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Academic Education CBSE › Class 12 Commerce › Accountancy

Accounting for Not-for-Profit Organisation

Mastering Accounting for Not-for-Profit Organisations Simplified!

DEFINITION

Accounting for Not-for-Profit Organisations involves tracking financial activities for entities that do not operate for profit. It focuses on accountability and transparency in managing funds received from donations and grants.

KEY CONCEPTS

Receipts and Payments Account

This account summarizes all cash transactions during a specific period, showing inflows and outflows.

Income and Expenditure Account

This account reflects the organization's revenue and expenses, similar to a profit and loss statement.

Balance Sheet

A financial statement that shows the assets, liabilities, and net assets of the organisation at a specific date.

Fund Accounting

This method categorizes resources into different funds based on their purpose, ensuring proper usage.

Donations and Grants

Funds received from individuals or organizations, which must be recorded accurately for transparency.

EXAMPLES

→ A charity receives $5,000 in donations this year.

→ An NGO spends $2,000 on community programs.

→ A sports club collects $1,500 in membership fees.

MEMORY TIPS

★ Remember 'R' for Receipts and 'P' for Payments to track cash flow.

★ Use the acronym 'I.E.' for Income and Expenditure to recall the main financial statement.

★ Think of 'F' in Fund Accounting as 'Focused' to remember its purpose.

COMMON MISTAKES

✗ Confusing receipts with income when preparing accounts.

✗ Neglecting to categorize funds properly in fund accounting.

✗ Forgetting to include all expenses in the Income and Expenditure Account.

QUICK RECAP

Accounting for Not-for-Profit Organisations emphasizes transparency and accountability in financial management. Key components include Receipts and Payments, Income and Expenditure Accounts, and proper fund categorization. Review these concepts to ensure a strong understanding before your exam.