

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

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

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

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

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

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

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

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

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

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

II. Fill in the blanks with the correct word.

Question 11.

Excess of incomes over expenditure is known as _____

▼ **Answer**

Answer: Surplus

Question 12.

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

▼ **Answer**

Answer: Capital fund

Question 13.

Entrance fee should be taken as _____ receipt.

▼ **Answer**

Answer: Revenue

Question 14.

The main source of income for a not for profit is _____

▼ **Answer**

Answer: Subscription

Question 15.

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

balance sheet.

▼ Answer

Answer: Income and Expenditure account

Question 16.

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

▼ Answer

Answer: Yearly, daily

Question 17.

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

▼ Answer

Answer: Revenue, revenue

Question 18.

Legacy is a _____ receipt.

▼ Answer

Answer: Capital

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

Question 20.

Not for profit organisations do not enjoy separate legal entity.

▼ Answer

Answer: False

Question 21.

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

▼ Answer

Answer: True

Question 22.

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

▼ Answer

Answer: False

Question 23.

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

▼ Answer

Answer: False

Question 24.

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

▼ Answer

Answer: True

Question 25.

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

▼ Answer

Answer: False

Question 26.

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

▼ Answer

Answer: True

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.

Question 28.

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

▼ Answer

Answer: Accrual basis.

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

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.

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	

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

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

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

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

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

Question 36.

Mention a fund who are specific in nature.

▼ Answer

Answer: Sports fund

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

Question 38.

Do not for profit organisation maintain proper system of accounts?

▼ Answer

Answer: No

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

Question 40.

Give one example of not for profit organisations.

▼ Answer

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

Question 41.

State one source of not for profit organisations.

▼ Answer

Answer: Subscriptions, donations, legacies, government grant etc

Question 42.

State the receipts relating to non-recurring in nature.

▼ Answer

Answer: Capital receipts

Question 43.

State the payments relating to non-recurring in nature.

▼ Answer

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

Question 44.

Give an example of revenue receipt.

▼ Answer

Answer: Subscription

Question 45.

Give an example of capital receipt.

▼ Answer

Answer: Government grant

Question 46.

Give an example of capital payments.

▼ Answer

Answer: Purchase of assets

Question 47.

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

▼ Answer

Answer: Receipts and Payments Account

Question 48.

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

▼ Answer

Answer: Credit side

Question 49.

When the capital receipts are shown?

▼ Answer

Answer: Liabilities side

Question 50.

Where the capital payments are shown?

▼ Answer

Answer: Assets side

Question 51.

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

▼ Answer

Answer: Capital Fund

Question 52.

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

▼ Answer

Answer: Subscription

Question 53.

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

▼ Answer

Answer: Surplus

Question 54.

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

▼ Answer

Answer: Deficit

Question 55.

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

▼ Answer

Answer: No

Question 56.

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

▼ Answer

Answer: Revenue Receipts

Question 57.

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

▼ Answer

Answer: Revenue Payments

Question 58.

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

▼ [Answer](#)

Answer: Cash system of accounting

Question 59.

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

▼ [Answer](#)

Answer: Accrual system of accounting
