISTICS

Their objective is not to make profits but to provide service. Examples of such organisations are : schools, hospitals, charitable institutions, welfare societies, clubs, public libraries, resident welfare association, sports club etc. These are called Not-for-Profit Organisations (NPOs). These organisations provide services to their members and to the public in general. Their main source of income is membership fees, subscrip-tion, donation, grant-in-aid, etc. As the money is involved in the activities of these organisations, they also maintain accounts.

#### *Characteristics of Not-for-profit organisations (NPOs)*

1. The objective of such organisations 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 organisations 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 organisations 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.

### RECEIPTS AND PAYMENTS ACCOUNT—MEANING AND NEED

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. It begins with opening balance and ends with closing balance.

3. It serves the purpose of Trial Balance to prepare the financial statements.	It is a means of maintaining record of cash transactions.
4. It reflects the activities of the organisation.	It is only a systematic record of day to day cash transactions.
5. It is prepared only by Not-for-Profit Organisations (NPOs).	It is also prepared by business organisations meant to earn profit.

### SPECIFIC ITEMS OF RECEIPTS AND PAYMENTS ACCOUNT

- Subscription
- Entrance fees or Admission fees
- Life membership fees
- Endowment fund
- Donation
- Legacy
- Sale of old newspapers/periodicals and sports material
- Purchase of fixed assets
- Payment of honorarium
- Purchase of consumable items

### ACTIVITY

Visit at least five Not for Profit Organisations of your city/town/area engaged in the following activities

- (a) Conservation of forest and wild animals.
- (b) AIDS awareness
- (c) Girl child education
- (d) Sports club

### RECEIPT AND PAYMENTS ACCOUNT AND CASH BOOK

#### 19.4 RECEIPTS AND PAYMENTS ACCOUNT AND CASH BOOK

You have learnt about Cash Book and Receipts and Payments Account. You have also learnt that Receipts and Payments Account is prepared with the items taken from the cash Book, still there are some differences between the two which are given as below:

#### Difference between Receipts and Payments Account and Cash Book

<i>Receipts and Payment Account</i>	<i>Cash Book</i>
1. It is prepared at the end of the accounting year.	It is prepared on day-to-day basis.
2. An item appears only once.	Items appear number of times on different dates depending upon their occurrence.