

Practice Exercise: NGO Accounting in Tally Prime

(Master Class Tutorial Series)

Case Study Scenario

NGO Name: 'Hope Welfare Foundation'

Legal Status: Registered Society (12A & 80G Certified)

Objective: Promoting education and healthcare for the underprivileged.

Financial Year: 2025-2026

Task:

Create a Company in Tally Prime for the above NGO and record the transactions for April 2025. Ensure you apply the Fund Accounting Principles and Income Tax Cash Limits taught in the video.

Tally Prime Setup Guide

Before starting, ensure your Tally Company is configured correctly:

1. **Company Creation:** Set Financial Year from **1-Apr-2025**.
 2. **Ledger Configuration:**
 - **Corpus Fund:** Under *Capital Account*.
 - **Specific Fund:** Under *Current Liabilities*.
 - **Donation Received:** Under *Indirect Incomes*.
 - **Rent/Salary/Stationery:** Under *Indirect Expenses*.
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📝 Practice Transactions (April 2025)

Record the following entries using the correct Vouchers (Receipt, Payment, Journal). **Pay attention to the "Rule Check" hints!**

Date	Transaction Details	Amount (₹)	Voucher	Compliance / Rule Check
1-Apr-24	Received initial capital for 'Corpus Fund' via Cheque (SBI Bank).	5,00,000	Receipt	This is a permanent fund (Capital Nature).
5-Apr-24	Received 'General Donation' in Cash from Mr. Sharma.	1,500	Receipt	Sec 80G Check: Is it \leq ₹2,000? Yes. Donor gets tax deduction.
10-Apr-24	Received 'Specific Donation' via NEFT for 'Building Construction'.	2,50,000	Receipt	Tag: under Current Lib.
15-Apr-24	Paid Office Rent via Bank Cheque.	12,000	Payment	Bank payment is always safe. No limit issues.
20-Apr-24	Purchased Office Stationery in Cash.	4,800	Payment	Sec 40A(3) Check: Is it \leq ₹10,000? Yes. Expense is Allowed.
22-Apr-24	Received 'General Donation' in Cash from an anonymous donor.	5,000	Receipt	Sec 80G Check: Cash $>$ ₹2,000. Entry is valid, but Donor gets NO 80G Benefit.
25-Apr-24	Paid for Office Repairs & Maintenance in Cash.	12,000	Payment	Sec 40A(3) Violation: Cash Payment $>$ ₹10,000. This expense will be Disallowed (Taxable) ⁶⁶ .
30-Apr-24	Paid Staff Salaries via Bank Transfer.	35,000	Payment	Standard Bank Payment.

✓ Post-Entry Checklist

After completing the entries, go to **Reports** and verify:

1. **Balance Sheet:** Ensure 'Corpus Fund' and 'Building Fund' are visible separately.
2. **Income & Expenditure A/c:** Check if you have a **Surplus** or **Deficit** for the month.
3. **Receipt & Payment A/c:** Verify your closing Cash & Bank balances.

📋 Cheat Sheet: NGO Cash Limit Rules

Keep this table handy for interviews and practical accounting.

Transaction Type	Limit Amount	Section	Consequence of Violation
Cash Donation (Received)	Up to ₹ 2,000	Sec 80G	If Cash > ₹2k, Donor gets NO Tax Deduction .
Cash Receipt (Any Mode)	Less than ₹ 2 Lakh	Sec 269ST	If Cash \geq ₹2 Lakh, Penalty is 100% of amount .
Cash Expense (Payment)	Up to ₹ 10,000	Sec 40A(3)	If Cash > ₹10k, Expense is Disallowed (Taxable) .

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