

Topic 17 Non Profit Organisation (Club Accounts)

“Alone we can do so little; together we can do so much”



The accounts of non-profit making organisations

They are organisations that provide facilities to their members. For example, sports clubs, social clubs, amateur dramatics societies, etc.

NON PROFIT ORGANISATION

BUSINESS

Commercial Organisation

- Main Objective: Maximisation of Profit
- Includes:
 1. Sole Trader
 2. Partnership firm
 3. Limited Companies
- $\text{Capital} = \text{Assets} - \text{Liabilities}$
- Income Statement
- Net Profit
- Net loss
- Cashbook / Cash and Cash Equivalent

bank / Cash	
Inflows/↑ Deposits	Outflows/↓ Withdrawals

Non Commercial Organisation

- Main Objective: To provide valuable service to their members.
- Includes: Clubs and societies
- $\text{Accumulated Fund} = \text{Assets} - \text{Liabilities}$
- Income and Expenditure Account
- Surplus/
Excess of Income over Expenditure
- Deficit/
Excess of Expenditure over Income
- Receipt and Payment Account

Receipt & Payment Account	
Inflows/↑ Deposits	Outflows/↓ Withdrawals

• Major source of Revenue:

Sales Revenue

• Profit is distributed among owners

• Major source of Revenue:

Subscription Income

• Surplus is reinvested into the club to improve the services of the club

Difference Between

Receipt and Payment Account

• Similar to Bank & Cash Account and shows opening and closing cash and bank balances

• It does not include non cash items as it only shows inflows and Outflows

• It does not take into account timing of cashflows and takes into account all cashflows which may belong to current, previous or following year

Income and Expenditure Account

• Similar to Income Statement of Commercial Organisation and shows surplus and deficit made by the club

• It includes non cash items such as bad debt and depreciation

• It is prepared as per matching concept and shows income and expenditure pertaining to relevant financial year.

- It takes into account all the receipts and expenditure including capital receipt and capital expenditure
- It only takes into account revenue receipts and revenue expenditure

Sources of Revenues/Income

- Subscription
 - Ordinary (Annual) Subscription
 - Life member subscription
- Donations / Gift / Legacy
 - General → Revenue Receipt (Income)
 - Specific → Capital Receipt (Income X)

Note: Any donation / gift / legacy received for long term specific purpose is a capital receipt and cannot be included as income rather it is added to clubs accumulated fund.

- Social Events
 - Collection from matches
 - Concerts
 - Competition
 - Annual Dinner and Dance

• Income from trading activities:

- Refreshment
- Bar
- Cafe
- Sports shop

• Investment Income:

- Interest on deposit account / savings account
- Interest on debentures

• Other incomes:

- Rental Income
- Sale of surplus non current asset above netbook value (gain on disposal)

Computation of Ordinary Subscription.

Computation of Ordinary Subscription

- Subscription in arrears/accrued/Subscription not yet received → Current Asset
- Subscription in advance/Subscription prepaid → Current liability

Income/Revenue	Expenses
<ul style="list-style-type: none"> • <u>Income in advance/prepaid income:</u> - Amount received but services not yet provided - Treated as a current liability 	<ul style="list-style-type: none"> • <u>Expenses in advance/prepaid expenses:</u> - Amount paid but services not yet received - Treated as current Asset
<ul style="list-style-type: none"> • <u>Income in arrears/accrued income:</u> - Services provided but amount not yet received - Treated as current Asset 	<ul style="list-style-type: none"> • <u>Accrued/Outstanding/Owing expenses:</u> - Services availed but amount not yet paid - Treated as a current liability

Accounting for expenses:

Expense		Expense	
Amount paid in the last year belonging to current year	\$	\$	expense belonging to previous year but not paid in prev. year
←	bal bld (prepaid) 1000	bal bld (accrued) 4000	→
expense paid in the current year	←	Expense pertaining to current year	→
←	Cash/bank 15000	Income Statement 13000	→
expense belonging to current year but not paid by year end	←	amount paid in the current year but belonging to following year	→
←	bal cld (accrued) 3000	bal cld (prepaid) 2000	→
←	<u>19000</u>	<u>19000</u>	→

Accounting entries

1. expenses	dr	15000			
bank/cash			cr	15000	
2. Income statement	dr	13000			
expense			cr	13000	

$$\text{Expense} = \text{Amount paid} + \text{bld prepaid} (-) \text{cld prepaid} + \text{cld accrued} (-) \text{bld accrued}$$

INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

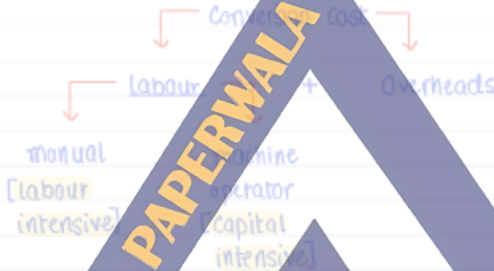
Cost/Expense: Outflow of resources.

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Stages of Manufacturing

1. Input [raw material] → 2. Process → 3. Output [finished goods]



Labour intensive business: Business organisations dependant on manual labour rather than technology or machinery.

Capital intensive business: Business organisations which are more dependant on machines rather than manual labour.