

1. What is the primary objective of a Not-for-Profit Organization (NPO)?

- a) To make profits for its members
 - b) To serve social, educational, or charitable causes
 - c) To generate income for shareholders
 - d) To distribute earnings among employees
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2. Which of the following is NOT a feature of a Not-for-Profit Organization?

- a) It generates profits
 - b) It reinvests profits into its activities
 - c) It has members but no shareholders
 - d) It operates for the benefit of the public
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3. What is the role of receipts and payments accounting in NPOs?

- a) To track the organization's long-term investments
 - b) To maintain a record of the income and expenditures
 - c) To determine the profit of the organization
 - d) To report the financial position of the NPO
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4. Which of the following would be classified as a capital receipt in the receipts and payments account of an NPO?

- a) Entrance fees
- b) Subscription income
- c) Donations for a specific purpose
- d) Interest income

5. In the context of NPOs, what is fund-based accounting primarily concerned with?

- a) Tracking the source and application of funds
- b) Recording all cash transactions only
- c) Calculating the profit or loss for the period
- d) Managing investments for income generation

6. Which of the following best defines a "non-fund-based" transaction in NPO accounting?

- a) Transactions related to specific project funds
- b) Routine operational income and expenses
- c) Transactions involving investments or capital receipts
- d) Donations made for specific purposes

7. How is an income and expenditure account different from a profit and loss account?

- a) It includes only cash transactions
- b) It tracks operational costs and revenue without focusing on profit generation
- c) It calculates the net worth of the organization
- d) It reports the total income of the organization

8. Which of the following is an example of a capital receipt in NPO accounting?

- a) Membership subscriptions

- b) Donations for building a new facility
 - c) Rent received for the use of property
 - d) Sale of old equipment
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9. What is the purpose of a balance sheet for a Not-for-Profit Organization?

- a) To show the surplus or deficit of the organization
 - b) To display the organization's financial position at a given point in time
 - c) To summarize the organization's income and expenses
 - d) To track the movement of cash
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10. How are subscriptions treated in the receipts and payments account of an NPO?

- a) They are considered capital receipts
- b) They are considered revenue receipts
- c) They are not recorded in the receipts and payments account
- d) They are recorded as liabilities

11. What is the role of depreciation in the income and expenditure account of an NPO?

- a) It is treated as an operating expense
 - b) It is recorded under capital receipts
 - c) It is shown as a non-cash item in the balance sheet
 - d) It is not recorded in NPO accounting
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12. Which of the following is true regarding the treatment of grants in NPO accounting?

- a) Grants are always treated as income
 - b) Grants are treated as liabilities until they are used
 - c) Grants are recorded as capital receipts
 - d) Grants are never recorded in the receipts and payments account
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13. Which of the following is considered a revenue receipt for an NPO?

- a) Sale of fixed assets
 - b) Donations for a specific project
 - c) Interest income
 - d) Donations for construction of a building
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14. In NPO accounting, what is the purpose of preparing a profit and loss appropriation account?

- a) To distribute profits to members
 - b) To allocate the surplus among different funds
 - c) To track all revenue and expenses
 - d) To adjust the organization's tax liabilities
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15. What is the effect of non-operating income on the income and expenditure account of an NPO?

- a) It increases surplus
- b) It decreases surplus
- c) It does not affect the surplus

- d) It is treated as a capital receipt
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16. How are capital expenditures treated in the financial records of an NPO?

- a) They are expensed in the income and expenditure account
 - b) They are added to the receipts and payments account
 - c) They are capitalized and shown as assets in the balance sheet
 - d) They are recorded as liabilities
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17. What is the key difference between receipts and payments accounting and fund-based accounting?

- a) Receipts and payments accounting includes non-cash transactions, while fund-based does not
 - b) Receipts and payments accounting focuses on cash transactions, while fund-based accounting tracks specific funds
 - c) Receipts and payments accounting is used by for-profit organizations, while fund-based is used by NPOs
 - d) Receipts and payments accounting focuses on fixed assets, while fund-based does not
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18. In the balance sheet of an NPO, which of the following is shown under liabilities?

- a) Fixed assets
- b) Cash in hand
- c) Accumulated surplus
- d) Outstanding expenses

19. Which of the following is an example of a non-cash transaction that does not affect the receipts and payments account?

- a) Depreciation
- b) Donation of goods
- c) Membership fees
- d) Sale of fixed assets

20. How are unpaid donations treated in the financial statements of an NPO?

- a) As income when received
- b) As income when promised, even if not received
- c) As liabilities until received
- d) As assets when promised

21. What is the treatment of subscription income that is received in advance for the following year?

- a) It is treated as revenue income
- b) It is treated as a liability and shown under "Advance Subscriptions"
- c) It is not recorded in the current year's financial statements
- d) It is treated as capital income

22. What is the correct treatment for a donation received with specific instructions to be used for a new building?

- a) It is treated as a revenue receipt and included in the income and expenditure account

- b) It is treated as a capital receipt and recorded in the balance sheet under "Building Fund"
 - c) It is treated as income and shown in the receipts and payments account
 - d) It is not recorded until the building is completed
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23. In the case of an NPO, what would be classified as a "restricted fund"?

- a) An endowment fund where the principal must remain intact
 - b) An unrestricted donation for the general operations
 - c) Membership fees paid annually
 - d) Income from the sale of goods
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24. When preparing the income and expenditure account for an NPO, which of the following would be shown as an expense?

- a) Entrance fees
 - b) Depreciation on fixed assets
 - c) Capital donations
 - d) Sale of fixed assets
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25. How are donations made for a general purpose treated in NPO accounting?

- a) As capital receipts
- b) As revenue receipts

- c) As liabilities
 - d) As deferred income
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26. How are unpaid subscriptions treated in the financial statements of an NPO?

- a) As income in the current period
 - b) As a liability in the balance sheet
 - c) As income in the subsequent period
 - d) As a capital receipt
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27. What would be the effect of an overstatement of income in the income and expenditure account?

- a) It would increase the surplus or deficit
 - b) It would decrease the surplus or deficit
 - c) It would not affect the surplus or deficit
 - d) It would increase liabilities
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28. How should membership subscriptions received for the next financial year be recorded in the financial statements of an NPO?

- a) As a liability
 - b) As income
 - c) As a capital receipt
 - d) As deferred income
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29. What is the main purpose of preparing a receipts and payments account for an NPO?

- a) To show the surplus or deficit of the organization
 - b) To track the organization's cash inflows and outflows
 - c) To calculate the depreciation of assets
 - d) To determine the organization's tax liability
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30. What is the treatment of interest income received by an NPO?

- a) It is classified as a capital receipt
- b) It is treated as revenue income
- c) It is shown in the balance sheet as an asset
- d) It is ignored for accounting purposes

31. What is the treatment for legacies and bequests received by an NPO?

- a) They are recorded as revenue receipts
 - b) They are recorded as capital receipts
 - c) They are treated as liabilities
 - d) They are ignored in financial statements
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32. How is an NPO's surplus or deficit calculated?

- a) By subtracting expenses from donations
- b) By subtracting capital receipts from revenue receipts
- c) By subtracting the total payments from the total receipts
- d) By subtracting total liabilities from total assets

33. What is the treatment of a donation received for a specific project in NPO accounting?

- a) It is treated as a revenue receipt and included in the income and expenditure account
- b) It is treated as a capital receipt and recorded in the balance sheet under a designated fund
- c) It is treated as a liability until the project is completed
- d) It is not recorded in the financial statements until used

34. What does the balance sheet of an NPO represent?

- a) The organization's income and expenses for the period
- b) The net cash position of the organization
- c) The financial position of the organization at a specific point in time
- d) The total receipts and payments of the organization

35. How are fixed assets treated in the balance sheet of an NPO?

- a) As capital receipts
 - b) As current assets
 - c) As long-term assets and depreciated over time
 - d) As liabilities
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36. What is the treatment of donations with no specific restrictions or purpose in NPO accounting?

- a) They are treated as capital receipts
 - b) They are treated as revenue receipts and included in the income and expenditure account
 - c) They are treated as liabilities
 - d) They are recorded in a separate fund
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37. In the context of NPO accounting, what does the term "fund-based accounting" refer to?

- a) Accounting that only tracks cash inflows and outflows
 - b) Accounting that tracks specific funds used for designated purposes
 - c) Accounting that focuses on revenue and expenditure accounts
 - d) Accounting that records all donations as revenue
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38. What does an NPO need to do to comply with the principle of "matching" in accounting?

- a) Recognize income when received
 - b) Record expenses as soon as they are incurred
 - c) Match revenue with the expenses related to earning that revenue in the same period
 - d) Only recognize income when it is received in cash
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39. What is the treatment of a donation made for the establishment of an endowment fund in NPO accounting?

- a) It is treated as a revenue receipt
 - b) It is recorded as a capital receipt and added to the endowment fund
 - c) It is shown as a liability until the fund is used
 - d) It is recognized as income in the income and expenditure account
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40. What does the term "income and expenditure account" in NPO accounting represent?

- a) A report of all receipts and payments made by the NPO
- b) A summary of the organization's assets and liabilities
- c) A report showing the organization's income and expenses for the period
- d) A report showing the increase or decrease in net worth

41. Which of the following is considered a capital receipt in the accounting records of an NPO?

- a) Membership fees
 - b) Sale of old newspapers
 - c) Capital donations for specific projects
 - d) Interest earned on investments
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42. Which of the following would be recorded as income in the income and expenditure account of an NPO?

- a) Proceeds from the sale of fixed assets
- b) Interest on bank deposits
- c) Donations for a specific project

- d) Loans received from a bank
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43. How should an NPO handle a gift of land received for a specific purpose, such as for a new school building?

- a) Treat it as a revenue receipt
 - b) Record it as a capital receipt and add it to a designated fund
 - c) Ignore it for financial reporting
 - d) Treat it as a liability until the building is completed
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44. What type of accounting method is typically used by NPOs for recording income and expenses?

- a) Cash basis accounting
 - b) Accrual basis accounting
 - c) Hybrid accounting method
 - d) Capital accounting method
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45. How should a donation made for the general operating fund be treated in NPO accounting?

- a) As a capital receipt
 - b) As a revenue receipt
 - c) As deferred income
 - d) As a liability until used
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46. Which of the following is true about the treatment of "subscriptions" in the financial records of an NPO?

- a) Subscriptions are recorded as capital receipts
 - b) Subscriptions are included in the income and expenditure account
 - c) Subscriptions are treated as liabilities until received
 - d) Subscriptions are ignored unless they exceed a certain amount
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47. What is the primary purpose of preparing a "receipts and payments account" for an NPO?

- a) To track non-cash transactions
 - b) To show the balance of assets and liabilities
 - c) To summarize the organization's cash inflows and outflows
 - d) To calculate the organization's tax obligations
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48. How is the "surplus" or "deficit" calculated in an NPO's income and expenditure account?

- a) Total receipts minus total payments
 - b) Total income minus total expenditure
 - c) Total assets minus total liabilities
 - d) Total capital receipts minus total revenue receipts
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49. Which of the following would be classified as an "unrestricted donation" in NPO accounting?

- a) A donation specifically for a building project

- b) A donation with no conditions attached
- c) A donation for the maintenance of a specific program
- d) A donation made with conditions about how it can be used

50. How are "outstanding subscriptions" treated in the financial statements of an NPO?

- a) As a revenue receipt
- b) As an expense
- c) As a liability until received
- d) As deferred income