Books of accounts maintained by NPOs

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Every NPO should maintain proper books of account with respect to:

1. all sums of monies received by the NPO and the matters in respect of which receipts take place, showing distinctly the amounts received from income generating activities and through grants and donations;
2. all sums of money expended by the NPO and the matters in respect of which expenditure is incurred;
3. all assets and liabilities of the NPO.

Proper books of account would not be deemed to be kept with respect to the matters specified therein if:

4. Such books are not kept as are necessary to give a true and fair view of the state of affairs of the NPO, and to explain its transactions;
5. Such books are not kept on accrual basis and according to the double entry system of accounting; and
6. Such books are not kept so as to reflect a true and fair view of various funds maintained by the NPO.

The books of account of an NPO may be structured in a manner that is suited to its needs and requirements. For instance:

7. A separate set of books and records may be maintained for foreign and Indian contributions, as per the requirements of the Foreign Contribution (Regulation) Act, 2010 (as amended).
8. Similarly, separate sets of books and records may be maintained for various projects, branches and field offices that the NPO may have for implementing its programmes and interventions.
9. Separate ledgers and records may also be maintained with regard to the funds representing the grants received from various sources, including the Governments and different funding agencies, received with or without stipulations and restrictions. This may also be referred to as Fund Based Accounting, which is discussed in detail in the following paragraphs.

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