

**Dr.SNS RAJALAKSHMI COLLEGE OF ARTS AND SCIENCE  
(Autonomous)**

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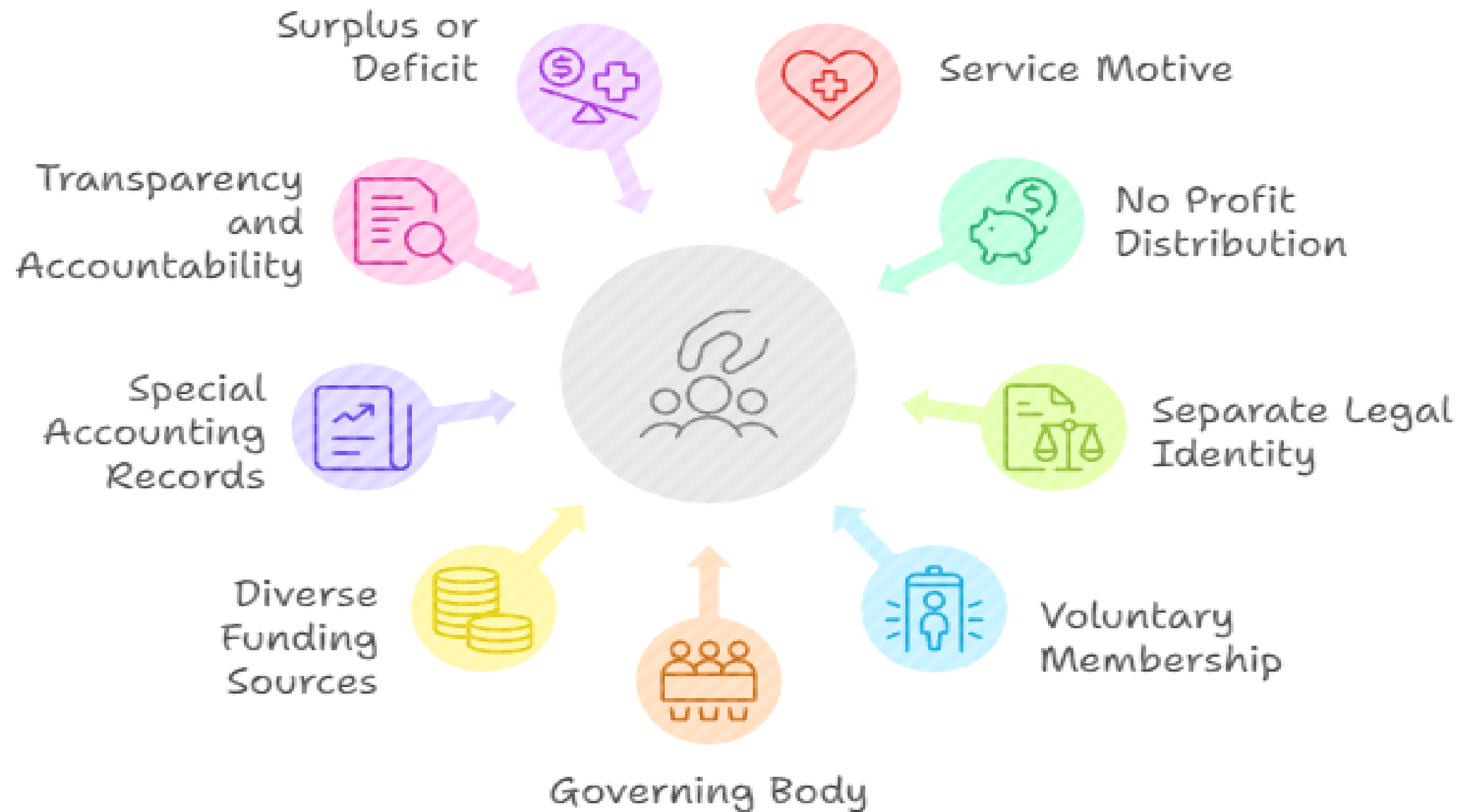
**DEPARTMENT OF COMMERCE WITH INFORMATION  
TECHNOLOGY**

**21UCR402 – FUNCTIONAL ACCOUNTING  
Unit-2: Non-Profit Organization – Meaning**

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- A Non-Profit Organization (NPO) is an entity formed not to earn profit, but to provide services to its members or society.
- Its main aim is welfare, social development, education, culture, sports, etc.
- Surplus, if any, is not distributed to members but reinvested for the organization's objectives.
- Examples: NGOs, Social Clubs, Educational Institutions, Hospitals, Sports Clubs.

# Characteristics of Non-Profit Organizations

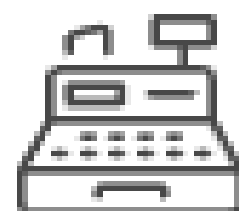


# Components of NPO Financial Structure



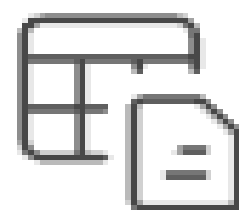
## Income and Expenditure Account

Tracks revenue and expenses over a period



## Receipt and Payment Account

Records cash inflows and outflows



## Balance Sheet

Provides a snapshot of assets and liabilities

## 1. Income and Expenditure Account

### Meaning

- ✓ similar to the **Profit and Loss Account** of a business.
- ✓ shows the **revenue incomes and revenue expenses** of a non-profit organization for a particular accounting period
- ✓ prepared on the **accrual basis**.

### Features

- ✓ Records **only revenue items** (no capital items).
- ✓ Includes **outstanding, prepaid, accrued** items.
- ✓ Non-cash expenses like **depreciation** are included.
- ✓ Helps find **Surplus or Deficit** for the period.

### Meaning

- ✓ a summary of all cash and bank transactions during the year.
- ✓ similar to a cash book and shows all receipts on the debit side and all payments on the credit side.

### Features

- ✓ Prepared on cash basis.
- ✓ Includes both capital and revenue items.
- ✓ Shows opening and closing cash and bank balances.
- ✓ No adjustments for outstanding or prepaid items.

### Purpose

- ✓ To show the cash position of the NPO during the accounting period.

### Meaning

- ✓ shows the financial position of the organization at the end of the accounting period.
- ✓ lists all assets, liabilities, and the Capital Fund (General Fund).

### Features

- ✓ Prepared after the Income & Expenditure Account.
- ✓ Shows updated values of assets (after depreciation, additions, and sales).
- ✓ Surplus is added to Capital Fund; deficit is deducted.
- ✓ Shows outstanding expenses and incomes to be received.

### Purpose

- ✓ To present a true and fair view of the NPO's financial position.

**THANK YOU**