Rayat Shikshan Sanstha's

Annasaheb Awate College, Manchar, Pune.

Commerce Department 2021 – 2022

Class :- F.Y.B.Com (Sem. II) **Total Marks :- Final Accounts of Charitable Trusts**
Subject :- Financial Accounting - II **Subject Teacher :- Dr. Ughade S. S.**

Topic 2. Final Accounts of Charitable Trusts (Clubs, Hospitals, Libraries Etc.)

Charitable trust

A trust designed for the benefit of the general public, as for educational or other charitable purposes. Charitable trusts are the institutions incorporated to advance help and support to the person who really belongs to the poor and deprived category.

Charitable trust. noun. a trust set up for the benefit of a charity that complies with the regulations of the Charity Commissioners to enable it to be exempt from paying income tax.

Benefits of a Charitable Trust

- Convert an appreciated asset into lifetime income.
- Reduce your current income taxes with charitable income tax deduction.
- Pay no capital gains tax when the asset is sold.
- Reduce or eliminate your estate taxes.
- Gain protection from creditors for the gifted asset.

Rules of a charitable trust

The bylaws and objectives of the trust should be for charitable purposes only. The trust should be having regular maintenance of accounts and regular audit of the same. There should be no irregularity in filing of income tax returns.

Features of a charitable trust

A charitable trust, unlike private institution, has perpetual existence and are exempted from laws against perpetuity.

- These are partially or completely exempted from taxes.

Object of charitable trust

To provide relief and assistance to handicapped, poor or needy persons and for that purpose to establish, maintain or support charitable institutions, which have the same or similar objects.

A charitable trust is an irrevocable trust established for charitable purposes and, in some jurisdictions, a more specific term than "charitable organization". A charitable trust enjoys a varying degree of tax benefits in most countries. It also generates good will.

Activities of charitable trust

Charitable Purpose includes various acts like the relief of the poor, promoting education, yoga, medical relief, preservation of the environment, preservation of monuments (e.g Taj Mahal, Red fort etc.) and also Advancement of any other activities which are of general public benefit.

Charitable Clubs

A charitable organization or charity is an organization whose primary objectives are philanthropy and social well-being (e.g. educational, religious or other activities serving the public interest or common good).

Clubs in order to get the benefit of exemption of income under Income Tax get themselves registered with the Income Tax Authorities as Charitable Organization. Clubs usually get covered in the definition of charitable purpose under the term "advancement of any other object of general public utility"

Example of a charitable organization

Churches and church associations. Organizations that support universities and colleges. Hospitals and organizations that are dedicated to medical research. Governments or special governmental units that are involved in charitable causes.

What do you mean by charitable activities?

You sometimes see a figure for a charity's proportion of 'charitable spending' or 'charitable activities'. This is the proportion of a charity's total income that goes on things that are directly helping it to fulfill its purpose.

Charitable hospital

A charitable hospital, or charity hospital, is a non-profit hospital that provides treatment for poor and uninsured people who can't purchase treatment. An example would be St. Jude Children's Hospital that provides assistance to children and funds research for pediatric ailments.

A hospital association not conducted for profit which devotes all of its funds exclusively to the maintenance of the institution is a public charity and this is so irrespective of whether patients are required to pay for the serv- ices rendered.

Charitable Hospitals

Libraries may take a variety of forms and some of them may be established as charities. The public benefit requirement applies to each of an organisation's purposes. A charity cannot have some purposes that are for the public benefit and some that are not.

The primary purpose of the public library is to provide resources and services in a variety of media to meet the needs of individuals and groups for education, information and personal development including recreation and leisure.

Receipt and Payment Account

A receipt and payment account is the summary of a day book and prepared for a specified period. Receipt and payment account is prepared from the totals of receipts and payment sides of the ledger accounts.

Income & Expenditure Accounts

The income and expenditure account is prepared by the non-trading entities to determine surplus or deficit of income over expenditures for a particular time frame. The accumulated or accrual concept of accounting is rigidly pursued while preparing income and expenditure a/c of non-trading concerns.

Balance Sheet

The Balance Sheet is also called the Financial Statement of the Cooperative Society and provides a picture of our Society's financial status at the end of a particular financial year. The information provided in the Balance Sheet shows the financial result of management decisions.

Final Accounts

Trading & Profit and Loss account and Balance sheet are prepared from the receipt and payment accounting after consideration of the adjustment entries. Items appear under the receipt side are treated as income, and items of the payment side are as expenditure.