Accounting for Non-Government Organizations: Need to be part of Accounting Education

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Abstract

Non-Government Organization sector is an important part of any country since this sector has noble intentions of serving the society. In present scenario, Accounting for NGO is the emerging area of accounting because this sector is the fastest growing sector of our country's economy and there is lot of employment opportunity for accountants in this sector. Importance of books of accounts for an NGO may be even more than that of a business organization, since they are using the public money needed to be utilized in most proper way. There is lack of awareness among NGOs about the accounting functions. They do not follow adequate and systematic accounting. There is lot of diversities in methods of accountings which are followed by NGOs.

A survey has been conducted of 32 Universities of India. The Universities included in the survey were Andhra University, Banaras Hindu University, Bangalore University, Bharathiar University, Bharathidasan University, Calcutta University, Ch. Charan Singh University, Christ University, Devi Ahilya University, Gauhati University, Goa University, Gujarat University, Jai Narayan University, Jamia Millia Islamia University, Kannur University, Karnataka University, Lucknow University, Maharshi Dayanand University, Mahatma Gandhi Kashi Vidyapeeth University, Mohanlal Sukhadia University, Mumbai University, North Eastern Hill University, Osmania University, Pune University, Rajasthan University, Shivaji University, SNDT Women’s University, University of Calicut, University of Delhi, University of Madras, University of Punjab, Utkal University.

To find out whether there is accounting for NGOs as a separate subject in syllabus. The finding of the survey indicated that NGO accounting is not at all included as a separate subject in the syllabus of any University under purview. So it is suggested that it should be included in the syllabus of M.Com at least as an optional paper and the contents of curriculum are being proposed as follows:

- Introduction about accounting for NGOs
- Basic concepts of accounting
- Accounting cycle
- Government grants related issues
- Foreign funding related issues
- Fund based accounting
- Income tax related issues

Key Words: Accounting, NGO, Grant, Fund
1. INTRODUCTION

There are nearly 1.2 million Non-Government organizations (NGOs) in India. NGO sectors have grown so much that they employ huge financial as well as human resources. These NGOs employ nearly 20 million persons on paid or volunteer basis\(^1\). The main source of income for these organizations are:

(a) Grants from Government and international sources  
(b) Donations from Indian and foreign sources.  
(c) Self generated funds.\(^2\)

There are some NGOs who may not be doing any real work, but maintain their accounts very nicely. These NGOs may be primarily vehicles for self-enrichment or for tax evasion. And there are many NGOs whose work is exemplary but the quality of accounting is quite poor. Sometimes, this may be due to faulty budgeting policies or organizational pressures or other times, this is due to lack of accounting personnel or skills.\(^3\) This underlines the need of NGO accounting and its education.

NGO accounting is a surprisingly complicated affair. There are several reasons for this:

- Organized charity is a relatively recent phenomenon;
- It is subject to pressures from various institutions, especially the donor agencies;
- Professional accountants have paid relatively little attention to NGO accounting; and finally,
- It’s financial management is focused on spending money, rather than making it.\(^4\)

2. PRESENT PAPER

Financial accountability and transparency are the need of the present time in the NGO sector or there is great need for the NGOs to maintain uniformity in presentation of financial statements, proper disclosure and transparency in accounting because they use the public money.

The present paper highlights the importance of NGO accounting and attempts the survey of inclusion of accounting for NGOs as a part of curriculum in some recognized Universities of India.

3. METHODOLOGY:

For conduct of the survey, a sample of Indian Universities based on convenience and judgment have been collected from relevant websites.

4. IMPORTANCE OF NGO ACCOUNTING:

NGO sector is the main part of any country. Because this sector has noble intentions of serving the society. It is well known that capital is the basic part of any business or sector.
And NGO’s capital is the funds that they are receiving from - Government, private donors and foreign sources. Importance of books of accounts for a NGO is the same as that for a business organization. However, in some cases it may be still greater, since they are using the public money to be utilized in most proper way and the expectation of society from NGOs is much higher than from business entities.\(^5\).

The importance of accounting for NGOs can be better understood from the points given below:

- NGOs receive various funds both from national and international sources and the corresponding expenditure in accordance to the objects and purposes of the organization.
- To know how much money they have received and spent in a year. Also to know how much unspent funds they have, and how these are kept.
- To ensure that funds are spent/utilized properly for objectives of the organizations.
- According to the assets and liabilities of the society they give a true and fair view of state of affairs to the society.
- Various acts and legal provisions applicable to NGO may require it to maintain books of accounts.\(^6\)

5. **SURVEY FINDINGS**

The need of Accounting for NGOs has been highlighted in the previous sections of this paper. This underlines the need to include this subject area in the curriculum of undergraduate and postgraduate classes. In order to explore the extent to which Accounting for NGOs has been included in the syllabus of Indian Universities, a survey has been conducted. The survey includes review of curriculum of thirty-two Universities. The results of the survey as shown in the table below:
<table>
<thead>
<tr>
<th>S.No.</th>
<th>University name</th>
<th>State of Inclusion of Accounting for NGO in Syllabus</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Andhra University, Andhra</td>
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<tr>
<td>2.</td>
<td>Banaras Hindu University, Varanasi</td>
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<td>3.</td>
<td>Bangalore University, Bangalore</td>
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<td>4.</td>
<td>Bharathiar University, Coimbatore</td>
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<td>5.</td>
<td>Bharathidasan University, Tiruchirapalli</td>
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<td>6.</td>
<td>Calcutta University, Kolkata</td>
<td>Not included</td>
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<td>7.</td>
<td>Ch. Charan Singh University, Meerut</td>
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<td>8.</td>
<td>Christ University, Bengaluru</td>
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<td>9.</td>
<td>Devi Ahilya University, Indore</td>
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<td>10.</td>
<td>Gauhati University, Guwahati</td>
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<td>11.</td>
<td>Goa University, Panjim</td>
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<td>12.</td>
<td>Gujarat University, Ahmedabad</td>
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<td>13.</td>
<td>Jai Narayan Vyas University, Jodhpur</td>
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<td>14.</td>
<td>Jamia Millia Islamia, Delhi</td>
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<td>15.</td>
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<td>18.</td>
<td>Maharshi Dayanand University, Rohtak</td>
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<td>19.</td>
<td>Mahatma Gandhi Kashi Vidhyapeeth, Varanasi</td>
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<td>20.</td>
<td>Mohan Lal Sukhaida University, Udaipur</td>
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<td>21.</td>
<td>Mumbai University, Mumbai</td>
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<td>22.</td>
<td>North Eastern Hill University, Shillong</td>
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<td>23.</td>
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<td>24.</td>
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<td>25.</td>
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<td>26.</td>
<td>Shivaji University, Kolhapur</td>
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<td>27.</td>
<td>SNDT, Women’s University, Mumbai</td>
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<td>28.</td>
<td>University of Calicut, Calicut</td>
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<td>29.</td>
<td>University of Delhi, Delhi</td>
<td>Not included</td>
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<td>30.</td>
<td>University of Madras, Chennai</td>
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<td>31.</td>
<td>University of Punjab, Chandigarh</td>
<td>Not included</td>
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<tr>
<td>32.</td>
<td>Utkal University, Bhubaneswar</td>
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The above survey shows that Accounting for NGO as a paper is included in curriculum of not a single University out of the thirty-two under survey.

**Proposed Curriculum of NGO Accounting:**

NGO is the fastest growing sector of the country’s economy. That’s why the NGO accounting is the emerging topic of present scenario so it must be considered the part of accounting education. It should be included in the syllabus of M.Com. as an optional paper. Outlines of the curriculum are being proposed as follows:
(i) **Introduction about NGO accounting:**

Concept of NGO, Evaluation and growth of NGO, Meaning and definition of NGO, Formation of NGO, Classification of NGO, Strengths and weaknesses, Need for good governance for NGO.

(ii) **Basic concepts of accounting:**

Meaning of accounting, Importance of accounting for NGO, Definition of terms which used generally in NGO accounting, Basis of accounting.

(iii) **Accounting cycle:**

Process of accounting cycle, Need for maintenance of books of accounts for NGO, Objectives of NGO accounting, Types of books prepared by NGOs, Accounting standards for NGO, Essential parts of financial statement for NGO.

(iv) **Government grant related issues:**

Definition of grant, Nature of grant, Process of receiving grant, Format of proposal of grant, Need of accounting for grant, Accounting standard with respect to grant and relevance for NGO, Treatment of Grant, Accounting of grant (grant recognized as liability, grant recognized as income only to the extent of expenditure incurred out of it).

(v) **Foreign funding related issues:**


(vi) **Fund based accounting:**

Meaning of fund based accounting, Why fund based accounting is better for NGOs?, Types of funds, Financial statements in fund based accounting.

(vii) **Income tax related issues:**

Meaning and definition of NGO according to I.T. Act, Conditions for NGOs under which they exempt from tax, Registration of NGO under I.T. Act, Registration of NGO u/s 80G, Business for profit by NGOs, Exemption under I.T. Act, Deductions in income tax for NGOs donors (u/s 80G, u/s 35AC).
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