

Non Trading Organization

Prepared By: Vinay Kumar Shaw

meaning of non trading organisation

- ▶ Non trading organisation are the organisations
- ▶ Where there is no sale or purchase of goods
- ▶ Primary objective of these are –to render services to society
- ▶ For example clubs, charitable hospitals, trusts ,recreational societies ,religious institutions etc
- ▶ Professions like doctor,engineer,c.a.,consultants are also included.

Nothing different!!

Profit-making firm	Non-profit organisation
Trading & Profit & loss account	Income and expenditure account
Net profit	Surplus of income over expenditure
Net loss	Excess of expenditure over income
Capital account	Accumulated fund
Cash Book	Receipts and Payments account

Final accounts of non trading organisation

- ▶ Receipt and payment account
- ▶ Income and expenditure account
- ▶ Balance sheet


Receipt and payment account

- ▶ It is prepared from the cash book
- ▶ It is a summary of cash transactions of a particular period
- ▶ It is prepared at the end of a year
- ▶ It is a real account
- ▶ It records all receipts and payments (capital and revenue both)
- ▶ It starts with opening balance of cash and bank
- ▶ Difference of both sides shows closing balance of cash or bank.
- ▶ If cr. Side is greater than dr. then difference is overdraft

Income and expenditure account

- ▶ It is prepared by non trading organisation
- ▶ It is like profit and loss account.
- ▶ It records only revenue items.
- ▶ Dr. all expenses and losses ,cr. All incomes and gains.
- ▶ $\text{dr. side} - \text{cr. Side} = \text{deficit.}$
- ▶ $\text{Cr. Side} - \text{dr. side} = \text{surplus}$

Balance sheet

- ▶ It shows the financial position.
 - ▶ Surplus of assets over liabilities is called capital fund.
 - ▶ It is required to create opening balance sheet to know capital fund if it is not given.
 - ▶ Closing balance sheet is also maintained at the end of year.
- 

Special items of non trading concerns

subscriptions

donations

legacy

enterance fees

life membership fees

specific funds

endowment funds

capital fund

RECEIPTS

Revenue vs. Capital

- Revenue Receipts
 - Income collected by the club to carry out the daily activities.
- Capital Receipts
 - Income collected for the specific purpose improving a fixed asset or the sale of a fixed asset

Egs. of Revenue vs. Capital Receipts

- Revenue Receipts

- Subscriptions
- Entrance fees
- Rental received
- Profit from sales of refreshments
- Donations
- Walkathon
- Commission received

- Capital Receipts

- Building of extension to the club house
- Construction of swimming pool
- Sale of fixed assets

EXPENDITURE

Revenue vs. Capital

- Revenue Expenditure
 - Money spent in running the daily activities of the club.
- Capital Expenditure
 - Money spent by a club to buy or add value to a fixed asset.

Egs. of Revenue vs. Capital Expenditure

- Revenue Expenditure

- Purchases of goods for resale
- Rental of club house
- Wages
- Insurance, rates, sundry expenses
- Maintenance and repairs
- Depreciation of fixed assets
- Petrol costs for van

- Capital Expenditure

- Purchase of fixed assets
- Painting outside a new building
- Putting extra headlights on motor van
- Construction or extension of club house

Receipt and payment account and cash book

- ▶ Receipt and payment
 - ▶ Items are not entered date wise .
 - ▶ Prepared by non trading organisation.
 - ▶ One item can be written one time(heading wise)
- Cash book
 - Items are entered date wise.
 - Prepared by trading organisation.
 - One item can be written many times.

Adjustment for Income & Expenditure:

Particulars	Opening Date	Closing Date
Accrued Income	-	+
Pre-Received Income	+	-
Outstanding Expenses	-	+
Prepaid Expenses	+	-

Problem:

The following shows the position of Bhimbhuti Bhusan Library as at 01/01/2014:

Liabilities	Amount ₹	Assets	Amount ₹
Capital Fund	3,00,000	Buildings	1,00,000
Outstanding Expenses	10,000	Furnitures	10,000
		Library Books	50,000
		Investments	1,00,000
		Outstanding Subscription	40,000
		Cash in hand	10,000
	3,10,000		3,10,000

Cash book during the year is as follows:

Receipts	Amount ₹	Payments	Amount ₹
To balance b/d	10,000	By Salaries	7,200
To Subscription	1,50,000	By Purchase of Books	80,000
To Donations	1,00,000	By Rent & Taxes	7,200
To Interest on Investment	1,200	By Outstanding Expenses	10,000
To Sale of Old Furniture	1,000	By Insurance Premium	3,000
		By Printing & Stationary	900
		By Purchase of Furniture	15,000
		By Investment	1,34,000
		By Sundry Expenses	900
		By balance c/d	4,000
	2,62,200		2,62,200

Additional Information:

- (i.) Accrued Subscription ₹ 30,000
- (ii.) Outstanding Liability for expenses ₹ 15,000
- (iii.) Insurance premium amounting to ₹ 600 was paid in advance.
- (iv.) Depreciate Building at 5%; Library books @ 10% and write off investment by 5%. Depreciation is to be calculated on the opening balances of assets.

Prepare an Income & Expenditure Account for the year ended 31st December, 2014 and a Balance Sheet as at that date.

In the books of Bhibhuti Bhusan Library
Income and Expenditure A/c
for the year ended 31/12/2014

Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salaries		7,200	By Subscription	1,50,000	
To Rent & taxes		7,200	Add: Accrued on	30,000	
To Insurance Premium	3,000		31.12.14	1,80,000	
Less: Prepaid	600		Less: Accrued on 1/1/14	40,000	
		2,400			1,40,000
To Printing & Stationary		900			
To Sundry Expenses		900			
To Outstanding Liability		15,000	By Donations		1,00,000
for Expenses					
To Depreciation on			By Interest on Investment		1,200
- Building		5,000			
- Library books		5,000			
To Investment Written		11,700			
off					
To Excess of Income		1,85,900			
over Expenditure					
(B. Fig.)					
		2,41,200			2,41,200

Balance Sheet
as on 31/12/2014

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund 1/1/14	3,00,000	4,85,900	Building	1,00,000	95,000
	1,85,900		Less: Depreciation @ 5%	5,000	
Outstanding Liability for Expenses		15,000	Furniture	10,000	24,000
			Add: Purchase	15,000	
				25,000	
			Less: Sold	1,000	
			Library Books	50,000	1,25,000
			Add: Purchase	80,000	
				1,30,000	
			Less: Depreciation @ 10%	5,000	
			Investment	1,00,000	2,22,300
			Add: Purchase	1,34,000	
				2,34,000	
			Less: Write off @ 5%	11,700	
			Prepaid Insurance Premium		600
			Accrued Subscription		30,000
			Cash in hand		4,000
		5,00,900			5,00,900

Thank You