Accounting for nonprofit organizations: a case study of British Red Cross

Jin, Zi

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Abstract
Accounting for Nonprofit organizations (NPOs) has become an interesting and promising topic, which is different from commercial accounting in many ways: The objective of NPOs is to provide services for public benefits, not to generate profits for partners or shareholders. Since their expenditures must be covered by revenues, which are financed by grants or donations, not market transactions, NPOs is money focused, while commercial organizations are profit focused. A case study of British Red Cross (BRC) is undertaken by analyzing its bookkeeping and financial statements, the problems and suggestions could be helpful to improve the financial reports of the other NPOs.

Key words: NPOs, BRC, money focus, profit focus, bookkeeping, financial reports, fund accounting.

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An organization is a collection of resources arranged to accomplish an overall goal. The purpose of a nonprofit organization is to meet one or more needs in a community. Each nonprofit describes its overall purpose in a mission statement. (Very simply put, the word "nonprofit" means an organization that does not distribute a profit.) There are some specialized tax rules and accounting practices that apply to nonprofit organizations. If they are of a certain size, they are required to disclose many details of their operations to the general public and to state regulators and watchdog agencies using IRS form 990. This form shows any salaries paid to officers or directors [for incorporated nonprofits] and to the five highest-paid employees and contracts if any receive over $50,000 in the tax year.