# Format of Financial statements of NPOs

> Disclaimer: This document is intended solely for educational purposes. The content herein is subject to change based on evolving finance trends and any relevant rulings by the Government of India. Readers are advised to consult with qualified professionals for specific guidance related to their individual circumstances.

The financial statements should give a true and fair view of the state of affairs of the NPOs, comply with the applicable Accounting Standards and shall be in the form as provided hereafter.

## Part I – General Instructions for the preparation of Balance Sheet and Income and Expenditure Account of Not-For-Profit Organisations

1. These formats are recommended for preparation of Balance Sheet and Income and Expenditure Account of NPOs. Where compliance with the requirements of the relevant statute including Accounting Standards as applicable to the NPOs require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes, inter se, in the financial statements or statements forming part thereof, the same should be made and the formats should be modified accordingly.
2. The disclosure requirements recommended in the formats are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards issued by the Institute of Chartered Accountants of India. Additional disclosures specified in the Accounting Standards should be made in the notes to accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the relevant statute should be made in the

notes to accounts in addition to the requirements set out in these formats.

3. The financial statements of NPOs (viz., balance sheet and income and expenditure account) should be prepared on an accrual basis.
4. A statement of all significant accounting policies adopted in the preparation and presentation of the balance sheet and the income and expenditure account should be included in the NPO’s balance sheet.
5. Accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. In case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change, should also be disclosed to the extent ascertainable. Where such an amount is not ascertainable, wholly or in part, the fact should be indicated with reasons.
6. The accounting treatment and presentation in the balance sheet and the income and expenditure account of transactions and events should be governed by their substance and not merely by the legal form.
7. In determining the accounting treatment and manner of disclosure of an item in the balance sheet and/or the income and expenditure account, due consideration should be given to the materiality of the item.
8. (i) Notes to accounts may contain information in addition to that presented in the Financial Statements and may provide where required

    (a) narrative descriptions or disaggregations of items recognised in those statements; and

    (b) information about items that do not qualify for recognition in those statements.

   (ii) Each item on the face of the Balance Sheet and Income and Expenditure Account should be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance should be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.

9. (i) Depending upon the Gross Income of the Non-Company NPOs, the figures appearing in the Financial Statements may be rounded off as given below:—

| Gross Income | Rounding off |
|---|---|
| (a) less than one hundred crore rupees | To the nearest hundreds, thousands, lakhs millions, or decimals thereof. |
| (b) one hundred crore rupees or more | To the nearest lakhs, millions or crores, or thereof. |

(ii) Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

10. Except in the case of the first Financial Statements prepared by the NPOs (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.

11. For the purpose of this format, the terms used herein shall be as per the applicable Accounting Standards.

Note:—This part recommends the minimum requirements for disclosure on the face of the Balance Sheet, and the Income and Expenditure Account (and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the NPOs financial position or performance or when required for compliance with the amendments to the relevant statutes or under the Accounting Standards.

12. A cash flow statement should be prepared, wherever applicable, showing cash flows during the period covered by the income and expenditure account and during the corresponding previous period.

## Format of Financial Statements (Not for Profit Organisation)

## Name of Not-for-Profit Organisation

### BALANCE SHEET AS AT

(figures in Rs....)

| | | Notes | Figure as at the end of the current reporting period (DD/MM/YYYY) | Figure end pr report (DD/M |
|---|---|---|---|---|
| I | SOURCES OF FUNDS | | | |
| (1) | NPO FUNDS | | | |
| | UNRESTRICTED FUNDS | | | |
| | RESTRICTED FUNDS | | | |
| (2) | NON-CURRENT LIABILITIES | | | |
| | Long-Term borrowings | | | |
| | Other Long-Term Liabilities | | | |
| | Long-Term Provisions | | | |
| (3) | CURRENT LIABILITIES | | | |
| | Short Term | | | |
| | Borrowings | | | |
| | Payables | | | |
| | Other Current Liabilities | | | |

| | | | | |
|---|---|---|---|---|
| | Short Term Provisions | | | |
| | **TOTAL** | | | |
| II | APPLICATION OF FUNDS | | | |
| (1) | NON-CURRENT ASSETS | | | |
| | Property, Plant and Equipment & Intangible Assets | | | |
| | Property, Plant & Equipment | | | |
| | Intangible Assets | | | |
| | Capital Work in Progress | | | |
| | Intangible assets under Development | | | |
| | Long-Term Investments | | | |
| | Long-Term Loans and Advances | | | |
| | Other Long-Term Assets (specify nature) | | | |
| | CURRENT ASSETS | | | |
| | Current Investments | | | |
| | Inventories | | | |
| | Receivables | | | |
| | Cash and bank balances | | | |

| | | | | |
|---|---|---|---|---|
| | Short-term Loans & Advances | | | |
| | Other Current Assets | | | |
| | **TOTAL** | | | |

See accompanying notes which form part of the financial statements

Notes:

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. An asset shall be classified as current when it satisfies any of the following criteria:
   - it is expected to be realized within twelve months after the reporting date; or
   - it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.

2. A liability shall be classified as current when it satisfies any of the following criteria:
   - it is due to be settled within twelve months after the reporting date; or
   - the NPO does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other liabilities shall be classified as non-current.

3. An NPO shall disclose the following in the Notes to Accounts:

## Form of Income and Expenditure Account

Name of Not-for-Profit Organisation

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED

| | Particulars | Figures for the current reporting period from --- (DD/MM/YYY) to --- (DD/MM/YYY) | | | Figures for the previous rep from --- (DD/MM/YYY) to --- | |
|---|---|---|---|---|---|---|
| | | Unrestricte d Funds | Restrict ed Funds | Tota l | Unrestri cted Funds | Restricted Funds |
| I | INCOME | | | | | |
| | Donations and Grants | | | | | |
| | Fees from Rendering of services | | | | | |
| | Sale of goods | | | | | |
| II | Other Income | | | | | |
| III | Total Income | | | | | |
| IV | EXPENDITU RE | | | | | |
| | Materials consumed/ distributed Opening balance Add: Purchases Less: Closing balance | | | | | |
| | Donation/c ontribu tion paid | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Employee Benefit Expense | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Depreciation and amortization expense | | | | | |
| | Finance Cost | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Other Expenses<br>• Religious/charitable expenses (specify nature)<br>• Others (specify nature) | | | | | |
| | Total Expenses | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| V | Excess of Income over Expenditure for the year before exceptional and extraordinary items (III-IV) | | | | | |
| VI | Exceptional items (specify nature and provide note/delete if none) | | | | | |
| VII | Excess of Income over Expenditure for the year before extraordinary items (V-VI) | | | | | |
| VIII | Extraordinary items (specify nature and provide note/delete if none) | | | | | |
| IX | Excess of Income | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | over Expenditure for the year (VII-VIII) | | | | | | |
| | Appropriations Transfers to funds, e.g., Building fund Transfers from funds | | | | | | |
| | Balance transferred to General Fund | | | | | | |

## Part IV: GENERAL INSTRUCTIONS FOR PREPARATION OF INCOME AND EXPENDITURE Account

1. The income and expenditure account should disclose every material feature and should be so made out as to clearly disclose the result of the working of the NPO during the period covered by the account.
2. Donations and grants should be recognised only at a stage when there is a reasonable assurance that:

- the NPO will comply with the conditions and obligations attached, and
- the donations and grants will be received.
- Depreciation should be provided so as to charge the depreciable amount of a depreciable asset over its useful life.
- Fair value and quantitative details of items, being sold or being distributed free of cost or at nominal amount that have been received as non-monetary grants and donations, should be disclosed as, in the notes to accounts:

Balance at the beginning of the year Add: Receipts during the year

Less: Distribution during the year: Sale during the year Balance at the end of the year

5. Finance Costs shall be classified as:

- Interest expense
- Other borrowing costs;
- Applicable net gain/loss on foreign currency transactions and translation
- Other Income shall be classified as:
  - Interest Income;
  - Dividend Income;
  - Net gain/loss on sale of investments;
  - Other income (net of expenses directly attributable to such income).

Following shall be disclosed by way of notes regarding aggregate expenditure and income on the following items:

(i)

- Employee Benefits Expense showing separately (i) Salary and wages (ii) Contribution to provident and other funds, (iii) staff welfare expenses
- Any item of income or expenditure which exceeds 1 percent of the gross income of the NPO or Rs. 1,00,000/-, whichever is higher
- Adjustments to the carrying amount of investments
- Net gain or loss on foreign currency transaction and translation (other than considered as finance cost)
- Details of items of exceptional and extraordinary nature;
- Prior period items.

(ii) Expenditure incurred on each of the following items, separately for each item:

- Consumption of stores and spare parts;
- Power and fuel;
- Rent;
- Repairs to buildings;
- Repairs to machinery;

- Insurance;
- Rates and taxes;
- Miscellaneous expenses

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