

Chapter 7: Accounts of 'Not For Profit' Concerns

Question: 1

Answer in one sentence only.

What do you mean by 'Not for Profit' concerns?

Solution

Organisations that are formed not to earn profit but to render services to their members and to the public are known as not-for profit organisations. For example, aided schools, clubs, societies etc.

Question: 2

Answer in one sentence only.

What is Capital Fund?

Solution

In case of not-for profit organisations, excess of assets over liabilities is called capital fund. It is similar to the capital account in case of profit-making entities. Any surplus/ deficit shown by the Income and Expenditure Account will be added/ deducted from the opening capital and the net capital fund will be shown on the Liabilities side.

Question: 3

Answer in one sentence only.

Which receipts are called capital receipts?

Solution

Those receipts, the benefits of which accrue to an organisation in the current year, as well in the years to come, are referred to as capital receipts. They are non-recurring in nature. For example, life membership fees, endowment receipts, donations and legacies etc.

Question: 4

Answer in one sentence only.

What is deferred revenue expenditure?

Solution

Those expenses, the benefits of which accrue to an organisation for more than one accounting year are known as deferred revenue expenditure. For example, in case of advertisement expenses, the benefits of advertisement accrue to an organisation for more than one year. Hence, such expenses are spread over the years in which the benefits accrue to the organisation. The current year expenses are debited to Income and Expenditure Account and the balance is shown under Assets side of the Balance Sheet.

Question: 5

Answer in one sentence only.
What do you mean by recurring expenses?

Solution

Expenses which are of routine nature are known as recurring expenses. These expenses are incurred in the normal course of business activities (operations) and are debited to Income and Expenditure Account. For example, salaries, rent, printing and stationery etc.

Question: 6

Answer in one sentence only.
What is legacy?

Solution

Legacy is the money received by a not-for profit organisation (NPO) as per the will of a deceased person. It is not the main source of income for an NPO. It is treated as a capital receipt.

Question: 7

Answer in one sentence only.
What does 'surplus' mean?

Solution

Income and Expenditure Account is prepared as a part of final accounts of not-for-profit organisations. It is prepared to ascertain the results of operating activities of the business. All the incomes and expenses are recorded in the Income and Expenditure Account. If the income side exceeds the expenditure side, then it is recorded as surplus, whereas if the expenditure side exceeds the income side, it is recorded as deficit.

Question: 8

Answer in one sentence only.
What do you mean by subscription?

Solution

Subscription is the main source of income of a not-for profit organisation. It is shown on the credit side (i.e. the income side) of the Income and Expenditure Account. It is in the form of membership fees received from the members of an organisation every year.

Question: 9

Answer in one sentence only.
What is an Entrance Fee?

Solution

Fee charged from the new members, apart from the annual subscriptions, is termed as entrance fee. It represents the amount to be paid by the person, who intends to become the member of the society, club etc. It can be treated either as a capital receipt or a revenue receipt. Also, it is possible that some portion of it may be capitalised while the rest may be treated as revenue.

Question: 10

Answer in one sentence only.
Which receipts are called 'Revenue Receipts'?

Solution

Revenue receipts are those receipts that are received in the conduct of ordinary and day-to-day business activities. For instance, receipts from the sale of goods and services are the main source of revenue receipts. These receipts or incomes are received frequently in the normal course of business operations. Revenue receipts are shown on the credit side of the Income and Expenditure Account.

Question: 11

Answer in one sentence only.
What is 'Deficit'?

Solution

If the expenditure side of the Income and Expenditure Account exceeds its income side, then it is regarded as deficit.

Question: 12

Answer in one sentence only.
What do you mean by non-recurring expenses?

Solution

Expenses that are not incurred frequently during the normal course of a business are known as non-recurring expenses. These are one-time expenses incurred due to some event or abnormal circumstances.

Question: 13

Write one Word / Term / Phrase for the following statement.
An Account, which is prepared by 'Not for Profit' concern, instead of Profit and Loss Account.

Solution

Income and Expenditure Account

Explanation: It is an account prepared by a not-for profit organisation to know the surplus/deficit earned by the organization during the accounting period. It is similar to a Profit and Loss Account prepared by the sole-proprietorship concerns. It is nominal in nature; therefore, expenses are debited and incomes are credited in this account.

Question: 14

Write one Word / Term / Phrase for the following statement.

The excess of total assets over total liabilities of a 'Not for Profit' Concern.

Solution

Capital Fund

Explanation: In case of non- profit organisations, excess of assets over liabilities is termed as capital fund. It is similar to the capital account in case of profit-making entities. Any surplus/ deficit shown by the Income and Expenditure Account will be added/ deducted from the opening capital and the net capital fund will be shown on the Liabilities side.

Question: 15

Write one Word / Term / Phrase for the following statement.

The income which is earned during the year, but it has not been received during the year.

Solution

Accrued Income/Outstanding Income

Explanation: Certain incomes are earned during the current year but are not actually received by the end of the current year. Such incomes are known as 'accrued incomes' or outstanding income, i.e. income which is earned but yet to be received. For example, subscription outstanding at the end of current year is accrued income. It is added to the amount of subscriptions on the credit side of Income and Expenditure Account and is also shown on the Assets side of the Closing Balance Sheet.

Question: 16

Write one Word / Term / Phrase for the following statement.

Such concerns, which are formed for rendering some useful services to its members without having profit motive.

Solution

'Not for Profit' concern

Explanation: Certain organisations are formed not to earn profits but to render services to their members or to the society at large. For example, aided schools, clubs, hospitals, societies etc. The primary motive of such organisations is to provide a service. In such organisations, Income and Expenditure Account and Balance Sheet are prepared at year end to know the surplus/deficit and the financial position.

Question: 17

Write one Word / Term / Phrase for the following statement.

Excess of income over expenditure.

Solution

Surplus

Explanation: Income and Expenditure Account is prepared to ascertain the results of activities of a not-for-profit organisation. When the income side exceeds the expenditure side, we have surplus. However, in case of profit-seeking entities, it is termed as profit (ascertained from Profit and Loss Account).

Question: 18

Write one Word / Term / Phrase for the following statement.
Excess of expenditure over income

Solution

Deficit

Explanation: When the expenditure side of the Income and Expenditure Account exceeds its income side, we have deficit. In case of profit seeking entities, it is termed as loss (ascertained from Profit and Loss Account).

Question: 19

Write one Word / Term / Phrase for the following statement.
A fund created out of a specific amount earmarked, gifted, or donated and the income of this fund is to be used for a specific purpose.

Solution

Endowment Fund

Explanation: Endowment fund is basically the fund generated via gifts and bequests. The income from such funds is usually allocated for some specific purpose. It is a capital receipt because it provides a permanent income to the organisation and is shown on the Liabilities side as a separate item.

Question: 20

Write one Word / Term / Phrase for the following statement.
The fees paid by a person, who wants to become a member of the concern, for his whole life.

Solution

Life Membership Fees

Explanation: In order to become the member of an organisation for life, some members pay fees in lump sum (i.e. a single large payment). Such fees are known as life membership fees. It is non-recurring in nature, i.e. a capital income. Therefore, it is not credited to Income and Expenditure Account; rather, it is added to the capital fund appearing on the Liabilities side of the Balance Sheet.

Question: 21

Write one Word / Term / Phrase for the following statement.

All such receipts which are non-recurring in nature and not forming a part of regular flow of income of a concern.

Solution

Capital Receipts

Explanation: Those receipts, the benefits of which accrue to an organisation in the current year, as well as in the years to come, are termed as capital receipts. They are non-recurring in nature. For example, life membership fees, endowment receipts, donations and legacies etc.

Question: 22

Write one Word / Term / Phrase for the following statement.

A statement showing the financial position of a concern on a particular date.

Solution

Balance Sheet

Explanation: A statement prepared to ascertain the financial position of a business at the end of the accounting year is regarded as a Balance Sheet. It contains only capital items, i.e. assets, liabilities and capital fund. It is prepared after the transfer of all revenue incomes and expenses to the Income and Expenditure Account.

Question: 23

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

Income and Expenditure Account is a _____.

Options

- capital account
- real account
- personal account
- nominal account

Solution

Income and Expenditure Account is a **nominal account**.

Explanation: In this account, only revenue items are recorded, while capital items are ignored. It is prepared to ascertain the results of operating activities of the business over a period of time. All revenue items, i.e. both income and expenses, are recorded in it. Thus, it is treated as a nominal account.

Question: 24

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

For a sports club, expenditure on the purchase of sports Machinery/Equipment is a _____ expenditure.

Options

- revenue
- recurring
- general
- capital

Solution

For a sports club, expenditure on the purchase of sports machinery/equipment is a **capital** expenditure.

Explanation: Expenditure incurred on the purchase of fixed assets is regarded as capital expenditure. So, the purchase of sports machinery/equipment is a capital expenditure. Such expenses are recorded on the Assets side of the Balance Sheet. However, the depreciation charged on the equipment and machinery (or any other fixed asset) is a type of revenue expenditure and is, therefore, charged to the Income and Expenditure Account.

Question: 25

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

'Outstanding subscription' at the end of Accounting year represents _____.

Options

- a liability
- an expenditure
- an asset
- a capital fund

Solution

'Outstanding subscription' at the end of Accounting year represents **an asset.**

Explanation: Subscriptions are the main source of income for an NPO. Outstanding subscription represents amount receivable on account of subscriptions. Such outstanding income at year-end is an asset and, therefore, shown on the Assets side of the Closing Balance Sheet (being closing balance of subscription).

Question: 26

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

Excess of income over Expenditure is termed as _____.

Options

- deficit
- profit
- surplus
- loss

Solution

Excess of income over expenditure is termed as **surplus**.

Explanation: When income side of the Income and Expenditure Account exceeds its expenditure side, then we have surplus.

Question: 27

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

'Not for Profit' Concerns prepare _____ Account instead of Profit and loss Account.

Options

- Trading
- Income and Expenditure
- Cash
- Receipts and Payments

Solution

'Not for Profit' Concerns prepare **Income and Expenditure Account** instead of Profit and loss.

Explanation: Not-for Profit concerns prepare Income and Expenditure Account to ascertain the surplus/deficit resulting from the activities of an organisation. Like Profit and Loss Account, Income and Expenditure Account is prepared as a part of final accounts. All revenue expenses and all revenue incomes are recorded in this account.

Question: 28

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

Purchase of stationery is an _____ expenditure.

Options

- capital
- revenue
- long-term
- deferred revenue

Solution

Purchase of stationery is a **revenue** expenditure.

Explanation: Stationery is treated as consumable good, as it is used up during the year. The amount of stationery consumed during the year should be debited to Income and Expenditure Account. It is a type of revenue expenditure.

The amount consumed is calculated as,
Opening stock
Add: Purchases made during the year
Less: Closing stock

Question: 29

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

Usually _____ is a major source of revenue income for 'Not for Profit' concerns.

Options

- subscription
- donations
- legacies
- life membership

Solution

Usually **subscription** is a major source of revenue income for 'Not for Profit' concerns.

Explanation: It is the main source of income for a not-for-profit organisation. It is recorded on the credit side, i.e. the income side of the Income and Expenditure Account.

Why Life Membership Fees is not the correct option?

On the other hand, life membership fees are the amount paid by a person in lump sum to become the member of the organisation for life. It is non-recurring in nature and, hence, added to the capital fund.

Why Legacy is not the correct option?

Legacy is the amount received by the not-for-profit organisation as per the will of a deceased person. It is non-recurring in nature and, therefore, treated as capital receipt. Hence, legacy cannot be treated as the main source of income for an NPO.

Why Donation is not the correct option?

Donations can be categorised into general donations and specific donations. Specific donations are received for particular purposes; hence they are to be capitalised. On the contrary, general donations, usually of big amount, are not expected to be received every year. Hence, cannot be treated as main source of income.

Question: 30

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

An Income and Expenditure Account and a Balance sheet is prepared as final accounts by a _____ .

Options

- 'Not for Profit' Concern
- Trading Concern
- Commercial Organisation
- Public Limited Company

Solution

An Income and Expenditure Account and a Balance sheet is prepared as final accounts by a **Not for Profit Concern.**

Explanation: Certain organisations are formed not to earn profits but to render services to their members or to society at large. For example, schools, clubs, hospitals etc. The primary motive of such organisations is to provide service. At the end of the accounting year, non-profit organisations (NPO) prepare Income and Expenditure Account and Balance Sheet to ascertain the financial performance (i.e. surplus or deficit) and the financial position.

In case of profit seeking entities, i.e. commercial organisations, public limited companies or trading concerns, Profit and Loss Account is prepared to ascertain the profit earned or loss incurred during the year and Balance Sheet is prepared to know the financial position of the business.

Question: 31

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

Non-Cash items are not recorded in _____

Options

- Income and Expenditure
- Receipt and Payments Accounts
- Balance Sheet
- Profit and Loss Account

Solution

Non-Cash items are not recorded in **Receipts and Payments Account.**

Explanation: Receipts and Payments Account is a summary of cash and bank transactions over a certain period. It is prepared by societies, clubs, associations etc. It is prepared on cash basis. So, any transaction that is not recorded in the Cash Book will not be entered in the Receipts and Payments Account also.

On the other hand, Income and Expenditure Account, Balance Sheet and Profit and Loss Account record non- cash items such as depreciation. These items are not recorded in the Receipts and Payments Account.

Question: 32

Select the most appropriate answer from the alternatives given below and rewrite the sentence.

In case of non trading concern the excess of assets over liabilities is termed as _____.

Options

- surplus
- deficit
- capital fund
- loan

Solution

In case of non trading concern the excess of assets over liabilities is termed as **capital fund.**

Explanation: Excess of assets over liabilities, in case of a not-for-profit organisation, is called capital fund. It is same as capital, which is calculated in case of profit-seeking entities. Opening capital fund is calculated by deducting opening

liabilities from opening assets. It is shown on the Liabilities side of the Balance Sheet.

Question: 33

State whether the following statement is True or False.

'Not for Profit' concerns do not have profit motive.

Options

- True
- False

Solution

True

Explanation: Certain organisations are formed not to earn profits but to render services to members or to society at large. For example, aided schools, clubs, hospitals etc. The primary motive of all these organisations is to provide service.

Question: 34

State whether the following statement is True or False.

'Not for Profit' concerns concentrate their efforts on maximizing their profit.

Options

- True
- False

Solution

False

Explanation: Unlike profit-making organisations, NPOs do not have profit-making as their primary motive. In fact, they are formed to render services to their members or to society at large. For example, aided schools, clubs, hospitals etc. The primary motive of all these organisations is to provide service to others.

Question: 35

State whether the following statement is True or False.

Every year, 'Bal Vikas Mandir', a primary school, prepares Income and expenditure Account.

Options

- True

- False

Solution

True

Explanation: It is an account prepared by NPOs to know the surplus earned /deficit incurred during the accounting period. It is similar to the Profit and Loss Account prepared by the profit-making organisations. It is a nominal account, where all the revenue expenses are debited and revenue incomes are credited. As Bal Vikas Mandir is a school (i.e. an NPO), it prepares Income and Expenditure Account.

Question: 36

State whether the following statement is True or False.

Charitable Institutions prepare Profit and Loss Account, at the end of every financial year.

Options

- True
- False

Solution

False

Explanation: Charitable institutions are not-for-profit organisations. So, these organisations prepare Income and Expenditure Account, rather than Profit and Loss Account, which is prepared by profit-making organisations.

Question: 37

State whether the following statement is True or False.

There is no difference between Receipts and Payment Account and Income and Expenditure Account.

Options

- True
- False

Solution

False

Explanation: Similar to a Profit & Loss Account, Income and Expenditure Account is prepared to ascertain the surplus/deficit of a concern during the accounting year, whereas Receipts and Payments Account is a summary of the cash book.

Income and Expenditure Account is a nominal account that records all revenue expenses and all revenue incomes, while Receipts and Payment Account is a real account that records receipts and payments of capital and revenue nature.

Question: 38

State whether the following statement is True or False.

All receipts are the items of revenue income.

Options

- True
- False

Solution

False

Explanation: Receipts can be of capital or revenue nature. Both types of receipts are recorded on the receipt side, i.e. the debit side of the Receipts and Payments Account. However, while revenue receipts are recorded in Income and Expenditure Account, all capital receipts are shown in the Balance Sheet. For example, life membership fees, endowment fund, specific donations and legacies are capital receipts, whereas general donations and miscellaneous receipts are revenue receipts.

Question: 39

State whether the following statement is True or False.

Income and expenditure account, prepared by 'Not for Profit' concerns, must be accompanied by balance sheet.

Options

- True
- False

Solution

True

Explanation: Income and Expenditure Account is prepared to ascertain the surplus earned/deficit incurred during the accounting year. On the other hand, Balance Sheet is prepared to depict the true financial position of business. Both Income and Expenditure Account and Balance Sheet form a part of the final accounts.

Question: 40

State whether the following statement is True or False.

In the Income and Expenditure Account, all incomes received during the year irrespective of the year for which they are received, are to be recorded.

Options

- True
- False

Solution

False

Explanation: Only income related to the current year is recorded in the Income and Expenditure Account, irrespective of whether the income is received in cash or not. In other words, income earned during a year is accounted within that year itself. So, income received in advance will be shown on the Liabilities side of the Balance Sheet and is also deducted from the total amount received during the year. On the other hand, income earned but not received (i.e. outstanding income) is shown on the Asset side of the Balance Sheet and is also shown on the credit side of Income and Expenditure Account.

Question: 41

State whether the following statement is True or False.

The final balancing amount of Income and Expenditure Account represents either surplus or Deficit.

Options

- True
- False

Solution

True

Explanation: Income and Expenditure Account is prepared to ascertain the financial performance of an NPO. If the income side exceeds the expenditure side, the balancing figure is surplus and if the expenditure side exceeds the income side, the balancing amount is regarded as deficit.

Question: 42

State whether the following statement is True or False.

Receipts and Payments Account do not have any opening balance.

Options

- True

- False

Solution

False

Explanation: Receipts and Payments Account is a summary of transactions appearing in the Cash Book. It is prepared by not-for-profit organisations at the end of an accounting year. It is a real account, wherein receipts are recorded on the debit side and payments on the credit side. It usually has an opening balance i.e. cash balance and bank balance.

Question: 43

(Calculation of Drugs Consumed during the year)

From the information given below calculate the amount of Drugs consumed in a hospital, during the year 2012-2013. Show its presentation in Income and Expenditure Account and Balance Sheet as on 31-03-2013.

Stock Drugs in Hand	On 01-04-2012 Rs 25,000	On 31-03-2013 Rs 27,000
Drugs purchased during the year	Rs 1,20,000	-
Bill of drugs payable on 31-03-2013	Rs 19,500.	-

Solution

Income and Expenditure Account

for the year ending March 31,2013

Dr.		Cr.		
Expenditure	Amount (Rs)	Amount (Rs)	Income	Amount (Rs)
Stock of Drugs Consumed during the year		137,500		
Stock of Drugs as on Apr.01,2012	25,000			
Add: Purchases	120,000			
Add: Outstanding Bill	19,500			
Less: Stock of Drugs at the end of Mar.31,2013	27,000			

Balance Sheet

as on March 31, 2013

Liabilities	Amount (Rs)	Assets	Amount (Rs)

Outstanding Bill of Drugs	19,500	Stock of Drugs	27,000
---------------------------	--------	----------------	--------

Question: 44

(Presentation of Subscriptions only)

Balance Sheet as on 01/04/2012

Liabilities	Amount (Rs.)	Amount (Rs.)	Assets	Amount (Rs.)	Amount (Rs.)
Subscription received in			Outstanding subscriptions		
Advance for 2012-2013		15,000	2010-2011	20,000	
			2011-2012	30,000	50,000

Receipts and Payments Account for the year ending on 31-03-2013

Dr.

Cr.

Receipts	Amount (Rs.)	Amount (Rs.)	Payments	Amount (Rs.)	Amount (Rs.)
To subscriptions					
2010-2011	16,000				
2011-2012	25,000				
2012-2013	330,000				
2013-2014	19,000				

Adjustment:

Outstanding Subscription for 2012-2013 is Rs 22,000. With the above information present the item 'Subscription' in Income and expenditure Account and Balance sheet for the year ended on 31st March 2013.

Solution

Income and Expenditure Account

for the year ending March 31,2013

Dr.

Cr.

Expenditure	Amount (Rs)	Income	Amount (Rs)	Amount (Rs)
		Subscription	330,000	367,000
		Add:Outstanding at the	22,000	

		end		
		Add: Advance in the beginning	15,000	

Balance Sheet
as on March 31,2013

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Subscription Received in Advance at the end	15,000	Outstanding Subscription (Outstanding for 2010-11 is Rs 4,000 + outstanding for 2011-12 + Rs 5,000 and Outstanding for 2012-13 is Rs 22,000)	31,000

Question: 45

(Presentation of Subscriptions only)

With the information given below regarding 'Subscription' give accounting effects of it in the Final Accounts of a 'Not for Profit' concern.

Receipts and Payments Account for year ending on 31-03-2013

Dr.

Cr.

Receipts	Amount (Rs.)	Amount (Rs.)	Payments	Amount (Rs.)	Amount (Rs.)
To subscriptions received		487,500			

Additional Information:

- Subscription received during the year, includes
- Subscriptions received for 2011-2012 Rs 17,500 and for 2013-2014 Rs 15,000
- There are 500 members of the concern and each member pays Rs 1,000 as annual subscription.
- During the year 2011-2012 subscription received for the year 2012-2013 was Rs 25,000.

Solution

Subscription Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Outstanding Subscription for 2011-12	17,500	Received in advance in 2011-12 for 2012-13	25,000
Income and Expenditure	500,000	Bank A/c (given)	487,500

A/c (500 × 1,000			
Received in advance for 2013-14	15,000	Outstanding Subscription for 2012-13 (Balancing figure)	20,000
	532,500		532,500

Question: 46

(Simple Problem)

With the information given below, prepare Income and Expenditure Account and Balance sheet of Sudarshan charitable Organisation for the year ending on 31-03-2012.

Receipts and Payment Account for the year ending on 31-03-2012

Dr.

Cr.

Receipts	Amount (Rs.)	Amount (Rs.)	Payments	Amount Rs	Amount Rs
To Balance b/d		40,000	By Salaries		18,000
Cash in Hand	500		By Printing and stationery		20,000
Cash at Bank	39,500		By Charity Expenses		20,000
To Subscriptions (includes Rs 5,500 for 2009-10)		81,000	By Investments		60,000
Interest on Investments		1,800	By Office expenses		2,000
To Sale of Furniture (Book Value Rs 10,000)		8,000	By Balance c/d Cash in Hand	700	
			Cash at Bank	10,100	
		130,800			130,800

Additional Information:

- 1) There are Rs 800 members, paying annual subscription Rs 100 each.
- 2) Outstanding salary Rs 2,000.
- 3) The Assets on 01-04-2012 were as following:
Furniture Rs 40,000, Investment Rs 20,000, Land Rs 1,00,000
- 4) On 01-04-2012 Capital Fund was Rs 2,05,500

Solution

Sudarshan Charitable Organisation

Income and Expenditure Account

for the year ending March 31,2012

Dr.

Cr.

Expenditure			Income	Amount	Amount
-------------	--	--	--------	--------	--------

	Amount (Rs)	Amount (Rs)		(Rs)	(Rs)
Printing and Stationery		20,000	Subscription (800 × 100)		80,000
Charity Expenses		20,000	Interest on Investments		1,800
Office Expenses		2,000			
Loss on Sale of Furniture		2,000			
Salaries paid	18,000	20,000			
Add: Salaries Outstanding	2,000				
Surplus (Excess of Income over Expenditure)		17,800			
		81,800			81,800

Balance Sheet

as on March 31, 2012

Liabilities	Amount (Rs)	Amount (Rs)	Assets	Amount (Rs)	Amount (Rs)
Capital Fund			Furniture	40,000	
Opening Balance	205,500	223,300	Less: Sale	10,000	
Add: Surplus	17,800		Investment	20,000	
Salaries Outstanding		2,000	Add: Further Investments	60,000	
			Land		100,000
			Outstanding Subscription		4,500
			Cash in hand		700
			Cash in Bank		10,100
		225,300			225,300

Working Notes:

Total amount of subscription due for 2011-2012

= No. of Members x Annual Subscription

= 800 x Rs. 100

= Rs. 8,000

Less: Amount actually received

(Rs 81,000-Rs 5,500 for 2009-10)

= Rs. 75,500

Subscription Outstanding at the end of the year

= **Rs. 4,500**

Question: 47**(Newly started Associations)**

Following is the Receipts and Payments Account of Bavdhan Pensioners Association newly started on 01.04.2010.

Receipts and Payment Account for the year ending on 31-03-2011**Dr.****Cr.**

Receipts	Amount (Rs.)	Amount (Rs.)	Payments	Amount (Rs.)	Amount (Rs.)
To Subscriptions received		93,900	By rent		6,000
For 2010-2011	85,000		By Travelling Expenses		2,800
For 2011-2012	6,900		By Expenses for get-together Function		3,300
For 2012-2013	2,000		By Charity		1,000
To Entrance Fees		11,000	By Salaries		4,500
To Donations		25,000	By Furniture		30,500
			By Fixed Deposit		50,000
			By Balance c/d		31,800
		129,900			129,900

Adjustments:

- 1) Outstanding Subscription for current year Rs 10,000.
- 2) Entrance Fees are to be capitalized.
- 3) 'Capital Fund' should be created out of Entrance Fees and Surplus of the current year'.
- 4) Depreciate Furniture by Rs 2,500.

You are required to prepare Income and Expenditure Account for the year ending on 31/03/2011 and Balance Sheet as on that date.

Solution

Bavdhan Pensioners Association
Income and Expenditure Account

for the year ending March 31,2011

Dr.**Cr.**

Expenditure	Amount (Rs)	Income	Amount (Rs)	Amount (Rs)
Printing and Stationery	-	Subscription	85,000	95,000
Rent Paid	6,000	Add: Outstanding at the end	10,000	

Expenses for Get-Together Function	3,300	General Donation		25000
Travelling Expenses	2,800			
Charity	1,000			
Depreciation on Furniture	2,500			
Salaries paid	4,500			
Surplus (Excess of Income over Expenditure)	99,900			
	120,000			120,000

Balance Sheet
as on March 31,2011

Liabilities	Amount (Rs)	Amount (Rs)	Assets	Amount (Rs)	Amount (Rs)
Capital Fund			Furniture	30,500	28,000
Entrance Fees	11,000	110,900	Less: Depreciation	2,500	
Add: Donation	99,900		Fixed Assets		50,000
Subscription received in advance		8,900	Outstanding Subscription		10,000
			Cash in hand		31,800
		119,800			119,800

Question: 48

(Only Income and Expenditure Account)

The following is the Receipts and Payments Account of Star Citizen's Association, Bilaspur for the year ending on 31/03/2012

Receipts and Payment Account for the year ending on 31/03/2012

Dr.

Cr.

Receipts	Amount (Rs.)	Amount (Rs.)	Payments	Amount (Rs.)	Amount (Rs.)
To Balance b/d		5,500	By Postage and Telegram		1,500
To Subscriptions		87,900	By Stationary Purchased		6,000
2010-2011	3,900		By Fixed Deposits		100,000
2011-2012	81,500		By Picnic Expenses		7,900
2012-2013	2,500		By Salaries		20,000

To Entrance Fees (to be Capitalized)		2,000	By Annual General - meeting expenses		4,500
To Donations		50,000	By Insurance Premium		3,450
To Legacies		10,000	By Sundry Expenses		4,800
To Interest on Deposits		30,000	By Furniture		26,000
To Picnic Receipts		5,750	By Balance c/d		17,000
		191,150			191,150

Adjustments:

- 1) Outstanding Picnic Receipts Rs 4,250.
 - 2) Furniture was purchased on 01/10/2011 and it is to be depreciated @ 10% p.a.
 - 3) Outstanding subscriptions for current year Rs 8,200.
 - 4) Stock of Stationery on 01/04/2011 was Rs 650 and on 31/03/2012 was Rs 1,150.
 - 5) Entries amount of legacies and 50% of Donations are to be capitalized.
- With the above information, you are required to prepare Income and Expenditure Account for the year ending on 31/03/2012.

Solution

Star Citizen Association, Bilaspur Income and Expenditure Account for the year ending March 31, 2012

Dr.			Cr.		
Expenditure	Amount (Rs)	Amount (Rs)	Income	Amount (Rs)	Amount (Rs)
Stationery		5,500	Subscription	81,500	89,700
Stock of Stationery as on Apr,01,2011	650		Add: Outstanding at the end	8,200	
Add: Purchases	6,000		Donations (50% Capitalised)		25,000
Less: Stock of Stationery as on Mar.31,2012	1,150		Interest on Deposits		30,000
Sundry Expenses		4,800	Picnic Receipts	5,750	10,000
Postage and Telegram		1,500	Add: Outstanding	4,250	
Annual General Meeting Expenses		4,500			
Insurance Premium		3,450			
Depreciation on		1,300			

Furniture					
Picnic Expenses		7,900			
Salaries paid		20,000			
Surplus (Excess of Income over Expenditure)		105,750			
		154,700			154,700

Working Notes:

Furniture Purchased on 01/10/2011 for Rs 26,000

Depreciation for 6 months @ 10% p.a. Rs 1,300

(01/10/2011 to 31/03/2012)

Question: 49

From the following information supplied to you, prepare Income and Expenditure Account for the year ending on 31/03/2013 and Balance Sheet as on that date for Suryodaya Club, Nasik.

Balance Sheet as on 01/04/2012

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund	50,000	Land	60,000
Bank Overdraft	35,000	Outstanding Subscriptions	5,000
Outstanding Salary	2,000	Prepaid Insurance Premium	2,500
		Cash in Hand	9,500
		Furniture	10,000
	87,000		87,000

Receipts and Payments Account for the year ending 31.03.2013

Dr.

Cr.

Receipts	Amount (Rs.)	Payments	Amount (Rs.)	Amount (Rs.)
To Balance b/d	9,500	By Bank Overdraft (Repaid)		35,000
To Subscription	95,000	By Salary		12,500
To Admission Fees	7,500	By Insurance Premium		8,000
		By Interest		1,700

		By Miscellaneous Expenses		4,400
		By Furniture		20,000
		By Balance c/d Cash in Hand Cash at Bank	5,400 25,000	30,400
	112,000			112,000

Adjustments:

- 1) Subscriptions received, includes Rs 3,000 for 2011-2012 and Outstanding Subscriptions for 2012-2013 was Rs 8,000.
- 2) Salary Paid includes Rs 2,000 Paid for last year
- 3) On 31/03/2013, Prepaid Insurance Premium was Rs 3,000
- 4) Admissions Fees are to be capitalized.
- 5) Depreciate Furniture by Rs 2,000.

Solution

Suryodaya Club, Nasik

Income and Expenditure Account

for the year ending March 31,2013

Expenditure	Amount (Rs)	Amount (Rs)	Income	Amount (Rs)	Amount (Rs)
Depreciation on Furniture		2,000	Subscription	95,000	102,000
Miscellaneous Expenses		4,400	Less: Outstanding in the beginning	3,000	
Interest		1,700	Add: Outstand. at the end	10,000	
Insurance Premium	8,000	7,500			
Less: Prepaid at the end	3,000				
Add: Prepaid at the beginning	2,500				
Salaries paid	12,500	12,500			
Less: Salaries Outstanding at the end	2,000				
Add: Outstanding in the beginning	2,000				
Surplus (Excess		73,900			

of Income over Expenditure)					
		102,000			102,000

Balance Sheet
as on March 31,2013

Liabilities	Amount (Rs)	Amount (Rs)	Assets	Amount (Rs)	Amount (Rs)
Capital Fund			Furniture	10,000	28,000
Opening Balance	50,000		Add: Purchases	20,000	
Add: Admission Fees	7,500		Less: Depreciation	2,000	
Add: Surplus	73,900	131,400	Subscription Outstanding		
			For 2011-12	2,000	
			For 2012-13	8,000	10,000
			Prepaid Insurance		3,000
			Land		60,000
			Investment in Securities		-
			Stock of Food Stuff		-
			Cash in Hand		5,400
			Cash at Bank		25,000
		131,400			131,400

Question: 50

(Accounting of a School)

From the information given below of Jeevan Vikas Vidyalaya Khamgaon, You are required to prepare, Income and Expenditure Account and Balance Sheet for the year ending on 31.03.2011.

Balance Sheet as at 01.04.2010

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund	499,100	Library Books	115,500
Loan	500,000	Laboratory Equipments	125,000
		Furniture	110,000
		Building	625,000
		Cash in Hand	3,500

		Cash at Bank	20,100
	999,100		999,100

Receipts and Payments Account for the year ending 31.03.2011

Dr.

Cr.

Receipts	Amount (Rs.)	Payments	Amount (Rs.)	Amount (Rs.)
To Balance b/d		By Salaries		625,200
Cash in Hand	3,500	By Purchases i. Laboratory Equipments ii. Library Books iii. Furniture	10,000 50,000 20,000	80,000
Cash at Bank	20,100	By Sundry Expenses		10,000
To Tuition Fees	367,500	By Printing and Stationery		35,800
To Term Fees	35,000	By Annual Social Gathering Expenses		18,000
To Admission Fees	30,600	By Balance c/d Cash in Hand Cash at Bank		4,000 35,000
To Government Grant (Revenue)	350,000			
To Sundry Receipts	1,300			
	808,000			808,000

Adjustments:

- 1) Tuition Fees Outstanding Rs 13,500
- 2) Outstanding Interest on Loan Rs 60,000
- 3) Entire admission Fees are to be Capitalized.
- 4) Depreciation is to be written off as under:

Library Books	Rs 50,000	Furniture	Rs 30,000
Laboratory Equipment	Rs 20,000	Building	Rs 30,000

Solution

Jivan Vikas Vidyalaya, Khamgaon

Income and Expenditure Account

for the year ending March 31,2011

Dr.

Cr.

Expenditure	Amount (Rs)	Amount (Rs)	Income	Amount (Rs)	Amount (Rs)

Printing and Stationery		35,800	Tuition Fess	367,500	381,000
Sundry Expenses		10,000	Less: Outstanding at the end	13,500	
Annual Social Gathering Expenses		18,000	Term Fees		35,000
Outstanding Interest on Loan		60,000	Government Grants		350,000
Salaries paid		625,200	Sundry Receipts		1,300
Depreciation on: Furniture	30,000	130,000	Deficit (Excess of Expenditure over Income)		111,700
Library Books	50,000				
Laboratory Equipment	20,000				
Building	30,000				
		879,000			879,000

Balance Sheet
as on March 31,2011

Liabilities	Amount (Rs)	Amount (Rs)	Assets	Amount (Rs)	Amount (Rs)
Capital Fund		418,000	Furniture	110,000	100,000
Opening Balance	499,100		Add: Purchases	20,000	
Add: Admission Fess	30,600			130,000	
Less: Deficit	111,700		Less: Depreciation	30,000	
Loan		500,000	Outstanding Tuition Fees		13,500
Outstanding Interest on Loan		60,000	Library Books	115,500	115,500
			Add: Purchases	50,000	
			Less: Depreciation	50,000	
			Laboratory	125,000	

			Equipment		
			Add: Purchases	10,000	
			Less: Depreciation	20,000	115,000
			Building	625,000	
			Less: Depreciation	30,000	595,000
			Investment in Securities		-
			Stock of Food Stuff		-
			Cash in Hand		4,000
			Cash in Bank		35,000
		978,000			978,000

Question: 51

(Accounts of a Charitable Hospital)

Following information has been provided by "Janseva Charitable Hospital", Latur. You are required to prepare Income and Expenditure Account for the year ending on 31/03/2013 and Balance Sheet as on that date.

Balance Sheet as on

01/04/2012

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund	10,37,000	Building	10,00,000
Bank Loan	600,000	Ambulance	350,000
Outstanding bill for Drugs	45,000	Stock of Drugs	35,000
		Hospital Equipments	295,000
		Cash in Hand	2,000
	16,82,000		16,82,000

Receipts and Payments Account for the year ending 31.03.2013

Dr.

Cr.

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance b/d	2,000	By Purchases of Drugs	190,000
To subscription	210,000	By Salary of staff	85,000
To Life Membership	27,500	By Honararium to Doctors	385,000

Fees			
To Hospital Receipts (Revenue)	520,900	By Repairs and Maintenance	17,900
		By Furniture	40,000
		By General Expenses	12,600
		By Balance c/d	29,900
	760,400		760,400

Adjustments:

- 1) On 31/03/2013 stock of Drugs was valued Rs 20,000.
- 2) Depreciate Building @ 5% p.a. and Ambulance by Rs 20,000
- 3) Life Membership Fees are to be capitalized.

Solution

Janseva Charitable Hospital, Latur

Income and Expenditure Account for the year ending March 31, 2013

Dr.			Cr.	
Expenditure	Amount (Rs)	Amount (Rs)	Income	Amount (Rs)
Drugs Consumed during the year		205,000	Subscription	210,000
Stock as on Apr.01,2012	35,000		Hospital Receipts	520,900
Add: Purchases	190,000		Deficit (Excess of Expenditure over Income)	44,600
Less: Stock as on Mar.31,2013	20,000			
Repairs and Maintenance		17,900		
Honorarium to Doctors		385,000		
General Expenses		12,600		
Depreciation: Building Ambulance	50,000 20,000	70,000		
Salaries to Staff		85,000		i
		775,500		775,500

Balance Sheet
as on March 31, 2013

Liabilities	Amount (Rs)	Amount (Rs)	Assets	Amount (Rs)	Amount (Rs)
Capital Fund		1019,900	Furniture		40,000
Opening Balance	10,37,000		Building	10,00,000	950,000
Add: Life Membership Fees	27,500		Less: Depreciation	50,000	
Less: Deficit	44,600		Ambulance	350,000	330,000
Bank Loan		600,000	Less: Depreciation	20,000	
Outstanding Bill for Drugs		45,000	Hospital Equipment		295,000
			Stock of Drugs		20,000
			Cash in Hand		29,900
		16,64,900			16,64,900

Question: 52

Following is the accounting information for the year 2009-2010 of Cricket Club, Pune, You are required to prepare Income and Expenditure Account as on 31.03.2010 and Balance Sheet as on that date.

Balance Sheet as on 01.04.2009

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	Amount (Rs.)
Capital Fund	67,100	Land		120,000
Building Fund	54,000	Sports Material		32,000
Bank Overdraft	37,400	Cash in Hand		2,200
		Outstanding Subscriptions		
		2007-2008	Rs.1800	
		2008 - 2009	Rs.2500	4,300
	158,500			158,500

Receipts and Payments Account for year ending on 31-03-2010

Dr.

Cr.

Receipts	Amount	Amount	Payments		
----------	--------	--------	----------	--	--

	(Rs.)	(Rs.)		Amount (Rs.)	Amount (Rs.)
To Balance b/d (cash in Hand)		2200	Bank Overdraft (repaid)		37,400
To subscription		69,800	By Salaries		25,600
2007-2008	1800		By Electricity Charges		2,250
2008-2009	2500		By Rent and Taxes		1,750
2009-2010	65500		By Printing and Stationery		5,100
			By Entertainment Expenses 31/03/2010		8,700
To Donations		11,000	By Balance c/d		
To Entertainment Receipts		8,800	Cash in Hand		3,000
			Cash at Bank		10,000
To Entrance Fees		2,000			
		93,800			93,800

Adjustments:

- 1) Donation are received for Building Fund.
- 2) Entrance Fees are to be Capitalized.
- 3) Outstanding Subscription Rs 1,500.
- 4) Depreciate sport Material @ 12 1/2% p.a.

Solution

Cricket Club, Pune

Income and Expenditure Account for the year ending March 31,2010

Dr.		Cr.		
Expenditure	Amount (Rs)	Income		Amount (Rs)
Printing and Stationery	5,100	Subscription	65,500 1,500	67,000
Salaries paid	25,600	Add: Outstanding at the end		
Electricity Charges	2,250	Entertainment Receipts		8,800
Rent and Taxes	1,750	General Donation		-
Entertainment Expenses	8,700			
Depreciation on Sports Material	4,000			
Surplus (Excess of Income over	28,400			

Expenditure)				
	75800			75,800

Balance Sheet
as on March 31,2010

Liabilities	Amount (Rs)	Amount (Rs)	Assets	Amount (Rs)	Amount (Rs)
Capital Fund			Sports Material	32000	
Opening Balance	67,100		Less: Depreciation	4000	28,000
Add: Surplus	28,400	95,500	Land		120,000
Building Fund	54,000		Subscription Outstanding		1,500
Add: Donations	11,000	65,000	Cash in Hand		3,000
Entrance Fees		2,000	Cash at Bank		10,000
		162,500			162,500

Question: 53

From the following Receipts and Payments Account of Nanasaheb Patil Engineering College, Faizpur for the year ending 31 March 2013 and additional information, Prepare Income and Expenditure Account for year ending 31/03/2013 and a Balance Sheet as on that date.

Receipts and Payments Account for the year ending 31.03.2013

Dr.		Cr.	
Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To Balance b/d		By Salaries to	850,500
Cash in Hand	15,950	• Teaching Staff	
Cash at Bank	100,070	• Office Staff	181,000
To Interest	51,000	By Electricity	51,900
To Subscriptions	25,800	By Books	57,800
To Life Membership Fees	20,500	By Furniture	45,000

To Donations	636000	By Stationery	19,950
To tuition Fees	1120,000	By Fixed Deposit 31/03/2013	750,000
To Term Fees	200,900	By Balance c/d	13500
		Cash in Hand	262,500
		Cash at Bank	
To Admission Fees	55,000		
To Sundry Receipts	6,930		
	2232,150		2232,150

Additional Information:

1)

Particulars	01/04/2012	31/03/2013
Books	5,50,000	5,50,000
Furniture	2,15,000	200,000
Building Fund	935,000	?
Fixed Deposits	800,000	?
Capital Fund	746,020	?

2) 50% of Donations are for Building Fund and the balance is to be treated as revenue income.

3) Outstanding Subscription Rs 4,200.

4) Life Membership Fees are to be capitalized.

Solution

Nanasaheb Patil Engineering College, Faizpur Income and Expenditure Account for the year ending March 31,2013

Dr.

Cr.

Expenditure	Amount (Rs)	Amount (Rs)	Income	Amount (Rs)	Amount (Rs)
Electricity		51,900	Subscription	25,800	30,000
Depreciation on: Furniture Books	60,000 57,800	117,800	Add: Advance in the beginning	4,200	
Salaries paid to: Teachers Staff	850,500 181,000	1031,500	Sundry Receipts		6930

Stationery		19,950	Interest		51,000
Surplus (Excess of Income over Expenditure)		560,680	Donation		318,000
			Tuition Fees		1120,000
			Term Fees		200,900
			Admission Fees		55,000
		1781,830			1781,830

Balance Sheet
as on March 31, 2013

Liabilities	Amount (Rs)	Amount (Rs)	Assets	Amount (Rs)	Amount (Rs)
Capital Fund			Furniture	215,000	200,000
Opening Balance	746,020		Add: Purchases	45,000	
Add: Life Membership Fees	20,500	1327,200		260,000	
Add: Surplus	560,680		Less: Depreciation	60,000	
			Books	550,000	550,000
Building Fund	935,000	1253,000	Add: Purchases	57,800	
Add: Donation	318,000		Less: Depreciation	57,800	
			Subscription Outstanding		4,200
			Fixed Deposits	800,000	1550,000
			Add: Investments	7,50,000	
			Cash in Hand		13,500
			Cash at Bank		262,500
		2580,200			2580,200

Working Notes:

WN1: Calculation of Depreciation on Furniture:

Depreciation on Furniture = Furniture as on Apr. 01, 2012 + Purchases - Furniture as on Mar. 31, 2013

$$2,15,000 + 45,000 - 2,00,000 = \text{Rs } 2,60,000$$

WN2: Calculation of Depreciation on Books:

Depreciation on Books = Books as on Apr. 01, 2012 + Purchases - Books as on

Mar. 31, 2013

$$5,50,000 + 57,800 - 5,50,000 = \text{Rs } 57,800$$