CHAPTER - FIVE

APPLICATION OF THE PROPOSED ACCOUNTING MODEL TO A NONPROFIT ORGANIZATION
Introduction

In order to overcome the limitations of the traditional accounting system of the NPOs in presenting in the financial reports the magnitude of services rendered by the entity, the value of the efforts of the people who render such services and the sacrifices of the organizers for the same, an accounting model has been developed to supplement the conventional accounting system. In this chapter an attempt has been made to find out how far the proposed model works. For this purpose a voluntary organization namely, the Rama Krishna Mission Boys' Home, Rahara, West Bengal, India has been selected. First its objectives and various activities, its management, sources of finance are discussed in brief. Subsequently, why this charitable unit is so indispensable to the local people are discussed here in brief. Next to it, the Annual Report containing 'A/C Hospital and Dispensary' and the 'Balance Sheet', as prepared by the organization is presented in order to highlight how the funds are collected, the way they are used, the various assets the entity holds and the liabilities i.e. obligations the entity is to meet. The fourth section deals with the measurement problems relating to various components of the proposed model. The various assumptions considered in detailing the different components of the proposed model are discussed in the subsequent section. Next to it is presented the proposed 'Service and Sacrifice Account' which is drawn on the basis of information collected for the purpose. ¹

With the help of some of the ratios, as devised in the earlier chapter, the components of the account have been analysed to make an

¹. The Service and Sacrifice Account and the Balance Sheet, presented here is based on the figures available from the audited report of the organization (Vide Appendix I). The Balance Sheet after incorporating the HR Assets, the object of our study, will be discussed in the next Chapter.
appraisal of the performances of the entity. But appraisal of performance cannot be claimed to be complete unless the sources of such performance i.e. the concerned HRs are evaluated. That is left for the next chapter.

I

RAMA KRISHNA MISSION BOYS' HOME

A Brief History: After the sad demise of Sri Ramakrishna Paramhansha Dev, the great Hindu prophet of the 19th Century in India, in August 1886, his disciples, under the leadership of Swami Vivekananda, formed a monastic brotherhood which in due course developed into, Ramakrishna Math. The fundamental attribute of the organization is to provide 'service to mankind', irrespective of caste, nationality and colour. With the view to spreading over the ideology of Sri Ramakrishna Dev and demonstrating the truth in real life, Swami Vivekananda in May 1897, founded the Ramakrishna Mission.

The Headquarter of Ramakrishna Math and Ramakrishna Mission is located at Belur. The place is in the district of Howrah and is about six Kilometers away from Calcutta on the western bank of the Ganges. Later in course of time the organization through its multiferious social services acquired international fame. Its dimensions of rendering services have extended to many corners of the World through its various branches. The Ramakrishna Mission Boys' Home, Rahara (R K M B H R) is one of such branches.

Location: The foundation stone of the Home was laid on 16th August, 1944. Late Swami Punyanandaji Maharaj, a senior monk of the Ramakrishna order, was its first secretary. The Home is located in the rural
surroundings at Rahara, a village about 20 kilometers away from Calcutta, on the eastern side of the Khardah Railway Station on the Sealdah-Ranaghat Section of Eastern Railway of India.

Management: The Management of the Home is controlled and guided by the headquarter of Ramakrishna Mission at Belur. The Governing Body of the organization appoints a management committee for controlling the operation of the organization. The committee is generally comprised of both monastic and other members of the organization. The managing committee then with the approval of the Governing Body of the Mission appoints various sub-committees to look after the operation of different branches. Swami Jayananda, is the present Secretary of R K M B H R.

Objectives and Activities: The R K M B H R is a religious charitable institution and provides services for the benefit of the general public. 'Service to mankind' is their sole motto. Although this organization performs a leading role in imparting education, they also provide medical services to the public of the locality. A hospital and a charitable unit are run by the institution for providing medical services. Where the hospital is exclusively meant for the residents of Ashrama, the charitable unit is for providing services to whoever comes.

Imparting education is the most important objective of R K M B H R. There are 13 educational units where both orphan and outside students are provided education at various levels beginning from basic to post-graduate education. From among the orphan boys who do not have much aptitude for formal education are offered opportunity for learning vocational trade such as tailoring, carpentry, bakery, poultry, book-binding etc. so that when they leave the Home they can earn independently without making him a burden to the society.
The Home also extends their helping hands to local people and also others when they are in distress during flood, epidemic and various other natural calamities.

Finance: The organization operates exclusively on Government grants, tuition fees from students and the donations from generous members of the public, philanthropics, charitable trusts etc. During 1990-91 the Home has maintained about 700 orphans, destitute and adibashi boys entirely free of any charge. A part of their food, clothings, medical care, entertainment is satisfied from its own resources and donations while the other part is met by a per capita grant of Rs. 225/- received from the Government. But during these days of increasing prices every year the Home had to cope with a huge deficit. This deficit were met through the donations received from different sources. The Home provides various other services depending primarily on the contributions received. Because of the spiralling increase in price of all commodities it has to depend more and more on such donations.

The various activities performed by the Home through its different units may be summed up below:

A. Educational Activities: One of the most important objectives of R K M B H R is to impart education to the students. The students can be categorised under three headings: (a) Ashrama Scholars, (b) Hostel Scholars, both of whom reside within the campus and (c) Day-Scholars who live with their parents. While the former gets education at free of cost the latter two have to pay the requisite tuition fees.

The basic objective does not confine to imparting education, but it extends to providing them training in such a manner that they may grow into healthy, self-disciplined youngman with a sound moral foundation.
The various education units of the Home are:

(a) Prebasic (Nursery) School  
(b) Junior Basic School  
(c) Junior High School  
(d) High School  
(e) Junior Technical School  
(f) Higher Secondary Vocational Institute  
(g) Primary Teachers' Training Institute  
(h) Brahmananda Post-Graduate Basic Training College  
(i) Work Education Training Centre  
(j) Ramakrishna Missions Vivekananda Centenary College  
(k) District Library and Mobile Library Service Unit  
(l) Librarianship Training Centre  
(m) Audio Visual Unit.

B. Non-Educational Activities: Apart from providing education to students, the Home also provides training on printing, tailoring, book-bindings etc. to those orphan students who are not capable of formal education. They are provided such training so that they become self-supported and they would not be treated as burden to the Society. The non-educational training is provided through the vocational school. The Unit is comprised of the following departments:

(a) Dairy  
(b) Backery  
(c) Poultry  
(d) Carpentry  
(e) Tailoring
(f) Plumbing
(g) Book-binding
(h) T.V., Radio, Tape recorder repairing.

C. Medical Service Units: The medical services by the Home are provided through two separate units maintained for such purpose. They are:

(a) Hospital, and
(b) Charitable Unit.

Particulars on them are presented below.

The Hospital: The Home runs a hospital. The monks, orphans, the large number of teaching and non-teaching staff associated with the entity usually avail themselves of the opportunity. Here treatment of ordinary illness and simple surgical operations are usually carried on. In emergency the Home, however, makes arrangement for their critical treatment by removing them to a more modern equipped hospital, namely, the Ramakrishna Mission Seva Pratisthan, an Unit controlled by the headquarter of Ramakrishna Mission. It is worth-mentioning here that the hospital maintained by R K M B H R is attended by qualified and distinguished medical practitioners as Honorary Visiting Physicians. These doctors provide services either voluntarily or receive a token remuneration from the Home. There are also assistants and ward-boys who assist the doctors, look after the patients in absence of the physicians and carry out their directions. In this unit there are two such doctors who pay regular visit to the patients here.

The Charitable Unit: Besides the hospital, the Home also provides medical services to the public through its charitable unit. The unit is comprised of a general department. That apart, there are eye
department, ENT department and a dental department. These departments are also attended by specialist physicians who either receive nothing or take a token amount for their services. These doctors come two days a week and spend four hours to examine the patients. A token amount is collected from these patients. While Rs. 5/- are charged for treatment of eye, Rs. 2/- are charged for treatments in other departments per patient per visit.

Both the hospital and charitable units are controlled by a committee appointed by the R K M B H R sub-committee. They generally make arrangements for appointing specialised doctors to provide services to people. The number of patients to be treated during a period are not usually estimated in advance. But the basic goal of the unit is to provide medical service to the poor. The extent of services that can be rendered depends heavily on the grants and contributions available from Government and other agencies.

Therefore finance is a vital factor here. Generally, more the fund, it is expected, more capable is the entity in rendering services. The Government makes a special grant to the Home exclusively for the medical services. But the amount is so meagre in comparison to the expenses incurred for providing such services that Home is to arrange for making good the huge deficit of the charitable unit. It is met by the Headquarter out of its general fund. For instance in R K M B H R, out of the total expenses Rs. 67,386/- incurred for such medical services (both in hospital and charitable unit, vide Income and Expenditure Account in Appendix I) a sum of Rs. 7,665/- is received as a token fees from the patients of charitable unit, Rs. 19,700/- is
...received as a grant from the Government and the balance of Rs.40,021/- is compensated by the Home from other sources of contributions. Therefore, the Home is continuously running year after year with deficit which has accumulated to an alarming figure of Rs. 3,33,305/- (vide Balance Sheet in Appendix - II).

II

Need for the Charitable Unit to local people: Question generally arises, why this charitable unit is so indispensable to the people of the locality? Or what purpose does this unit serve to make itself so necessary?

It may be mentioned here that most of the inhabitants of the area migrated from East Pakistan (presently Bangladesh) after partition of India and Pakistan. India is a poor country with purely an agriculture-based economy. The people who emigrated from Bangladesh during the middle of 1940s are basically poor. Although in recent days with the advancement of technology there is a slight improvement in the standard of living of these people, a major portion of them still are economically backward. These people have no other alternative but to struggle with their limited resources to live. For them diseases are part and parcel of their lives, hence they are in need of basic medical services. Such services, although available, in the local market are usually out of their reach.

Moreover, unlike other developed countries, there is no widespread provision of medical insurance in India. Hospitals are generally run by the Governments. But the capacity of these hospitals is very limited to provide the facilities to all the citizens. In such a
situation, the people here are to make their own arrangement of treatment according to their economic ability.

The economically backward people and also the middle class suffer the most. They neither have the facility to treat in the hospital nor can afford to pay the huge amount as fees charged by the nursing homes and also the private practitioners. Consequently, these people depend very much on the services of the charitable unit run by the R K M B H R. Because of these reasons this unit is so indispensable to these people.

III

Annual Accounts of the Home: A sketch of the annual accounts of these two units derived from the annual reports of the organization is represented below. The details of the Income and Expenditure Account as published by the organization is given in Appendix – I. Items of incomes and expenses are presented here under some broad heads (vide Table 13 and 14).

Table 13

R. K. MISSION BOYS' HOME, RAHARA
A/c. Hospital and Dispensary*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Establishment pay &amp; allowances</td>
<td>42,612</td>
</tr>
<tr>
<td>By Government grants and other donations</td>
<td>27,365</td>
</tr>
<tr>
<td>&quot; Hospital &amp; Other Medical expenses</td>
<td>17,097</td>
</tr>
<tr>
<td>&quot; Deficit</td>
<td>40,021</td>
</tr>
<tr>
<td>&quot; Repairs &amp; Renewals</td>
<td>1,360</td>
</tr>
<tr>
<td>&quot; Office &amp; Administrative expenses</td>
<td>5,776</td>
</tr>
<tr>
<td>&quot; Miscellaneous expenses</td>
<td>541</td>
</tr>
<tr>
<td>Total</td>
<td>67,386</td>
</tr>
</tbody>
</table>

*The organization (R K M B H R) uses this title in their financial report. Explanation of the items (i.e. 1,2,3...12) are made in the following pages.
### Table 14

#### BALANCE SHEET

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building fund less depreciation</td>
<td>Building fund less depreciation</td>
</tr>
<tr>
<td>33,119(^7)</td>
<td>29,442(^{10})</td>
</tr>
<tr>
<td>Furniture and Equipment fund Less depreciation</td>
<td>Furniture and equipment fund less depreciation</td>
</tr>
<tr>
<td>12,277(^8)</td>
<td>17,142(^{11})</td>
</tr>
<tr>
<td>Transfer from Rama Krishna Mission General Fund</td>
<td>Accumulated deficit</td>
</tr>
<tr>
<td>(2,94,472 + 40,021)</td>
<td>(2,93,284 + 40,021)</td>
</tr>
<tr>
<td>3,34,493(^9)</td>
<td>3,33,305(^{12})</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3,79,889</td>
<td>3,79,889</td>
</tr>
</tbody>
</table>

1. Establishment pay & allowances are comprised of:

<table>
<thead>
<tr>
<th></th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Department</td>
<td>30,515.00</td>
</tr>
<tr>
<td>Dental Department</td>
<td>3,000.00</td>
</tr>
<tr>
<td>Eye Department</td>
<td>2,400.00</td>
</tr>
<tr>
<td>ENT Department</td>
<td>3,000.00</td>
</tr>
<tr>
<td>Homoeopathy Department</td>
<td>2,400.00</td>
</tr>
<tr>
<td>Puja allowance</td>
<td>925.00</td>
</tr>
<tr>
<td>P.F. Contribution</td>
<td>372.00</td>
</tr>
<tr>
<td></td>
<td>Rs. 42,612.00</td>
</tr>
<tr>
<td></td>
<td>= Rs. 42,612</td>
</tr>
</tbody>
</table>

2. Hospital & other Medical Expenses are comprised of:

<table>
<thead>
<tr>
<th></th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diet charges</td>
<td>15,127.50</td>
</tr>
<tr>
<td>Washing charges</td>
<td>238.00</td>
</tr>
<tr>
<td>Medical expenses</td>
<td>994.49</td>
</tr>
<tr>
<td>Bedding &amp; Clothing</td>
<td>250.00</td>
</tr>
<tr>
<td>Hospital Utensils &amp; equipments</td>
<td>487.00</td>
</tr>
<tr>
<td></td>
<td>Rs. 17,096.99</td>
</tr>
<tr>
<td></td>
<td>= Rs. 17,097</td>
</tr>
</tbody>
</table>
3. Repairs and Renewals:
   General Repairing   -   111.00
   Repairs of the building   -   1,249.44   Rs. 1,360.44
   = Rs. 1,360

4. Office and Administrative expenses are comprised of:
   Electric charges   -   4,957.55
   Stationery & Printing   -   177.30
   Travelling expenses   -   62.00
   Audit fees and expenses   -   235.00
   Postage & Telegram   -   344.00   Rs. 5,775.85
   = Rs. 5,776

5. Miscellaneous expenses:
   Contingencies (General)   -   526.25
   Contingencies (Homoeopathy)-   -   2.20
   Clearing and sanitation   -   12.25   Rs. 540.70
   = Rs. 541

6. Government grants and other donations are comprised of:
   Government grants   -   19,700.00
   Donations   -   7,685.00   Rs. 27,385.00
   = Rs. 27,365

Balance Sheet

Liabilities

7. Building Fund less depreciation:
   Building Fund (as per last Balance Sheet)   -   34,669.07
   Less Depreciation   -   1,549.60   Rs. 33,119.47
   = Rs. 33,119
8. Furniture and equipment fund less depreciation:

Furniture and equipment Fund
(as per last Balance Sheet) 14,181.38
Less Depreciation - 1,904.70 Rs. 12,276.68
= Rs. 12,277

9. Transfer from Rama Krishna Mission General Fund:

As per last Balance Sheet - 2,94,472.10
Add during the year - 40,020.98 Rs.3,34,493.08
= Rs.3,34,493

Assets

10. Building Fund less depreciation:

Building Fund
(as per last Balance Sheet) 30,992.00
Less depreciation @ 5% - 1,549.60 Rs. 29,442.40
= Rs. 29,442

11. Furniture and equipment fund less depreciation:

Furniture & equipment fund
(as per last Balance Sheet) 19,047.00
Less depreciation @ 10% - 1,904.70 Rs. 17,142.30
= Rs. 17,142

12. Accumulated deficit:

As per last Balance Sheet - 2,93,283.55
Add excess of expenditure over income - 40,020.98 Rs.3,33,304.53
= Rs.3,33,305

The figures arrived here vide Appendix - I & II of R K M B H R.

For the benefit of calculations the amounts are rounded off(to the nearest rupee)
It may be observed that the above accounts present information on the grants received under different heads, collections from the patients, and the payments on medical expenses, administrative expenses including payment to the employees and other expenses, and the amount of deficit contributed by the parent body. This account is, therefore, capable of presenting the sources of financing the annual expenditure and the ways how such finances are used. In fact, the account reports how the management use the resources according to the restrictions imposed by the granting authorities (in this case the parent body).

But does it speak of the extent of services rendered to the poor? Does it indicate the extent of sacrifices of the people associated with the organization? Can we infer something about the productive use of the resources vested with the entity? These bits of information cannot be derived from the above accounts. The above accounts has its necessity, no doubt, as it indicates the stewardship performance of the management, but it cannot report the extent of the unit's performance. In other words, users of this statement cannot have an idea about how far the objective for which the entity is established has been achieved. Hence, it appears that the basic objective of accounting to report on the annual performance of an entity does not materialise here.

Now, let us make an humble attempt to apply to the present situation to our accounting model developed in the earlier chapter. But application of the model involves the following measurement problems.
Measurement Problems Relating to Various Components of the Model - Every measurement system is based on certain assumptions. For instance, in case of traditional accounting system usually nothing is recorded in the books of accounts unless that is supported by exchanges or transactions. The other assumption is that the surplus or deficit of wealth arising from the activities accrues ultimately in favour of the owners. Another assumption is that the entity will continue for an indefinite period. These assumptions hold good to business enterprises. But in case of NPOs excepting the third assumption, the other two have a little relevance.

It is fact that, as per the first assumption, the records should be based on transactions or exchanges so as to provide an objective measurement of various elements. In such cases there is little scope for personal judgement. But in case of welfare organization the extent of welfare provided is not valued in the market through exchanges. Hence, an objective measure of the same is not available. This is the crux of the problem. We should design a system to quantify the welfare content of the activities, otherwise our main objective of measuring and reporting the performance of a welfare organization will be frustrated. To minimise the controversy we should take certain steps. For instance we are to quantify the services first in non-monetary terms, say, the numbers of patients treated, the number of days they stay in the hospital for treatment, the number of doctors employed in the organization, the nature of services rendered i.e. patients attended, surgical operations done etc. Next, we are to determine the market value of those services. But market values of such services may
not be available always. In such cases we are to depend on other alternative sources from where we can derive an estimate about the value of the services. Estimation on the extent of services and their values are influenced by subjective elements and accordingly they are controversial. But it provides an idea about the trend of the achievement of a welfare organization.

Keeping in mind the above limitations in the measurement of the elements of the model, we may try to quantify the following components:

(a) Value of services rendered to the society (SS).
(b) Value of sacrifices of the employees ($w_2$).
(c) Value of the contribution generated by the organization ($O$).

In fact the value of services provided by the organizers is residual in nature, because it will be determined by deducting the contribution of the donors and the employees from the value of services rendered to the needy public. Hence our problem centres around to the measurement of the first two components i.e. SS and $W_2$.

For measuring the market value of services rendered to the society (SS) we have considered the following into account:

1. First, the information on the number of patients to whom such services are provided in the hospital and the charitable unit and the types of services rendered to these patients has been collected.

2. Then have been considered the market value of similar services provided by the Polyclinics or Nursing Homes situated in the locality. For the purpose we have taken information on the fees charged by three of such organizations. Although the facilities given are more
or less equal, there exists a slight difference in charges from
nursing home to nursing home. The rates used here are based on the
information provided by the professional physicians attached to the
hospitals nursing homes and polyclinics of the locality (vide Appendix -
III and IV). The process is followed for different types of treatment
made there.

3. Then we are to multiply the rate per patient per treatment by
the numbers of patient treated in individual groups. By adding all the
figures thus arrived at, of the different treatments, we get the total
value of services rendered and from the value is deducted the token
collection received from the beneficiaries treated in the Charitable
unit of R K M B H R to get the value of SS (vide Appendix - VI).

As to the valuation of sacrifices made by the employees (W₂) the
following steps have been taken.

1. First, the number of doctors, attendants, ward boys etc.
employed in the organization and their stay with the Home per day per
weak have been determined (vide Appendix VIIa).

2. Next, the rate of valuing the above services is estimated by
collecting information on the rate of pay made to those employees
rendering similar services in the similar positions in the Government
hospitals of the locality (vide Appendix - VIIb).

The rate is multiplied by the services rendered to the society
to get the market value of the services of the employees. From the
product is deducted the token salary paid to them to get the sacrifice
of employees (W₂) [vide Appendix - VIII].
An important point is worth mentioning here. Price lists of the various kinds of services rendered to the needy people is not available, because such services are not considered like standard goods. Hence, we are to depend on information collected through interviews. But the main limitation of such system is that, there is a scope of inflating or deflating the actual figures. Notwithstanding, it provides an idea on the issue.

Now the measurement of the elements in terms of money is in order.

V

Applications of the Proposed Accounting Model: With a view to applying the accounting model to the charitable institute, let us measure first the individual components of the model. For this purpose the services generated by the organization to the society is represented by the value of \( P \) which is the market value of services charged by any other medical service unit having an intention to earn profit (vide Appendix-VI). The nominal charges collected from the patients of charitable unit is shown in Appendix - V. Information on the amount of donation and payment of salaries to staff are obtained from the Annual Accounts (vide Appendix - I). How the values are collected is shown below:

\[
SS = \text{Social surplus represented by the excess of market value of services rendered to the society (P) over the token collection made from the beneficiaries (Q).}
\]

* Hospitals in India are run by Governments or Public bodies. Here patients are usually treated free of cost. Most of the people of India are not under the cover of medical insurance. Hence, in the underdeveloped economy like India, the common people are to depend on these hospitals. Here, doctors, nurses, attendants are government employees and their remuneration may be used as standard.
Where, \( P \) = The services generated to the society by the NPO, which is similar to the market value of services charged by any other welfare organizations having a motive to earn profit (vide Appendix - VI)

\[ \quad = \text{Rs. 5,86,150} \]

\( Q \) = Token collection from the direct beneficiaries arrived at as (number of patients attended the charitable unit x nominal charges per individual fixed by the respective unit). [vide Appendix - V]

\[ \quad = \text{Rs. 7,665}. \]

Therefore, \( SS = P - Q \)

\[ \quad = \text{Rs. 5,86,150} - \text{Rs. 7,665} \]

\[ \quad = \text{Rs. 5,78,485} \quad \text{[vide Appendix - VI]}. \]

Again, \( SS = f (D, W_2, Q) \)

Where, \( D \) = Contribution made by the donors, or

\[ \quad D = G + W_1 - Q \]

Here, \( G \) = Payment to supplier of goods and services, which represents the aggregate of hospital & other medical expenses, repairs & renewals, office and administrative expenses and miscellaneous expenses incurred by the organization for the functioning of its two welfare units (vide Appendix - I & Table 13 of page 125).

\[ \quad = \text{Rs. 17,097} + \text{Rs. 1,360} + \text{Rs. 5,776} + \text{Rs. 541} \]

\[ \quad = \text{Rs. 24,774}. \]

\( W_1 \) = The token payment to those dedicated persons associated with the organization under the heading 'Establishment pay and allowances' (vide Appendix - I).

\[ \quad = \text{Rs. 30,515} + \text{3,000} + \text{2,400} + \text{3,000} + \text{2,400} + \text{925.00} + \text{372.00} \]

\[ \quad = \text{Rs. 42,612.00}. \]
Therefore, \( D = G + W_1 - Q \)

\[ \begin{align*}
= & \text{Rs. } 24,774 + \text{Rs. } 42,612 - \text{Rs. } 7,665 \\
= & \text{Rs. } 59,721 \text{ [representing part of the total sacrifices made by the funding agencies].}
\end{align*} \]

Again, \( W_2 \)

\[ \begin{align*}
= & \text{The sacrifice made by the dedicated persons, which can be arrived as the difference between the actual salary paid as per our Government rule, comprising of basic, D.A. house rent-allowance and medical allowance and the token salary paid to them \( (W_g) \) by the institution (vide Appendix - VII).} \\
= & \text{Rs. } 3,12,181 \text{ (representing part of the total sacrifices made by the service minded people).}
\end{align*} \]

And \( O \)

\[ \begin{align*}
= & \text{The sacrifice made by the organizers or NPO itself, which is arrived as } \{ O = SS - (D + W_2) \}, \text{ i.e. the surplus of the value of services generated and distributed (SS) to the people of the society over the sacrifices made by the fundings agencies (D) and the employees \( (W_2) \) of the organization.} \\
= & \text{Rs. } 5,78,485 - (59,721 + 3,12,181) \\
= & \text{Rs. } 5,78,485 - 3,71,902 \\
= & \textbf{Rs. } 2,06,583 \text{ (vide Appendix - IX).}
\end{align*} \]

VI

Now let us put the above value in service and sacrifice Account of welfare organization (Table - 15).
Table - 15

Service and Sacrifice Account of Ramakrishna Mission Boys' Home, Rahara
for the year ended on 31.3.1991

<table>
<thead>
<tr>
<th>Sacrifices of benefactor</th>
<th>Rs.</th>
<th>Rs.</th>
<th>Services to beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sacrificing of the funding agencies (D)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment to supplier of goods and services (G)</td>
<td>24,774</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Token payment to dedicated employees (W₁)</td>
<td>42,612</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(G + W₁)</td>
<td>67,386</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Token collection from beneficiaries (Q)</td>
<td>7,665</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[(G + W₁) - Q] = D</td>
<td>59,721</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Sacrifice made by the employees (W₂)</td>
<td>3,12,181</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Sacrifice made by the organization (O)</td>
<td>2,06,583</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,78,485</td>
<td>5,78,485</td>
</tr>
</tbody>
</table>
Table – 16

Balance Sheet (Redrafted) of Ramakrishna Mission Boys' Home, Rahara
as on 31.3.1991

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific Funds</td>
<td></td>
<td></td>
<td>Physical Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>33,119</td>
<td></td>
<td>Building</td>
<td>29,442</td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>12,277</td>
<td>45,396</td>
<td>Furniture</td>
<td>17,142</td>
<td>46,584*</td>
</tr>
<tr>
<td>Capital Fund</td>
<td></td>
<td></td>
<td>Monetary Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td>3,34,493</td>
<td></td>
<td>Human Resource Assets</td>
<td></td>
<td>-*</td>
</tr>
<tr>
<td>Less:Accumulated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>deficit</td>
<td>3,33,305</td>
<td>1,188</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>46,584</td>
<td></td>
<td></td>
<td>46,584</td>
<td></td>
</tr>
</tbody>
</table>

* The social equity signifies the human resources assets of the organization. As the value of HRs are not considered here, the value of social equity is not shown in this chapter. It is shown in the next chapter.
Performance appraisal with the help of the accounts: Efficiency of an activity can be revealed distinctly through the study of the rate of outcome per unit of effort. In case of NPO, the effort is made by the donors, employees and the organizers. The outcome is the net social services rendered to the needy people. Efficiency in the use of the fund, the rate of contribution of the employees, and the organizers and the service generating ability of the entity as a whole can be revealed through some of the ratios developed in chapter four (pages ). Here some of those ratios are calculated to apprise the performance of the organization.

1. Margin ratio:

The ratio can be arrived as:

\[
\frac{\text{Net service (W}_2+0) \text{ or sacrifices by employees and organization}}{\text{Net value of services rendered (SS)}}
\]

\[= \frac{\text{Rs. 3,12,181} + \text{Rs. 2,06,583}}{\text{Rs. 5,78,485}}
\]

\[= \frac{\text{Rs. 5,18,764}}{\text{Rs. 5,78,485}}
\]

\[= 0.90 : 1
\]

It refers to the margin of the net value of services over the related expenses. Here, the net value of service to society, as discussed earlier, implies the surplus of market value of services to society over the token charges received from the beneficiaries, while the net service represents the aggregate of services of the employees and the organizers. The ratio implies how much of the net value is contributed by
the employees and the organizers. Here, the ratio comes to 0.90 : 1. That means, donors contribute only 10% of the value of the services generated by the organization. In other words, with the help of the employees and organizers, the donor's grant can create services valuing ten times of the donation. Higher the ratio, it may be inferred, greater the efficiency of the organization in accomplishing the objective of NPO. An organization with higher margin ratio will automatically be preferred to other by the funding agencies.

2. Operating Ratio:

Similar to operating ratio in POs, a ratio may be computed. Here the basic objective is to reveal how much of per rupee of net value of service rendered is used to meet operating expenses like salaries and other expenses. The ratio will be as follows:

\[
\text{Operating Ratio} = \frac{\text{Total Salary} + \text{Expenses (W, + G)}}{\text{Net Value of social services (SS)}}
\]

\[
= \frac{\text{Rs. 42,612} + \text{Rs. 24,774}}{\text{Rs. 5,78,485}}
\]

\[
= \frac{\text{Rs. 67,386}}{\text{Rs. 5,78,485}}
\]

\[
= 0.12 : 1.
\]

In RKMBHR only 12% of the net value of services rendered is utilised for payment to employees and the suppliers of goods necessary for providing services. Implication of high operating ratio is that operating expenses constitute only a small fraction of the Net Value of Social Services rendered to the society. This ratio serves as a weapon in the hands of the donors to measure the operational efficiency of an organization for providing services.
Reciprocal of this ratio (i.e. \( \frac{Rs. 5,78,485}{Rs. 67,386} = 8.58 : 1 \)) indicates that per rupee of expenses, net social services worth Rs. 8.58 are generated. More the value of this reciprocal, higher the productivity of the resources. It may be considered as an index of effective use of resources.

3. Salary Service Ratio:

Ratio of salary to employees to the net value of services rendered may be computed to indicate how much of the net value of services is used to pay the salaries of the employees. Here the ratio is as below:

Salary service ratio : \( \frac{\text{Salary to employees (W)}}{\text{Net value of services (SS)}} \)

\[
= \frac{Rs. 42,612}{Rs. 5,78,485} = 0.07 : 1.
\]

The ratio here comes to 0.07 : 1. This means per rupee of social services only seven paisa are paid to the employees. The persons associated with the organizations on whole-time basis are very poorly remunerated. Part-timers also serve almost voluntarily against token remuneration. It may be interpreted that volunteered services are indispensable in such type of social work.

4. Employee's Sacrifice to Social Service Ratio:

Ratio between the sacrifices of people of the NPO and the net value of services rendered to the society may be revealed by the following ratio:
Employee sacrifice to social service ratio = \( \frac{\text{Sacrifice of employees (W2)}}{\text{Net value of services (SS)}} \) 

\[ \begin{align*}
\text{Sacrifice of employees (W2)} & = \text{Rs. 3,12,181} \\
\text{Net value of services (SS)} & = \text{Rs. 5,78,485} \\
\text{Ratio} & = \frac{0.54}{1}.
\end{align*} \]

The extent of sacrifice of the employee is highlighted through this ratio. Higher the ratio, greater will be the service received by the society. For RKM BH R, the ratio is 0.54 : 1. An organization having less of this ratio, may be interpreted as that its employees are paid at higher rate, in relation to service rendered to the needy people. That means employee's contribution there for the cause of the poor is not so high. The ratio may be considered as a rough and ready indicator of the service mentality of the employees.

5. Donors' Sacrifice to Social Service Ratio:

Ratio between sacrifices by the funding agencies and the net value of services rendered may be determined by the following ratio:

\[ \begin{align*}
\text{Donors' sacrifice to Social Service Ratio} & = \frac{\text{Sacrifice by the funding agencies (D)}}{\text{Net value of services (SS)}} \\
\text{Sacrifice by the funding agencies (D)} & = \text{Rs. 59,721} \\
\text{Net value of services (SS)} & = \text{Rs. 5,78,485} \\
\text{Ratio} & = \frac{0.10}{1}.
\end{align*} \]

The ratio here comes to 0.10 : 1. That means, of the total services generated by the organization, the funding agencies contribute only 10%. In other words the ratio reveals how much per rupee of net value of services is rendered by the contributors and donors. Although, out of the three categories of persons involved in these organizations,
the funding agencies sacrifice the minimum, their contributions are of immense importance for providing services and for the existence of the entity as well. However, through this information the funding people may have an idea of their involvement and can react accordingly.

Reciprocal of the ratio (i.e. \( \frac{5,78,485}{59,721} = 10 : 1 \)) indicates that per rupee contribution of the funding agencies creates services worth ten rupees. Greater the grants from funding agencies it is expected, more will be the magnitude of services. This ratio also signifies the effective use of funds of the contributors.

6. Organizers' Sacrifice Service Ratio:

Ratio between sacrifices of the organizers to net value of services may be drawn to indicate the degree of contribution of the organizers. This may be called organizers' sacrifice service ratio. It may be drawn as below:

\[
\text{Organizers' Sacrifice Service Ratio} = \frac{\text{Sacrifice by the organizers (O)}}{\text{Net Value of services (SS)}}
\]

\[
= \frac{\text{Rs. 2,06,583}}{\text{Rs. 5,78,485}}
\]

= 0.36 : 1.

The ratio comes to 0.36 : 1. This may be used as a barometer of the organizer's ability and skill. It reveals how efficiently the organizers can co-ordinate various sections of the society for the cause of the needy people. The ratio shows that even if the employees are paid at the market rate, the organizers can generate more than one-third of the net value of services only with the administrative ability. Higher the ratio, greater the efficiency of the organizers. Hence the granting
authority may use the ratio as an index of the capability of the organizers of the welfare units.

VIII

Conclusion

Now, let us examine how far the objective of accounting for the NPO (as discussed in Chapter Three page 63) has been achieved. Since the basic objective is to measure and report the performance in terms of organization's identified goals, the information of net value of services rendered serves the purpose. As regards the effective use of the resources, information derived through the margin ratio, employees sacrifice service ratio etc. may provide an helpful idea. The contributions of various groups of people associated with the organization can also be inferred from the ratios discussed above. These information has their limitations. They may be called conjectural, arbitrary and subjective. Despite such limitations, the fact cannot be denied that the service sacrifice account provides an indication as to the magnitude of performance of the organizers.

From the above discussion it is further revealed that, three categories of people are involved in the NPOs to achieve their desired goal. They are:

(a) The organizers

(b) The funding agencies; and

(c) The associated people who are running the day to day activities.
When involvement of these people are observed, the role of the organizers comes to our notice first, because without their brain and labour these organizations could never see the light of the day. In other words, they provide the platform from where the other two can get the opportunity to act. Next come the funding authorities. An organization without money is helpless. It is the funding agencies who extend their helping hands by supplying funds without the expectation of getting any return. The last category of the people who are the most important are those dedicated people who complete the run by making the process moving.

A comparative analysis on the performance of these three reveals that of the total service generated, the organizers provide 36% and the funding agencies serve 10%, while the employees contribute the major portion of 54%. It is fact, that because of the active participation of people -- donors, employees and organizers -- the services are generated. But all of the three cannot be considered the resources of the organization. In POs, the organizers (i.e. the management) are considered responsible for earning the surplus (i.e. profit). But in the literature on HRs they are not considered human resources perhaps on the grounds, that they are not contemplated to be controlled. That apart, it is absurd to think of spending money for their recruitment and development. But in welfare organizations, the contribution of the organizers, in general and the monks in particular are invaluable. Attempts can be made to measure them. But that is an area of further investigation.
Hence, remains the employees, it is found from the analysis that 54% of the social services come from the sacrifices of the employees. Thus, these people are the primary source of such services. Value of their services rendered, during an accounting period, are measured and reported in Service and Sacrifice Account. But the source of stock of such services should be valued and reported in the annual accounts. An humble attempt to this end has been made in next chapter.