

## Accounting for Not for Profit Organisation

### I. State which of the following is correct.

Question 1.

Receipts and Payments A/c is the summary of a:

- (a) Cash Book
- (b) Sales Book
- (c) Purchases Book
- (d) Journal

▼ Answer

Answer: (a) Cash Book

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Question 2.

Subscriptions received in advance during the accounting year is:

- (a) An Income
- (b) An Expense
- (c) An Asset
- (d) A Liability

▼ Answer

Answer: (d) A Liability

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Question 3.

Income and Expenditure A/c is of the nature of:

- (a) Trial Balance
- (b) Deficit A/c
- (c) P & L A/c
- (d) Balance Sheet

▼ Answer

Answer: (c) P & L A/c

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Question 4.

Cash received by converting an asset into cash is reflected in:

- (a) Conversion A/c
- (b) Receipts and Payments A/c
- (c) Contract A/c
- (d) Suspense A/c

▼ Answer

Answer: (b) Receipts and Payments A/c

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Question 5.

If the credit side of Receipts and Payments A/c exceeds the debit side, the balance represents:

- (a) Bank charges
- (b) Commission
- (c) Bank overdraft
- (d) Interest

▼ [Answer](#)

Answer: (c) Bank overdraft

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Question 6.

No cash transaction will be excluded from:

- (a) Balance Sheet
- (b) Profit & Loss A/c
- (c) Receipts and Payments
- (d) Income and Expenditure A/c

▼ [Answer](#)

Answer: (c) Receipts and Payments

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Question 7.

In Receipts and Payments A/c, cash in hand or at the bank is put on:

- (a) Credit side
- (b) Left-hand side
- (c) Right-hand side
- (d) None of these

▼ [Answer](#)

Answer: (b) Left-hand side

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Question 8.

The task of preparing Income and Expenditure A/c and the Balance Sheet commences after the preparation of the:

- (a) Trial Balance
- (b) Profit and loss A/c
- (c) Trading A/c
- (d) Cash A/c

▼ [Answer](#)

Answer: (d) Cash A/c

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Question 9.

In Income and Expenditure A/c all revenue expenses are entered on:

- (a) Assets side
- (b) Left-hand side

- (c) Liabilities side
- (d) Right-hand side

▼ [Answer](#)

Answer: (b) Left-hand side

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Question 10.

In the Income and Expenditure Account all revenue receipts are entered on:

- (a) Assets side
- (b) Left-hand side
- (c) Right-hand side
- (d) Liabilities side

▼ [Answer](#)

Answer: (c) Right-hand side

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## II. Fill in the blanks with the correct word.

Question 11.

Excess of incomes over expenditure is known as \_\_\_\_\_

▼ [Answer](#)

Answer: Surplus

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Question 12.

The difference in the balance sheet at the beginning of the year is known as \_\_\_\_\_

▼ [Answer](#)

Answer: Capital fund

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Question 13.

Entrance fee should be taken as \_\_\_\_\_ receipt.

▼ [Answer](#)

Answer: Revenue

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Question 14.

The main source of income for a not for profit is \_\_\_\_\_

▼ [Answer](#)

Answer: Subscription

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Question 15.

Financial statements in case of NPO consists of receipts & payments account, \_\_\_\_\_, and

balance sheet.

▼ [Answer](#)

Answer: Income and Expenditure account

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Question 16.

Receipts and payments account is prepared on \_\_\_\_\_ basis whereas cash book is prepared on the \_\_\_\_\_ basis.

▼ [Answer](#)

Answer: Yearly, daily

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Question 17.

Income and expenditure account is prepared on the basis of \_\_\_\_\_ incomes and \_\_\_\_\_ expenditures.

▼ [Answer](#)

Answer: Revenue, revenue

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Question 18.

Legacy is a \_\_\_\_\_ receipt.

▼ [Answer](#)

Answer: Capital

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III. State whether the following statements are True or False:

Question 19.

Not-for-profit organisations are organisations that serve not only their members but also the general public.

▼ [Answer](#)

Answer: True

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Question 20.

Not for profit organisations do not enjoy separate legal entity.

▼ [Answer](#)

Answer: False

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Question 21.

Profit earned by a, not for profit organisation is known as surplus.

▼ [Answer](#)

Answer: True

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Question 22.

General donations are capital in nature whereas specific donations are capital in nature.

▼ [Answer](#)

Answer: False

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Question 23.

Receipts and payments account records capital receipts and capital payments only.

▼ [Answer](#)

Answer: False

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Question 24.

Income & expenditure account is prepared on the same principles as we prepare profit and loss account.

▼ [Answer](#)

Answer: True

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Question 25.

Specific funds are shown on the liabilities side whereas expenses on specific funds are shown on the assets side.

▼ [Answer](#)

Answer: False

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Question 26.

Cashbook and receipts & payments account is prepared on the basis of cash basis of accounting.

▼ [Answer](#)

Answer: True

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#### IV. One word Questions.

Question 27.

How are specific donations treated while preparing final accounts of a 'Not-For-Profit Organisation'?

▼ [Answer](#)

Answer: Specific donation is treated as capital receipt & it is shown on the liabilities side of the Balance Sheet.

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Question 28.

State the basis of accounting of preparing 'Income and Expenditure Account' of a 'Not-For-Profit Organisation'.

▼ [Answer](#)

Answer: Accrual basis.

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Question 29.

Differentiate between 'Receipts and Payments Account' and 'Income and Expenditure Account' on the basis of 'Period'.

▼ [Answer](#)

Answer:

Basic	Receipts & Payments A/c	Income & Expenditure A/c
Period	May relate to preceding and succeeding periods	Relate to the current period

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Question 30.

What is meant by 'Life membership fees'?

▼ [Answer](#)

Answer: Membership fee paid in lump sum to become a life member of a not-for-profit organisation.

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Question 31.

How are the following items presented in the financial statements of a Not-for-Profit organisation:

(a) Tournament Fund – 80,000

(b) Tournament expenses – 14,000

▼ [Answer](#)

Answer:

**Balance Sheet of \_\_\_\_\_ NPO. as on \_\_\_\_\_ Date**

Liabilities		Amount (₹)	Assets		Amount (₹)
Tournament Fund	80,000				
Less: Tournament expenses	<u>14,000</u>	66,000			

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Question 32.

How are general donations treated while preparing financial statements of a not-for-profit organisation?

▼ [Answer](#)

Answer: General donations are treated as revenue receipts

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Or

How are general donations treated while preparing financial statements of a not-for-profit organisation?

▼ [Answer](#)

Answer: Life membership fee is the membership fee paid by some members as a lump sum amount instead of a periodic subscription

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Question 33.

State the basis of accounting on which 'Receipt and Payment Account' is prepared in case of Not-for Profit Organisation.

▼ [Answer](#)

Answer: Cash basis of accounting

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Question 34.

Where will you show the 'Subscription received in advance' during the current year in the Balance Sheet of a Not-For-Profit Organisation?

▼ [Answer](#)

Answer: Liability side of current year's balance sheet

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Question 35.

A not-for-profit organisation sold its old furniture. State whether it will be treated as revenue receipt or capital receipt.

▼ [Answer](#)

Answer: Revenue

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Question 36.

Mention a fund who are specific in nature.

▼ [Answer](#)

Answer: Sports fund

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Question 37.

Income and Expenditure Account of a not-for-profit organisation has shown credit balance of ₹ 1,20,000 during 2012-13. When will you show it?

▼ [Answer](#)

Answer: It will be added in the capital fund on the liability side

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Question 38.

Do not for profit organisation maintain proper system of accounts?

▼ [Answer](#)

Answer: No

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Question 39.

Name any one account prepared by not for profit organisations.

▼ [Answer](#)

Answer: Receipts and Payment Account, Income and Expenditure Account and Balance Sheet

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Question 40.

Give one example of not for profit organisations.

▼ [Answer](#)

Answer: Charitable dispensaries, schools, educational institutions, trusts, societies etc

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Question 41.

State one source of not for profit organisations.

▼ [Answer](#)

Answer: Subscriptions, donations, legacies, government grant etc

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Question 42.

State the receipts relating to non-recurring in nature.

▼ [Answer](#)

Answer: Capital receipts

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Question 43.

State the payments relating to non-recurring in nature.

▼ [Answer](#)

Answer: The payments can be classified into capital payment and revenue payment

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Question 44.

Give an example of revenue receipt.

▼ [Answer](#)

Answer: Subscription

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Question 45.

Give an example of capital receipt.

▼ [Answer](#)

Answer: Government grant

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Question 46.

Give an example of capital payments.

▼ [Answer](#)

Answer: Purchase of assets

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Question 47.

What name is used for the cash book in case of not for profit organisations?

▼ [Answer](#)

Answer: Receipts and Payments Account

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Question 48.

Which side the revenue receipts are transferred in the income and expenditure account?

▼ [Answer](#)

Answer: Credit side

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Question 49.

When the capital receipts are shown?

▼ [Answer](#)

Answer: Liabilities side

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Question 50.

Where the capital payments are shown?

▼ [Answer](#)

Answer: Assets side

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Question 51.

In which account the funds are transferred in case of not for profit organisation?

▼ [Answer](#)

Answer: Capital Fund

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Question 52.

What is the major source of income for not for profit organisations?

▼ [Answer](#)

Answer: Subscription

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Question 53.

What name is used for profit in case of not for profit organisations?

▼ [Answer](#)

Answer: Surplus

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Question 54.

What name is used for loss in case of not for profit organisations?

▼ [Answer](#)

Answer: Deficit

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Question 55.

Is the surplus or deficit in case of not for profit organisations distributed among members?

▼ [Answer](#)

Answer: No

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Question 56.

What type of receipts are recorded in the income and expenditure account?

▼ [Answer](#)

Answer: Revenue Receipts

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Question 57.

What type of payments are recorded in the income and expenditure account?

▼ [Answer](#)

Answer: Revenue Payments

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Question 58.

Which system of accountancy is followed to prepare receipts and payments account?

▼ [Answer](#)

Answer: Cash system of accounting

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Question 59.

Which system of account is followed to prepare income and expenditure account.

▼ [Answer](#)

Answer: Accrual system of accounting

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