# ACCOUNTS FOR NOT-FOR-PROFIT ORGANIZATIONS

### **CHAPTER OUTLINE**

- Not for profit organizations
- \* Receipt and payment accounts
- Income and expenditure accounts
- Statement of financial position
- Bar trading accounts.
- Accumulated fund
- Differences between receipt and payment and income and expenditure accounts
- Difference between profit and not-for-profit organizations
- Sources of income for not-for-profit organizations.

### Learning Objectives:

At the end of this chapter, the student should be able to:

- Differentiate between profit and not- for-profit organizations.
- Prepare a receipt and payment accounts.
- Prepare income and expenditure accounts.
- Determine the accumulated fund of not -for-profit organizations.
- Prepare bar trading accounts.

### 14.1 NOT-FOR-PROFIT ORGANIZATIONS AND USE PROFIT AND USE PROFIT ORGANIZATIONS

Not-for-profit organizations can also be referred to as non-profit making organizations or non-commercial organizations. They are those organizations established primarily not to make profits. Their main purpose is to render services to the general public or to some group of people. They are not established for the purpose of buying and selling in order to make profit, rather they are formed to achieve other objectives. Such organizations include, charitable organizations, religious organizations, social clubs such as New Line Up Club, Football Clubs, Town Unions, Age Grades, Professional Bodies such ICAN, ANAN, CITN e.t.c. They exist for the welfare of their members and/or general public.

It is therefore, inappropriate to prepare statement of comprehensive income for not-for-profit organizations since they do not exist to make profits. The kind of final accounts prepared by these organizations are receipt and payment accounts; and income and expenditure accounts.

### 14.2 RECEIPT AND PAYMENT ACCOUNTS

These accounts are merely summary of the cash book. It has in its debit side, all cash receipts and in its credit all payments and expenses. This generally includes payments of capital and revenue nature.

### 14.3 INCOME AND EXPENDITURE ACCOUNTS

These are prepared like the statement of comprehensive income. It contains only revenue items. All revenue expenditures and losses are debited while income and gains are credited in this account. The difference between income and expenditure sides of this account of an organization is known as either surplus or deficit depending on whether the credit side is greater than the debit side or vice versa respectively.

## 14.4 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

This is prepared by all not- for-profit organizations to disclose the accumulated fund as at the end of the period.

### 14.5 BAR TRADING ACCOUNTS

The other account that may be prepared by not-for-profit organizations is

the bar trading accounts. This account is prepared where a non-trading organization undertakes a permanent fund raising activity like running a bar or restaurant. In such a situation, a bar trading account is prepared organizations established primarily not to make panizations established primarily not to make panizations. is to render services to the general public or to some intoup of people, They

14.6 ACCUMULATED FUND
This is a term commonly used to describe the capital of non-trading organizations. It represents the net value of the organization at the beginning of a financial period. i.e. assets less liabilities. In a profit making organization, the accounting equation is Assets = Capital + Liabilities while in non profit making organizations, the accounting equation is Assets = Accumulated Fund + Liabilities.

## It is therefore, inappropriate to prepare statement of comprehensive income. 14.7. DIFFERENCES BETWEEN RECEIPT AND PAYMENT. To not for DIFFERENCES BETWEEN RECEIPT AND PAYMENT. AND INCOME AND EXPENDITURE ACCOUNTS

Some basic differences between receipt and payment accounts and income and expenditure accounts are shown below:

income.  3. Aim at determining the cash in hand or at bank at the end and it is shown as such in the statement of financial position.	Maintained on accrual basis.  Include only revenue items.  Aim at finding the surplus or deficit from its operation at the end and it is added or subtracted from the
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## 14.8 DIFFERENCES BETWEEN PROFIT AND NOT-FOR-ORGANIZATIONS

The following differences exist between profit and pot-for profit profit

1. Main purpose is to make profit  2. Prepare income statement/statement of comprehensive income  3. Main source of revenue is from sale of goods and services.  4. Net income is taxable.  5. Net profit or Net Income/Net loss is the end result.  6. Capital, Owner's equity or Shareholder's equity is used to describe their capital.  7. Accounting equation here is Capital + Liabilities = Assets  8. Profit is distributable to owners or shareholders.  9. May be owned be a single owner(sole).	subscription fees.  Net income is exempted from tax in many countries.  Surplus or deficit is the end result.  Accumulated fund is used to describe their capital.  Accounting equation here is Accumulated fund = Surplus not distributable but kent for grow th and expansion of the organization.
prietori or hy narra-	expansion of the organization  No one person owns not-for-projet organizations.

### 14.9 SOURCES OF INCOME FOR NOT-FOR-PROFIT **ORGANIZATIONS**

In most cases, sources of income for not-for-profit organizations include:

- 1. Membership subscription fees and vide early guld energined in
- 2. Donations
- 3. Fines
- 4. Special event fees
- 5. Gate fees
- 6. Raffle draws, e.t.c., and an analysis of the second state of th

### Illustration 14.1.

Below is the summary of receipts and payments of New Line Up Club for the year ended 31<sup>st</sup> December, 2010.

		N
Dalaman at 1st January		24,155
Entrance fees received		2,500
Subscription received		150,000
Donations received		2,100
Proceeds of dance		18,075
Interest received on bank depo	osit	6,000
Wages paid		36,150
Stationery bought		4,895
Equipment hought	150,000 -10,000-4,000)136,000	20,000
Renairs	10,000	8,086
General expenses		24,448
Rates		5,000
Transfer to bank deposit		60,000
Man Substitute of the second		

### Additional information:

- i. Of the subscription received N4,000 was in arrears the previous year while N10, 000 was paid in advance for the coming year. In addition, N6000 was still being owed as at 31st, December.
- ii. Rates prepaid amount to N1,000
- iii. General expenses include №5, 000 owing since the previous year.
- iv. Wages of N2,400 were due but unpaid as at 31st December.
- v. The club had the following properties on 1st January:

01 1 777	0	
Club House	N48,000	
Equipment		SOUR TO SOURCE SOURCE
Bank deposit	N200,000	DOME TO PROPERTY TO THE TOTAL TO SECURITION OF THE PROPERTY OF

vi. Depreciate club house by 5%; and equipment including addition within the year, by 10%

In nest cases, sources of inc

II. Rates prepaid amount to N1, 600

- You are required to prepare: i.e. assess less happed dosyglabout nation
- a. Receipt and payment account about a Assets Capital (2001) 160.
- b. Income and expenditure account the accounting sewarb office c. Statement of financial position of New Line Up Club as at 31st December, 2010.

  40) dulo que participate en la paymente of lie paymente per le paymente per l December, 2010.

Solution 14.1 COME AND EXPERIM 0105 grading on I to be be a way and New Line Up Club's

Receipt and Payment Account for the year ended 31st December, 2010.

000 076	ccount for the yea	ar ended 31st Decembe	r. 2010
Balance 1 <sup>st</sup> January	TV	estecelyed and amo	FARREETE
36,150	24,155	Wages	
Entrance fees Subscription: -Previous Year -Current Year(150,000 -10,000 In Advance Donations Dance proceeds Interest on bank deposit	2,500 4,000 0-4,000)136,000 10,000 2,100 18,075 	Stationery Equipment Repairs General expenses Rates Bank deposit Balance c/d	4,895 20,000 8,086 24,448 5,000 60,000 44,251 202,830
lidw require		Crossidante a	202,830
arrears the previous year while ng year. In addition, N6000 wa	d,N4, 000 was in	nal information:	Additio
Di Pi	nee for the cornu		JILIO J

0.0	0,084	N	year ended 31 <sup>st</sup> December, 201
Wages (36,150 + 2,400) Stationery		38,550	2,50
Repairs		1,895	Subscription(Wks1) 142,00
General expenses (24,448 –	E 0001	8,086	Donations 2,100
Rates (5,000 – 1,000)			Dance proceeds 18,07!
Depreciation:	1,800,1	4,000	Interest on deposit 6,000
Club house 24,000	)		ess sundry habilities:
Equipment 32,000		6,000	xpenses owing
Net surplus to accumulated i		9,696	I Do to the street of the
		0,675	170,675
Workings 1: Com	outation	of Sub	scriptions salalar enwoller and
Tale wie	A	Toom!	Slub for the year ended 31 Dece
an 1 Balance b/f	4,000	Jan-	- Dec. Receipt 150,000
	42,000		31 (Amt in Arrears) <u>6,000</u>
	10,000	ed pu	Mensal (1900)
X 05 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	56,000	1.1	156,000
an 1 Bal b/d	6,000	Jan 1	bal b/d 10,000 Mga8
	Vew Line	IIPC	lub's are roupil to elsa
			s 31 <sup>st</sup> December, 2010
N N	N	T	N N
ccumulated Fund:		LU N	Club house 480,000
al 1 <sup>st</sup> Jan. 1,003,15	55	rand b	Less Depre. 24,000 456,000
dd Surplus 39,69		2,851	Equipment 300,000
ubscription in advance	TT521 * (	,000	Addition 20,000
ages accrued		,400	320,000
			Less depre. 32,000 288,000
			Subsc. in arrears 6,000
			Rates pre-paid 1,000
			ank dep.(60,000+200,000) 260,000
		1-	

iii. General expenses include NS, 000 owing since the provious year,

1,055,251

Cash balance

44,251

1,055,251

Workings 2. (	Calculation of Accumulated Fund.
Assets as at 1° January: Club house	come and Expenditure Acount for the year end
Equipment	500 000 000 col 050 services
Bank deposit	200.000
The state of the s	4 000
Cash balance space rest on deposit	eneral expenses (24,448 <b>221,448</b> Dano
You are required to the	
Less sundry liabilities:	
Expenses owing	92uo d.
A Statement of features	1,003,155 E January
	TO PART OF BUILDING AT STATE OF THE STATE OF

### Illustration 14.2

The following relates to the receipt and payment accounts of Udenu Social Club for the year ended 31st December, 2012.

Bank/cash balance (1/1/12) Subscriptions Sale of liquor Sale of old furniture Dance and social	N 13,400 42,250 92,000 750 17,350	Creditors for liquor New furniture Dance & Social expenses Rent and Rates Salaries	70,750 3,000 13,450 10,000 46,000
Addition 20,000 tenent 320,000 tenent 320,000 tenent 320,000 tenent 320,000	81 . 1 042,851 E	Electricity Insurance premium Postage Bank bal. 31/12/12	5,300
depre. 32,000 288,000 absc.in.agrears 6,000 ates pre-paid 1,00 abp.(60,000+200,000) 260,00 ash balance 44,25			

Additional information was given a		AL 15 7- 12012	(d)
nded 3 th December 2012.	31 Dec, 2012	At 1 <sup>st</sup> Jan2012.	
	14	12.400	. B. B. S. S.
Cash at bank	15,950	13,400	100 .
Liquor stock	9,000	10,500	DEG
Subscription in arrears	2,250	1,000	893
Insurance premium paid	200	150	100
Furniture and equipment.	?	13,400 2	1500
	8,750	7,500 ×	10
Creditors of liquor		7,300	
Outstanding electricity bill	1,350	1,330	1580
ii. Subscription received in the year relating to the previous year. year was written off as bad debt	The remainder of t.	the subscription fo	r the
iii. The old furniture sold during the date of sale.			it the
iv. Depreciation of N1, 250 is to be <b>Required:</b> Prepare:	written off furnitu		Inco
(a) A statement of accumulate	ed fund as at 1st Ja	nuary, 2012	

(a) A statement of accumulated fund as at 1 Sandary, 2012

(b) Bar trading account for the year ended 31 December, 2012

(c) Income and expenditure account for the year ended 31 December, 2012 (d) Statement of financial position as at that date.

So	N .	. 4. "	-	-8	A	7
20	8 2	5 5 5	4 34 3		6d.	

(a) Udenu Soc Statement of accumulat	ial club's ted fund as at 1 <sup>st</sup> January,	Bad debt(1,00 Insurance100
Assets: Furniture and equipment Liquor stock Subscription in arrears		Rent & Righes Salaries 7.12 Electricity 01, 3 Postage), 1 Surplus
Prepaid insurance premium Cash at bank and in hand	cash buct Badid, 1,000 750	13,40c 46,550
Less Liabilities: Creditors for liquor Accumulated fund as at 1 January,	, 2012	7,50 3 <b>9,</b> 03

10		
(b)	na Suld Consultation in	
	Udenii Social Cu II	Of distance in the
bar trading account for t	Udenu Social Club's the year ended 31st Decembe	THE PROPERTY.
Sales 004 81 020	, and chided 31 Decembe	r, 2012.
Less cost of sales:		NOCA N
Opening stock		92,000
101111111111111111111111111111111111111	10,500	Subscription
Purchases (wk. 1)	72,000	Sunscription of
Closing stock	82,500	ME Brustian is
Bar profit	5.000 (0.000)	Descriptions of
121 × December, Zurz men	L DOR I SCHOOL DID SO	73,500
	ion received in the year endection received in the previous year. The ren	18,500
© Ildony C	o the previous year.	t gnitsiar
Income and expenditure account	cial Club's	Sew Testy
Income and expenditure account	for the year ended 31st Decen	mber 2013
The state of the s	ale. Harman be writte	NOC1, 2012.
Bar profit		iv. Depreci
Subscription (Wk 2)		18,500
D I I I I I I I I I I I I I I I I I I I		43,750
Dances & Socials (Wk. 4)		300
U		3,900
Less expenditure  Depreciation and G		66,450
Depreciation on fixtures and equipme Bad debt(1,000 – 750)	ent 1.350	
Insurance (WK E)	1,250	
Rent & Rates	250 Disposition 250	100
Insurance (Wk 5) Rent & Rates Salaries	350 00,1	
Electricity (5,300 + 1,350)	46,000	
Postage (3,300 + 1,350)	6,650	
Surplus	000	
#10 X X	2169716711 miner	(65,400)
Sa - s	the mance premium	1,050
	t bank and in hand	Cash a

(d)	Udenu Social Cl	ihiso Isangaio	
Statement of financia	al position as at 3	31st December	10 EKINGS 3. L
Non - current -		19 December	, 2012.
Non – current asset:	6 )	1.4	N
Furniture and equipment (wk.6 Current Assets:	300		uralture and I
Stock of liquor	750		22,80
Subscription:		9,000	
Subscription in arrears		2,250	
Prepaid insurance Cash at bank			Consideration
A	socials	15,950	Workings 4:
1. 《 A R R R R R R R R R R R R R R R R R R	1 - H	27,400	
Less current liabilities: Creditors	13,450	27,400	
Accrued electricity	8,750		Cash in cash
Net Assets.	1,350	(10,100)	THE STROOM
Financed By:		(10,100)	17,300
Accumulated 6			40,100
Accumulated fund 1st January, 20	12mgra eonema		Spaniaon
THE TOUT TO A THE	12		
outplus for the year			39,050
one and Example of the year			1,050
one was bus and and are are by			
Workings 1: Purchases			1,050
Workings 1: Purchases  Cred	oonI 021 000 000 023 ditors Account		1,050
Workings 1: Purchases  Cred	150 lnco	anage and the second three	1,050 40,100
Workings 1: Purchases  Cred  Cash book  Ral c/d	ditors Account    January   January	<b>6:</b> FürnitUre	1,050 40,100 HOODING
Workings 1: Purchases  Cred  N  Cash book Bal c/d  8,750	ditors Account    January   January	<b>6:</b> FürnitUre	1,050 40,100 200028
Workings 1: Purchases  Cred  Cash book  Ral c/d	ditors Account  January Bal b/d multiple Bar Purchase	<b>6:</b> FürnitUre	1,050 40,100 40,100 7,500 72,000
Workings 1: Purchases  Cred  N  Cash book Bal c/d  8,750	ditors Account  Bal b/d  Bar Purchase	<b>6:</b> FürnitUre	1,050 40,100 40,100 7,500 72,000 79,500
Workings 1: Purchases  —	ditors Account  January Bal b/d multiple Bar Purchase	<b>6:</b> FürnitUre	1,050 40,100 40,100 7,500 72,000
Workings 1: Purchases  ——————————————————————————————————	ditors Account  Bal b/d  Bar Purchase  Bal c/d	<b>6:</b> FürnitUre	1,050 40,100 40,100 7,500 72,000 79,500
Workings 1: Purchases  Cred  N  Cash book Bal c/d  Workings 2: Subscription  Subscription	ditors Account  Bal b/d  Bar Purchase  Bal c/d	<b>6:</b> FürnitUre	1,050 40,100 40,100 7,500 72,000 79,500
Workings 1: Purchases  Cred  N  Cash book Bal c/d  Workings 2: Subscription  Subscription  Subscription	ditors Account  Bal b/d Bar Purchase Bal c/d  iption account	<b>6:</b> FürnitUre	1,050 40,100 40,100 7,500 72,000 79,500 8,750
Vorkings 1: Purchases   Cred   N   Purchases   Cred   N   Purchases   Cred   N   Purchases   Cred   N   Purchases   Purchases   Cred   N   Purchases   Purchases	ditors Account  Bal b/d Bar Purchase Bal c/d  iption account  cash book	Fundament was	1,050 40,100 40,100 7,500 72,000 79,500 8,750
Cred   Purchases   Cred   N   Purchases   Cred   N   Purchases   Cred   N   Purchases   Cred   N   Purchases   Purchases   Cred   N   Purchases   Pu	ditors Account  Bal b/d Bar Purchase Bal c/d  iption account  cash book Bad debt (1,00	Fundament was	1,050 40,100 40,100 7,500 72,000 79,500 8,750
Workings 1: Purchases  Cred N Cash book Bal c/d Solution  Workings 2: Subscription Subscription N 1,000	ditors Account  Bal b/d Bar Purchase Bal c/d  iption account	Fundament was	1,050 40,100 7,500 72,000 79,500 8,750

Less Liabilities

Workings 3: Disposal	of furniture:
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Workings 3: Dispos	al of furniture	Sudenu So		
	Disp	osal Account	anama's Enil lo toemeta	
Furniture and Equipm Income and Exp	nent 4	50 Cash t	rent asset: Aooc	N 750
Bal b/d		50 50	10,50 <b>033152</b> quor 660,47	750
Workings 4: Dance	es and socials			Subscript
Sar profit 129 21	Dances and	d Socials Accou		
	- arrees arr	¥ Socials Accou	int state	dasharb
Cash book (Exp.) Income and Exp.	13,45	0 Cas	sh book most me	
10,100) = 140300 40,100	17,3		: electricity	17,350
Workings 5: Insuran	ce Premium			Net'Asse
030x83fit	Insurance P	remium Accou	d By: lated fund 1° j. <b>jn</b>	Finance
Bal b/d Cashbook	150 400 550	Income and bal c/d		350 200
Workings 6: Furniture	and Equipm		-	
002 V	rniture and E	ent 4	1,250	
72,000	Sar Parc Hise	quipment Acco	ount 150 xoc	Cash bo
Bal b/d		Disposal		BM c/d
Cash book (New Furniture)		(Income and	Exp)Depreciation	450
Electricity (5	,	(Theorne and	Exp)Depreciation	1,250
		Bal c/d	923.5 ggs 2: Subscrip	22 000
D. I.I.	24,5006 10	Subscripti	dimenne 17 shill	
Bal b/d	22,800			24,500
	Bad debt (1,0 Bal c/d	43,750	e and Exp *	