

Difference between Profit and Non-Profit Organisation

The basic aspect, which bifurcates business organisation is the purpose of their operation, i.e. not all organisations work for the profit motive; rather there are some entities whose aim is to serve the society first. This way, there are two major types of organisation, which are profit organisation and non-profit organisation.

One of the major myth, regarding the non-profit organisation, which most of the people believe as true is that it does not make the profit from business activity. However, in reality, the non-profit organisation to make the profit from various activities just like a for-profit organisation does, but only the way of handling profit is different in the two organisations. The article presented to you, stresses on the difference between profit and non-profit organisation.

Comparison Chart

BASIS FOR COMPARISON	PROFIT ORGANISATION	NON-PROFIT ORGANISATION
Meaning	A legal entity, which operates for earning profit for the owner, is known as For-profit or Profit organisation.	A non-profit organisation is a legal entity, which operates for serving the society as a whole.
Motive	Profit motive	Service Motive
Form of organisation	Sole proprietorship, Partnership firm or company	Club, Trust, Public hospitals, society, etc.
Management	Sole proprietor, partners or directors, as the case may be.	Trustees, committees or governing bodies.
Source of revenue	Sale of goods and services.	Donation, subscription, membership fee etc.
Commenced through	Capital contributed by the owners.	Funds from donation, subscription, government grant and so on.
Financial Statement	Income statement, Balance Sheet and Cash flow statement	Receipt & Payment A/c, Income & Expenditure A/c and Balance Sheet.
Money earned over and above	Profit, is transferred to capital account.	Surplus is transferred to capital fund.

Definition of Profit Organisation

Any business entity, whose primary aim is to generate profit from the regular operations, with a view to maximising the wealth of owners, is called as a profit organisation. The profit earned by such entities is either retained in business, for future contingencies, in the form of reserves or distributed to the owners as the dividend.

The business structure can be a sole proprietorship, partnership, Hindu Undivided Family, joint venture or company. Such trading concerns strive continuously for minimising expenses and maximising income to increase the profit of the business, to grow and expand. They need to maintain their books of accounts for tax and auditing purposes. Further, the tax is charged on the business profits at a flat rate.

Definition of Non-Profit Organisation

A non-profit organisation, as the name suggest is a legal organisation whose primary purpose is to promote public good rather than making profit. These are founded by a group of people who come together for a common purpose, i.e. to provide service to members and people. The managing committee looks after its management which consists of a group of individuals, chosen by the members from among themselves. They are aimed at endorsing a social cause or supporting a particular outlook.

These include the sports club, public hospitals, religious institutions, cooperative societies, literacy society, etc. Non-profit organisations also make the profit, but the profit earned by it is used for furthering the aim of the concern. They raise funds from subscriptions, donation, government grant, membership fee, entrance fee, legacies, and charity and so on.

Conclusion

Profit organisations differ from the non-profit ones in a number of ways, such as their procedure of fees for creation, tax benefit allowed to non-profit organisation but not to their counterpart for promoting public service, profit organisations are traded in stock exchange, ownership of a profit organisation lies with the shareholders but non-profit entities are not owned by any person, not even by the founders

[Article Source](#)