Unit 3

Module 2

Accounting From Incomplete Records

Meaning of Incomplete Records

which are not strictly kept according to double entry system are known as incomplete records. Many authors describe it as single-entry system. However, single entry system is a misnomer because there is no such system of maintaining accounting records. It is also not a 'short cut' method as an alternative to double entry system. It is rather a mechanism of maintaining records whereby some transactions are recorded with proper debits and credits while in case of others, either one sided or no entry is made. Normally, under this system records of cash and personal accounts of debtors and creditors are properly maintained, while the information relating to assets, liabilities, expenses and revenues is partially recorded. Hence, these are usually referred to as incomplete records.

Features of Incomplete Records

(i) Unsystematic Method:

This is an unsystematic method for recording business transactions in the books of accounts. There are no rules and principles which are applicable for recording business transactions in the case of incomplete records.

(ii) Mixed System for Recording Business Transactions:

Accounting from incomplete records is a mixed system of recording business transactions in which some transactions are recorded as per double entry system and for certain transactions only a single entry is made in the books of accounts. In some cases no recording is made in the books of accounts.

(iii) Lack of Uniformity:

The system of recording business transactions under this mechanism differs from organization to organization as recording is made as per their need and convenience.

(iv) Personal Transactions are Mixed up with Business Transactions:

Personal transactions of the owners are usually mixed up with business transactions. Sometimes it is very difficult to segregate the business expenses and personal expenses of the owners. For example, maintenance expense of a car which is used by the owner for business and domestic purposes both.

(v) Based on Estimates:

The profit is based on estimation, hence cannot be relied upon. Similarly, the position of assets and liabilities does not show true and fair view of the business concern.

(vi) Highly Flexible:

This mechanism is not based on any set rules, principles and accounting standards, so it can be modified and changed as per the need and availability of time.

(vii) Suitable for very Small Business Entities:

Though the information provided by this system is inaccurate and not authentic yet this system is time and cost saving, hence adapted by those small business entities that are not bound to keep records of business transactions as per double entry system.

(viii) Mainly Personal Accounts are Maintained:

Under this system, mainly personal accounts are maintained and no record of real and personal accounts is maintained.

Reasons for Incomplete Records

- Fraudulent behaviour: Employees may voluntarily confuse or nevermore record some transactions, that they can flee with the company assets or record extreme degrees of profitability.
- Inadequate systems: There may be an incomplete system of methods and helping authorities in place that different business transactions are not recorded in the accounting system.
- Loss during the transition: A company may not sufficiently shield its old records when moving to a new accounting system, and loses a few or all the old records.
- Improper Knowledge: The mechanism of keeping incomplete records is due to improper knowledge of accounting principles.
- Inexpensive: This method is less expensive as compared to keeping records as per double entry system. As people having specialized knowledge in accounting are not appointed and the staff engaged in other activities and sometimes the owner himself maintains the records.
- Time Saving: This method is time saving in the sense that only a few records are maintained under such system. The information related to profit can be immediately ascertained without going with the lengthy process of preparation of trial balance first.
- Convenient and Need Based: This method is very convenient in the sense that no rules and principles are to be followed. Business entities depending on the need, adapt different techniques for recording business transactions in the books of accounts.

Advantages of Incomplete Records

- Simple and Time Saving: This method is time saving in the sense that only a few records are maintained under such system.
- Cost Effective: This method is less expensive as compared to keeping records as per double entry system.
- Convenient: This method is very convenient in the sense that no rules and principles are to be followed.
- Highly Flexible: This mechanism is not based on any set rules, principles and accounting standards, as such it can be modified and changed as per the need and availability of time.

Limitations of Incomplete Records:

The limitations of incomplete records are as under:

- Arithmetical Accuracy cannot be Checked: Under this method all ledger accounts related to real, personal and nominal are not maintained as such trial balance cannot be prepared. Hence, arithmetical accuracy cannot be checked.
- Figures of Profits cannot be Relied Upon: The profit is based on estimation, hence cannot be relied upon.
- True and Fair View of the Business Concern not Shown: The position of assets and liabilities does not show true and fair view of the business concern as very often recording is made on the basis of memory and sometimes on the basis of information available.
- Improper Analysis of Profitability and Solvency: In the absence of complete books of accounts, based on double entry system, proper analysis of profitability and solvency cannot be made. Hence, it may cause a great problem in raising loans from financial institutions.
- Errors and Frauds not Detectable: Under this system it is very difficult to detect errors and frauds because various checks which are imposed by double entry system are not available.
- Users' Dissatisfaction: Under this system, legal requirements cannot be complied with. Hence, taxation authorities and other governmental agencies do not satisfy with the incomplete information provided by single entry system.

Accounting of Non-Trading Organisations

Some of the organizations or institutions are constituted to provide valuable services to the society with the objective not to earn profit. These organizations normally offer the services such as education, medical, social clubs, charitable trusts, trade unions, etc.

However, we can summarize these organizations in the following three types of categories −

- Clubs, associations, or society's works for the welfare of their members.
- Charitable institutions like hospitals, students' hostels, and other educational institutions providing education to poor children as well as illiterate young and old groups.
- Professional firms of lawyers, chartered accountants, architects, doctors, solicitors, etc.

Individuals or institutions with activities other than trade are known as non-trading concerns. Maintenance of proper books of accounts is necessary to safeguard the money of its members and general public from any kind of misuse or misappropriations. It is important to know the total receipts, total payments, and also to know financial status of an institution. Hence, the account opened and maintained for and by the organizations discussed above is known as Nontrading account.

Characteristics of Not-for-Profit Organizations

1. Service Motive: These organisations have a motive to provide service to its members or a specific group or to the general public. They provide services free of cost or at a bare minimum price as their aim is not to earn the profit. They do not discriminate among people on

the basis of their caste, creed or colour. Examples of services provided by them are education, food, health care, recreation, sports facility, clothing, shelter, etc.

2. Members: These organisations are formed as charitable trusts or societies. The subscribers to these organisations are their members.

3. Management: The managing committee or the executive committee manages these organisations. The members elect the committee.

4. Source of Income: The major sources of income of not-for-profit organisations are subscriptions, donations, government grants, legacies, income from investments, etc.

5. Surplus: The surplus generated in the due course is distributed among its members.

6. Reputation: These organisations earn their reputation or goodwill on the basis of the good work done for the welfare of the public.

7. Users of accounting information: The users of the accounting information of these organisations are present and potential contributors as well as the statutory bodies.

Normally, registration of members, minute book, cash receipt journal, cash payment journal, etc. are main record which is maintained by these organizations/ institutions in their non-trading accounts. At the end of an accounting period, these institutions prepares its final accounts, which include the following −

- Receipt and Payment Account
- Income and Expenditure Account
- Balance-Sheet

Receipt and Payment Account

It is a real account. Basic rule of double entries is followed to prepare this account. It is prepared from a cash book at the end of the accounting period. Every transaction regarding the cash transactions is recorded in the Cash Book in a chronological order. We may say that the Receipt and Payment account is a summary of cash payment and cash receipts during the current year. For example, if rent and salary paid on monthly basis all over the accounting period, and donation or subscription received during the current year recorded in a cash book date wise, but at the end of the accounting period, the Receipt and Payment account will contain total amount of rent paid, salary paid, subscription received and donation received. All cash receipt will be recorded on the debit side and all cash payment will be recorded on the credit side.

Features of Receipt and Payment Account

- Receipts and Payments Accounts are simply summaries of cash books. They are later incorporated at the end of a Financial Year to complete final accounts.
- All cash that is received will go to the debit side. All cash which has been paid throughout the year will go to the credit side.
- Both payments in cash and receipts are considered and clubbed. Their nature, capital or revenue does not matter.
- An R&P account will only reflect cash transactions.
- Students of commerce must remember that such accounts tend to have a debit balance. However, if there is any overdraft, it will be reflected in the credit balance.
- All Receipts and Payments accounts will reflect cash in hand and closing cash in the bank without exception.

• Some non-cash items may, at times, appear in an R&P Account. These might include accrued incomes, any outstanding expenses and depreciation. These have been shown in a case study below.

Preparation of Receipts and Payments Account

Following are the steps followed to prepare Receipts and Payments A/c :

•

At first, the cash and bank balance carried forward from the last year is shown on its debit side. In case there is bank overdraft at the beginning of the year, enter the same on the credit side of this account.

• All receipts are recorded on its debit side (Left-hand side) while all payments are shown on the credit side (right-hand side).

• The amounts are shown under relevant heads such as subscription, donations, Entrance fees, etc. on the receipts side and salary, rent, General expenses, purchase of sports equipment, books etc. on the Payment side.

• Non-Cash expenses not recorded in Receipts and Payments account.\

• The amounts comprise only cash and all cash received or paid during the period for which Receipts and Payments Account is prepared.

• No distinction is made between the items of revenue nature or capital nature and whether these belong to current year, previous year, or the coming year.

Finally, this account is balanced by deducting the total of the credit side i.e. the total payments from the total of the debit side i.e. total receipts and is put on the credit side as ‘balance c/d’.

Format

RECEIPTS AND PAYMENTS ACCOUNT

Dr. *for the year ending…* *Cr.*

Receipts	Amount	Payments	Amount
To Balance B/d (*opening balance*)		By Balance b/d (*bank overdraft)*	...
Cash	...	**Revenue Payments**	
Bank ______	...	By Stationery	...
Revenue Receipts		By Postage expenses	...
To Subscription	...	By Printing	...
Previous Year	...	By Salaries	...
Current Year	...	By Rent	...
Next year ______	...	By Advertisement Expense	...
To Entrance or Admission Fees	...	By Repairs	...
To General Donations	...	By Office Expense	...
To General Grants	...	By Expenses on Show	...
To Dividend received	...	By Insurance	...
To Interest on Investment	...	By Maintenance Expense	...
To Rent received	...	By Misc. Payment	...
To Receipts from Show	...	By Municipal Taxes	...
To Contribution for Annual		By Audit Fees	...
Dinner	...	By Price Distributed	...
To Sale of Old Sport Material	...	By Secretary's Honorarium	...
To Sale of Old Newspaper	...	By Newspaper and Magazine	...
To Sundry or Misc. Receipts	...	By Legal Expenses	...
Capital Receipts	...	**Capital Payments**	
To Donation for Specific Purpose	...	By Purchase of Fixed Assets	...
To Special Subscription	...	By Purchase of Investments	...
To Life Membership Fees	...	By Purchase of Books	...
To Legacies	...	By Loan (*Repayment)*	...
To Sale of Fixed Assets	...	By Balance C/d (*Closing Balance)*	
To Receipts on A/c of Special		Cash	...
Fund i.e. Tournament fund etc.	...	Bank	...
To Balance c/d (*Bank Overdraft)*	...		
	...		...

Format Explanation
1. Left Side is called the 'Receipts' side. The right side is the 'Payments' side.
2. Left side records all the cash incomings whereas the right side records all the outgoing cash.
3. It starts with last year's closing cash in hand and cash at the bank.
4. It ends with current year's closing cash in hand and cash at the bank.
5. If the Credit side of this account is more than the debit side than we will close the account with an overdraft balance on the debit side of the account.

Advantages of Receipts and Payment Account
1. It is through this account that the total payments and total receipts are easily available in the same place.

2. It is through this account that we can ascertain the closing balance of cash at the end of the year.
3. This account proves to be a verification point for the cash book. This is because the organization prepares it after the preparation of the Cash Book and is nothing but the summary of it.

Disadvantages of Receipts and Payment Account

1. It does not differentiate capital and revenue expenses and incomes. This is because it shows transactions of both natures together at the same place without any showcase of difference.
2. It fails to show the transactions on an accrual basis.
3. It does not define any targets making it incapable of showing surpluses and deficits at the end of the year.
4. Receipts and payments account does not show Non-Cash transactions like depreciation of assets, pilferage etc.

Income and Expenditure Account

The Income and Expenditure Account is a summary of all items of incomes and expenses which relate to the ongoing accounting year. It is prepared with the objective of finding out the surplus or deficit arising out of current incomes over current expenses. It is quite similar to the Trading and Profit and Loss Account of a trading concern and is prepared in an exact manner.

Income and Expenditure Account is prepared on an accrual basis. All incomes and expenses relating to the accounting year, whether they are actually received and paid or not, are taken into consideration. Expenditure is recorded on the debit side and income is recorded on the credit side. A distinction is made between capital and revenue items and only revenue items are included in this account.

Income and Expenditure Account is a nominal account. Therefore, the rule of nominal account (debit all expenses and losses and credit all incomes and gains) is followed while preparing it. While preparing the account, only items of revenue nature are recorded and all items of capital nature are ignored. For example, the profit earned or loss suffered on the sale of an asset will be recorded in it but the amount received from the sale of an asset will not be recorded in it.

The closing balance of this account shows a surplus or deficit for the year. If the credit side exceeds the debit side, there is surplus. On the other hand, if the debit side exceeds the credit side, there is a deficit. The surplus is added to the Capital Fund while the deficit is deducted from the Capital Fund.

The essential features of an income and expenditure account are as follows

- Expenses and losses are recorded in the debit side of it and all incomes and gains are recorded on the credit side.
- Capital income and expenditure are excluded and revenue income and expenses are included in it.
- It is based on a mercantile system of accounting, therefore, the income and expenses related to preceding years or subsequent years are excluded while preparing the income and expenditure account.

- The credit balance of an income and expenditure account shows surplus. Further, excess of income over the expenditure and the debit balance of it show deficit i.e. excess of the expenditure over income.
- Only nominal accounts are considered in preparation of this account.

Format

INCOME AND EXPENDITURE ACCOUNT
for the year ended ....

Dr. Cr.

Expenditure	₹	Income	₹
To Consumable Materials	xxx	By Subscriptions	xxx
To Honorarium	xxx	By Grants Received	xxx
To Salary and Wages	xxx	*(for General Purposes)*	
To Repairs	xxx	By Entrance Fees	xxx
To Expenses Paid on Specific Show	xxx	*(To the extent not capitalized)*	
(Any cultural events)	xxx	By General Donations	xxx
To Entertainment Expenses	xxx	By Interest on deposits	xxx
To Printing and Stationery	xxx	By Dividends	xxx
To News Papers and Periodicals	xxx	By Collection for Specific Show	xxx
To Postage	xxx	*(Any Cultural events)*	
To Upkeep of Lawns	xxx	By Profit on Sale of Fixed Assets	xxx
To Rent	xxx	By Locker's Rent	xxx
To Municipal Taxes	xxx	By Cloak Room Rent Received	xxx
To Insurance	xxx	By Hall Rent Received	xxx
To Loss on sale of Fixed Asset	xxx	By Receipts from Sale of	xxx
To Depreciation on Fixed Assets	xxx	Newspapers and Magazines	
To Audit Fees	xxx	By Miscellaneous Incomes	xxx
To Miscellaneous Expenses	xxx	By Deficit*	xxx
To Surplus *	xxx	*(Excess of Expenditure over*	xxx
(Excess of Income over Expenditure)	xxx	*Income)*	
	xxx		xxx

Preparation of Income and Expenditure Account

For preparing an income and expenditure account, follow the steps as listed below.

- Include all items of revenue receipts and expenses, on the respective side of the account.
- Ensure that no items of capital incomes and expenses are included in this account.
- Also, adjustment for amounts prepaid and outstanding, with respect to each item will have to be made.
- Further, items included in receipts and payment account, depreciation, provisions, and profit or loss on sale of assets will have to be included in this account.
- Finally, after putting down all items of revenue and expenses, you'll get a balance. The resulting balance will then reveal the surplus or deficit for the period.

Advantages of Income and Expenditure Account

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1. Revenue Information

One of the major advantage of this account that it helps the concern to know about its revenues. It gives the concern about their past records and the current trends. Moreover, it will provide the concern relevant information for their futuristic course of action.

It tells them their major source of profits and their loopholes where they are spending a lot. It helps them to control the extravagant expenditure approach.

2. Beneficial for the Investors

Investors are very much interested in the profits and losses of the concern. In the case of non-trading concerns, it is especially the government which is interested in the statements of the concern.

It is because they provide the concern with many facilities in the form of subsidies and donations. They want to analyze the working and the position of the concern. It helps them to decide the number of futuristic grants and donations.

Difference between income and expenditure account and receipts and payments account

	Receipts & Payment Account		Income & Expenditure Account
1	It is a summary of the cash book	1	It takes the place of profit and loss account in non-trading concerns.
2	It begins with an opening balance and ends with a closing balance.	2	Does not commence with any balance
3	It records all sums received and paid whether they relate to revenue or capital items	3	It includes revenue items only
4	It include all sums actually received during the year whether they relate to the past, current or next year.	4	It includes the items relating to year for which it is prepared. Provision is made for all outstanding expenses and accrued income.
5	The receipts are shown on the debit side and the payments on the credit side.	5	Income is shown on the credit side and expenses on the debit side.
6	It simply ends with a closing balance of cash and does not show the result for the period.	6	It definitely shows whether there has been an excess of income over expenditures or vice versa.
7	It is not accompanied by a balance sheet.	7	It is always accompanied by a balance sheet.

Treatment of Peculiar Items:

Generally in exercises the instructions are given as to the treatment of special items. Such instructions are based on the rules of the concern. These should be followed while solving questions. In cases where no specific instructions are given the following guidelines may be considered.

- Legacy:

It is the amount received by the concern as per the will of the donor. It appears in the receipt side of receipt and payment account. It should not be considered as as an income but should be treated as capital receipt i.e., credited to capital fund account.

- Donation:

Amount received from any source by way of gift is described as donation. It appears on the receipts side of receipt and payment account. Donations are usually credited to income. Rules of the association may provide that a part of donations are to be treated as capital. However, if donations are received for a specific purpose viz., building, free dispensary etc., then it should require special treatment. Donations for specific purposes should not be credited to income and expenditure account. Similarly donations representing heavy amount may also be treated as capital receipts.

• Subscription:

The members of the associations, as per rules, are generally required to make annual subscription to enable it to serve the purpose for which it was created. It appears on the receipts side of the receipt and payment account and is usually credited to income. Care must be exercised to take credit for only those subscriptions which are relevant.

• Life Membership Fees:

Generally the members are required to make the payment in a lump sum only once which enables them the members for whole of life. Life members are not required to pay the annual membership fees. As life membership fees is substitute for annual membership fees therefore, it is desirable that life membership fees should be credited to separate fund and fair portion be credited to income in subsequent years. In the examination question if there is no instruction as to what portion be treated as income then whole of it should be treated as capital.

• Entrance Fees:

Entrance fees is also an item to be found on the receipt side of receipts and payments account. There are arguments that it should be treated as capital receipt because entrance fees is to be paid by every member only once (i.e., when enrolled as member) hence it is non-recurring in nature. But another argument is that since members to be enrolled every year and receipt of entrance fees is a regular item, therefore, it should be credited to income. In the absence of the instructions any one of the above treatment may be followed but students should append a note justifying their treatment.

• Sale of News Papers, Periodicals etc.

As the old newspapers, magazines, and periodicals etc. are to be disposed of every year, the receipts on account of such sales should be treated as income, and therefore to be credited to income and expenditure account.

• Sales of Sports Material:

Sale of support materials (used) is also a regular feature of the clubs. Sales proceeds should be treated as income, and therefore to be credited to income and expenditure account.

• Honorarium:

Persons may be invited to deliver lectures or artists may be invited to give their performance by a club (for its members). Any money so paid is termed as honorarium and not salary. Such honorarium represents expenditure and will be debited to income and expenditure account.

• Special Fund:

Legacies and donations may be received for specified purchases. As discussed above these should be credited to special fund and all expenses related to such fund are shown by way of deduction from the respective fund and not as expenditure in income and expenditure account.

• Capital Fund:

Any concern - whether profit seeking or non profit seeking - requires money for conducting day to day functions. In the case of profit seeking concerns such money is called "capital", while in the case of non - profit seeking concerns it is called "capital fund". The excess of total assets over total external liabilities of a concern is called capital fund. Capital fund is created with surplus revenue and capital receipts and incomes. It is shown on liabilities side of balance sheet.

Balance Sheet

The date on which a balance sheet is prepared, particulars of all the assets and liabilities are recorded in the same manner as we do in any other profit making firms. Its capital fund is made up of surplus income over expenditure and other incomes capitalized in the given period of time. Sometimes, two balance sheets need to be prepared viz…

- At the beginning of the accounting year to know the opening capital fund and
- At the end of the financial year to know the financial position of the organization.

Preparation of balance in the case of non-trading or non-profit making concern and preparation of balance sheet in the case of a trading firm is same. It has all liabilities and assets as on the date of the preparation of the balance sheet by the organization. The excess of assets over the liabilities is termed as Capital Fund or the General Fund.

Preparation of Balance Sheet for Non-Profit Organization

In the case of non-profit organizations, the Capital Fund is accumulated along with capital Receipts and receipts that are capitalized by further increasing the surplus or decreased by the deficit, during the year. At the beginning of a non-trading concern, there will be no formal capital Fund and in such case, the Surplus, if any, earned during the year constitute the Capital Fund at the end of the year.

The balance sheet of a non-profit organization is prepared in the same manner as in the case of a business enterprise. The assets of the organization are recorded on the Right side and liabilities on the Left side. The Non-profit organizations do not use the term Capital. Instead, General Fund or Accumulated Fund appears on the Balance Sheet.

The NPO might also create a special fund, such as prize fund or match fund. The purpose of which is to meet the expenses related to the purpose for which it is created. The incomes on the amount which is invested from these funds accrue to the fund alone and not the income and expenditure account.

Accounting Treatment of General Fund and Preparation of Balance Sheet

- Preparation of a balance sheet starts with the general fund. You have to add the respective surplus or deficit in the amount.
- Further, add life membership fees or legacies at this stage.
- Put all fixed assets on the asset side of the balance sheet.
- Showcase the amounts paid in advance and amount due on the assets and liabilities side.
- Post the closing balances of the assets and liabilities on the respective side of the balance sheet.

•   To calculate the amount of the fund, deduct the value of total liabilities from the value of assets.

Balance sheet for the year ended…….

Source of funds (Liabilities)	$	**Uses of Funds (Assets)**	$
Long-term Liabilities/Sources Long Term Debt		**Long term Assets** Fixed Assets Investments	
Short-term Liabilities/ Sources Accounts Payable Grants Payable Refundable Advances		**Short Term Assets** Cash + Bank balance U.S. Treasury bonds Pledges Receivable Prepaid Expenses Inventories Net Assets (unused funds) Unrestricted Temporarily Restricted Permanently Restricted	
Total :	XXXX	Total:	XXXX

The net effect – Sources of Funds = Uses of Funds + Unused funds (Net Asset)
Liabilities = Assets
Meaning of terms used here –

Balance Sheet Assets

Cash – Liquid funds or funds in the form of U.S. Treasury bonds or deposit in the bank.

Pledges/ Grants receivable – These are amounts committed by an external donor to the organization. Pledges or grants should be recorded as the amount the nonprofit expects to receive or the net realized value. Nonprofits should not report the full or gross amount because the line item could be overstated.

Prepaid expenses – These are expenses incurred in advance for receiving goods, services, or benefits for the nonprofit organization. The value of such assets decline over a period of time as and when the benefits are consumed by the organization.

Investments– Organization's investment in stocks and bonds are mentioned under this category. The investments are recorded at their fair market value on the date of preparation of the financial statements. However, when filing the tax return, this can the amount can be the fair market value or historical cost whichever is lower.

Fixed assets – all property and equipment owned by the organization are mentioned under this category. Fixed asset are reported at the net book value of the assets and not at the fair market value of the asset because fixed assets are generally not sold.
The net book value is the historical cost of the long-term assets minus depreciation.

Balance Sheet: Liabilities

Accounts payable – Amounts payable to vendors and creditors for goods or services delivered to the organization are mentioned under this head.

Grants payable – These are grant/donations promised by the nonprofit organization to other organizations or individuals.

Deferred revenue /Refundable advance – This category includes those grants/donations that have been received but are still not considered or recognized as revenue because the donor's conditions for the grant have not been met.

Dues to third parties – These are amounts payable to another organization where the nonprofit organization merely acts as a transfer agent collecting donations from the donor and disbursing the funds to another group. As the organization merely acts as an intermediary and does not have any power to change the recipient of the funds, such amounts are considered liabilities.

Long term debt – Debts taken for a period longer than one year and includes long term bank loans, publicly traded bonds, or privately arranged debt financing.

Balance Sheet: Net Assets

Net assets are simply the unused funds represented by the difference between the total assets and total liabilities of the balance sheet. As per legal reporting requirements all net assets must be classified into three categories

Unrestricted Net Assets – Funds unrestricted by the donor as to its terms and condition of usage.

Temporarily restricted – Funds whose usage is limited by donor stipulations. These stipulations are temporary in the sense that the restrictions can either be removed by performing certain actions or can automatically expire over a certain time period.

Permanently restricted – Funds where restrictions do not get removed or expire over a period of time. For instance – Planned giving endowments which restrict the usage of the funds into perpetuity could be classified as permanently restricted.

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