



**DPUE**

**IIInd PUC**

# **Accountancy**

## **Chapter 1**

**Not for Profit Organisation**

1  
**ACCOUNTING FOR  
NOT FOR PROFIT ORGANISATION  
Chapter -1**

## One Mark Questions

### I. Fill in the blanks:

1. Not-For-Profit Organizations are used for the welfare of the **Society**
2. Not-For-Profit Organizations are not engaged in **Trading or Business.**
3. Receipts and Payments Account is the summary of **Cash and Bank** transactions.
4. Income and Expenditure account is just like a **Profit and Loss A/c** of a trading concern.
5. Income and Expenditure A/c is prepared on **Accrual** basis
6. Subscription is a fee paid by the **Members**
7. **Legacies** are the amounts received as per the will of the deceased person.
8. Opening balance in Receipt and Payment A/c represents **Opening Cash/Bank balance.**
9. Government Grant for maintenance is treated as **Revenue** receipt.
10. Donation for specific purpose are always **Capital Receipt**

### II. Multiple Choice Questions.

1. Not-For-Profit Organizations are formed for:  
a) Profit      **b) Service**      c) Profit & Service      d) None of these
2. Most of Not-For-Profit Organizations transactions are:  
a) **Cash**      b) Credit      c) Cash & Credit      d) Barter
3. Receipts and Payments Account include items of:  
a) Capital Nature      b) Revenue Nature      **c) Both (a) and (b)**      d) None of these
4. Income and Expenditure Account include the amounts of:  
a) **Current year**      b) Previous Year      c) Next Year      d) Both current year and previous year
5. Capital Fund does not include:  
a) Entrance fees      b) Legacies      **c) Building Fund**      d) Life Membership Fees
6. Legacies are treated as:  
a) Revenue Receipt      **b) Capital Receipt**      c) Revenue Expenditure      d) Capital Expenditure
7. Purchase of a computer by a college is treated as  
a) Capital Receipt      **b) Capital Expenditure**      c) Revenue Receipt      d) Revenue Expenditure
8. In the absence of any specific instruction, where do you show the Entrance fees?  
a) Debit side of Income and Expenditure Account.      **b) Credit side of Income and Expenditure Account.**  
c) Liability side of the Balance Sheet.      d) Added to Capital Fund on the liabilities side of B/S
9. Special Funds are shown in:  
a) Income Side      b) Expenditure Side      **c) Liability Side**      d) Asset Side
10. Life Membership fees are treated as:  
a) **Capital Receipts**      b) Capital Expenditure      c) Revenue Receipts      d) Revenue Expenditure
11. Loss on the sale of fixed asset is treated as:  
a) Capital Receipts      b) Revenue Receipts      c) Capital Expenditure      **d) Revenue Expenditure.**

### III. True or False type Questions:

1. Receipt and Payment Account is a summary of all capital receipts and payments. **False**
2. If the sports fund is maintained, sports expenses will be shown on the debit side of Income and Expenditure Account.= **False**

3. The balancing figure on credit side of Income and Expenditure Account denotes excess of expenses over incomes.= **True**
4. Scholarships granted to students out of funds provided by Government will be debited to Income and Expenditure A/c.=**False**
5. Donations for specific purposes are always capitalized. =**True**.
6. Opening Balance Sheet is prepared when the opening balance of capital fund is not given.= **True**
7. Surplus of Income and Expenditure Account is added to Capital Fund.=**True**
8. Income and Expenditure Account is equivalent to Profit and Loss Account of a trading concern.= **True**
9. Receipts and Payments Account does not differentiate between capital and revenue receipts.= **True**
10. Capital and Revenue items are recorded in Receipt and Payment Account. =**True**.

#### **IV. Very Short Answer Questions:**

1. Give an example for Not-For-Profit Organization. **Ans:** Sports Club
2. What is the Motive of Not-For-Profit Organization? **Ans:** Service
3. Where do you show Opening Bank overdraft in Receipt and Payment Account? **Ans:** Credit side of Receipts and Payments A/c.
4. Name any one final account of a Not-For-Profit Organization. **Ans:** Income & Expenditure A/c
5. State any one major source of income of Not-For-Profit Organization. **Ans:** Subscriptions
6. State any one books of account maintained by a Not-For-Profit Organization. **Ans:** Cash Book
7. State any one feature of Receipts and Payments Account **Ans:** Summary of Cash book
8. How do you treat the prizes paid, when the prize fund is not maintained?  
**Ans:** When there is no prize fund maintained, then prizes paid are debited to Income and Expenditure A/c.
9. What is Capital Fund?  
**Ans:** Capital fund is the difference between assets and liabilities of a not-for-profit organization.
10. Give an example for specific donation. **Ans:** Building donation
11. How do you treat the tournament expenses, when the Tournament fund is maintained?  
**Ans:** When Tournament Fund is maintained, then tournament expenses are deducted from it on the liability side of balance sheet.
12. How do you treat the Life Membership Fees?  
**Ans:** Life membership Fees are capital receipt

#### **Two Marks Questions**

1. What are Not-For-Profit Organizations?  
**Ans:** Not-For-Profit organizations refer to those which are formed to render social services and are set up as charitable institution which function without any motive of profit.
2. Give any two examples of Not-For-Profit Organizations.  
**Ans:** a- Sports Club                      b. Schools & Colleges
3. State any two features of Not-For-Profit Organizations.  
**Ans:** a- Formed for providing service  
b- Organized as societies and charitable trusts.
4. Name any two books of accounts maintained by Not-For-Profit Organization.  
**Ans:** a- Cash Book    b. Stock register
5. Give the meaning of Receipts and Payments Account.  
**Ans:** Receipts and Payments A/c is a summary of cash and bank transactions under various heads prepared at the end of accounting year.
6. State any two features of Receipts and Payment Account.  
**Ans:** a- Summary of cash book              b- Includes both capital & revenue items.
7. What do you mean by Income and Expenditure Account?  
**Ans:** Income and Expenditure A/c is a summary of income & expenditure of a not-for-profit organization for the accounting year.
8. State any two features of Income and Expenditure Account.

- Ans:** a- Includes only revenue items  
b- Includes only current year figures.

9. Give any two examples for revenue expenditure.

- Ans:** a- Salary Paid                      b- Rent paid

10. Give any two examples for capital expenditure

- Ans:** a- Sports materials purchased      b- Furniture Purchased.

11. Give any two examples for revenue receipt.

- Ans:** a- Subscriptions received              b- Interest Received

12. Give any two examples for capital receipt.

- Ans:** a- Life membership fees received b- Special donations received

13. State two differences between Receipts and Payments Account and Income and Expenditure Account.

**Ans:** Differences between:

Receipts & Payments A/c	Income & Expenditure A/c
a- Summary of Cash Book	a- Summary of Income & Expenditure
b- It includes both capital & revenue items	b- It includes only revenue items

14. What is Capital Fund?

**Ans:** Capital Fund is the difference between assets and liabilities of not-for-profit organizations as on a particular date.

15. What are Legacies?

**Ans:** Legacies are the amount received by a not-for-profit organization as per the will of a deceased person.

16. What is Honorarium?

**Ans:** Honorarium is the amount paid to the person who is not the regular employee of the organization, for his services.

17. Give the meaning of Endowment Fund.

**Ans:** Endowment fund is a fund arising from a bequest or gift, the income of which is devoted for a specific purpose.

18. How do you treat tournament expenses, when separate tournament fund not maintained?

**Ans:** When separate tournament fund is not maintained, then tournament expenses are debited to income and expenditure A/c.

19. How do you treat prizes awarded, when Prize Fund is maintained?

**Ans:** When prize fund is maintained, prizes awarded are deducted from the fund on liabilities side.

DRUDE