

Accounting for Not-for-Profit Organisation

Q1 :

State the meaning of 'Not-for-Profit' Organisations.

Answer :

Not-for-Profit Organisations (NPO) are set up with the prime objective of providing services and not to earn profit thereby enhancing the welfare of society. Such organisations include schools, hospitals, trade unions, religious organisations, etc. The person/s or the groups of individuals who govern and manage the working of an NPO are known as trustees. NPO's main sources of income are donations, subscriptions, life membership fees, grants etc. As these organisations are not set up with profit motive, they do not prepare Trading and Profit and Loss Account. Instead, they maintain Receipt and Payments Account, Income and Expenditure Account and Balance Sheet.

Q2 :

State the meaning of Receipt and Payment Account.

Answer :

Receipts and Payments Account is a summary of the Cash Book. All cash receipts are recorded on the Receipts side (i.e. Debit side) and all cash payments are recorded on the Payments side (i.e. Credit side) of Receipts and Payments Account. It is prepared on the basis of cash and bank transactions recorded in the Cash Book. It begins with the opening balance of cash and bank and ends with the closing balances of cash and bank (balancing figure) at the end of the accounting period. It records all cash and bank transactions both of capital and revenue nature. It not only records the cash and bank transactions relating to the current accounting period, but also the cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period.

This account only helps us to ascertain the closing balance of the cash and bank and helps in assessing the cash position of an NPO.

Q3 :

State the meaning of Income and Expenditure Account.

Answer :

Income and Expenditure Account (I&E) is similar to the Profit and Loss Account in the sense that while the former is prepared to ascertain surplus or deficit during an accounting period, the latter is prepared to ascertain net profit or net loss incurred during an accounting period. I&E Account is a nominal account and is prepared on the accrual basis. It records all transactions of revenue nature that are related to the current accounting period (whether outstanding or prepaid) for which the books are maintained. All expenses and losses are recorded on the debit side (Expenditure side) and all income and gains are recorded on the credit side (Income side) of I&E Account. The closing balance or the balancing figure of I&E Account is termed as surplus (or deficit), if the sum total of the Income side exceeds (is lesser than) the sum total of the Expenditure side.

Q4 :

What are the features of Receipt and Payment Account?

Answer :

The following are the features of Receipt and Payment Account:

1. **Nature:** It is a Real Account. It is a summarised version of Cash Book.
2. **Nature of Transactions:** It records only cash and bank transactions. Transactions other than cash and bank like depreciation, loss/ profit on sale of assets, etc. are not recorded in this account.
3. **No distinction between Capital and Revenue items:** It records all cash and bank receipts and payments of both capital and revenue nature.
4. **Opening and closing balance:** It begins with the opening balance of cash and bank and ends with the closing balance of the cash and bank (balancing figure) at the end of the accounting period.
5. **Purpose:** It reveals the cash position of an organisation. It helps to ascertain the total amount paid and received during an accounting period.

Q5 :

What steps are taken to prepare Income and Expenditure Account from a Receipt and Payment Account?

Answer :

The following steps are taken to prepare Income and Expenditure Account (I&E) from Receipts and Payment Account (R&P).

Step 1: All the revenue expenditures paid for the current accounting period are transferred from the Payments side of R&P to the Expenditure side of I&E.

Step 2: All the revenue receipts for the current accounting period are transferred from the Receipts side of R&P to the Income side of I&E.

Step 3: Expenses outstanding for the current period and expenses paid in advance (prepaid expenses) for the current period in the preceding accounting periods are to be added (adjusted) to their related expenses in the Step 1.

Step 4: Income outstanding (accrued income) for the current period and income received in advance for the current period in the preceding accounting periods are to be added (adjusted) to their related incomes in Step 2.

Step 5: Non-cash items like depreciation, appreciation for the current accounting period are to be adjusted in the I&E.

Step 6: After adjusting all the revenue items for the current accounting period, the Income and the Expenditure sides are totaled. If the sum total of the Income side exceeds (or is lesser than) the sum total of the Expenditure side, then the balancing figure is termed as surplus (or deficit).

Q6 :

What is subscription? How is it calculated?

Answer :

Subscription is the main source of income for an NPO besides entrance fees, donations, grants, etc. Subscriptions refer to the amount of money paid by the members on periodic basis for keeping their membership with the organisation alive. It is paid monthly, quarterly, half yearly or annually by the members.

It is shown in the debit side of the Receipt and Payment Account with the total amount received during the year that may be related to the current period and to the previous and next accounting period.

While calculating subscription for the current period, advance subscription received for the current period in the previous period and outstanding subscription for the current period are added to the subscription received during the current period. Whereas, on the other hand, advance subscription received for the next accounting period during the current period and outstanding subscription for the preceding period are deducted from the subscription received during the current period.

Calculation of Subscription

Subscription received during the year		***
<i>Add:</i> Subscription received (in advance) during previous year for current year	***	
<i>Add:</i> Subscription outstanding at the end of the year	***	

<i>Less:</i> Subscription received in advance for the next year	***	
<i>Less:</i> Subscription outstanding for the previous year	***	***
## Subscription shown in Income and Expenditure Account		***

This subscription is related to the current accounting period and is shown in the Income side of the Income and Expenditure Account.

Q7 :

What is Capital Fund? How is it calculated?

Answer :

Capital fund is the excess of NPOs' assets over its liabilities. In other words, the excess of assets over the liabilities for a profit earning organisation is termed as capital and the same for an NPO is termed as capital fund. Any surplus or deficit ascertained from Income and Expenditure account is added to (deducted from) the capital fund. It is also termed as Accumulated Fund.

Calculation of Capital Fund

Capital Fund at the beginning of the year		**
<i>Add:</i> Surplus from Income and Expenditure Account	**	
<i>Add:</i> Subscription Amount (Capitalised amount)	**	
<i>Add:</i> Life membership fee.	**	**
<i>Less:</i> Deficit from Income and Expenditure Account		**
Capital Fund at the end of the year		***

From the following particulars taken from the Cash Book of a health club, prepare a Receipts and Payments Account.

Particulars	Rs
Opening balance:	
Cash in Hand	5,000
Cash at Bank	25,000
Subscriptions	1,65,000
Donations	35,000
Investment Purchased	80,000
Rent Paid	20,000
General Expenses	21,500
Postage and stationery	2,000
Courier charges	1,000
Sundry Expenses	2,500
Closing Cash in Hand	12,000

Answer :

Books of Health Club
Receipt and Payment Account

Dr.		Cr.	
Receipts	Amount Rs	Payments	Amount Rs
Balance b/d		Investment	80,000
Cash in Hand 5,000		Rent	20,000
Cash at Bank 25,000	30,000	General Expenses	21,500
Subscriptions	1,65,000	Postage and Stationery	2,000
Donations	35,000	Courier Charges	1,000
		Sundry Expenses	2,500
		Balance c/d	
		Cash in Hand 12,000	
		Cast at Bank 91,000	1,03,000
		(Balancing figure)	
	2,30,000		2,30,000

Q2 :

The Receipt and Payment Account of Harimohan charitable institution is given:

Receipt and Payment Account for the year ending March 31, 2007

Receipts	Amount Rs	Payments	Amount Rs
Balance b/d:		Furniture	3,000
Cash at Bank	22,000	Investments	55,000
Cash in Hand	8,800	Advance for building	20,000
Donations	32,000	Charities	60,000
Subscriptions	50,200	Salaries	10,400
Endowment Fund	60,000	Rent and Taxes	4,000
Legacies	24,000	Printing	1,000
Interest on Investment	3,800	Postage	300
Interest on Deposits	800	Advertisements	1,100
Sale of old newspapers	500	Insurance	4,800
		Balance c/d:	
		Cash at Bank	32,000
		Cash in Hand	10,500
	2,02,100		2,02,100

Prepare the Income and Expenditure Account for the Year ended on March 31, 2007 after considering the following:

- (i) It was decided to treat Fifty per cent of the amount received on account of Legacies and Donations as income.
- (ii) Liabilities to be provided for are:
Rent Rs 800; Salaries Rs 1,200; advertisement Rs 200.
- (iii) Rs 2,000 due for interest on investment was not actually received.

Answer :

Books of Harimohan Charitable Institution

Income and Expenditure Account

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
Rent and Taxes	4,000	Donations	16,000
Add: Outstanding	800	Legacies	12,000
	4,800	Subscriptions	50,200
Salaries	10,400	Interest on Investment	3,800
Add: Outstanding	1,200	Add: Accrued Interest	2,000
	11,600		5,800
Advertisement	1,100	Interest on Deposits	800
Add: Outstanding	200	Sale of Old Newspapers	500
	1,300		
Charities	60,000		
Printing	1,000		
Postage	300		
Insurance	4,800		
Surplus (<i>Excess of Income over Expenditure</i>)	1,500		
	85,300		85,300

NOTE: As per the solution, Excess of Income over Expenditure is Rs 1,500; however, as per the book, it is Rs 2,500.

Q3 :

From the following particulars, prepare Income and Expenditure account:

Details	Amount Rs
Fees collected, including Rs 80,000 on account of the previous year	5,20,000
Fees for the year outstanding	30,000
Salary paid, including Rs 5,000 on account of the previous year	68,000

Salary outstanding at the end of the year	3,000
Entertainment expenses	8,000
Tournament expenses	25,000
Meeting Expenses	18,000
Traveling Expenses	7,000
Purchase of Books and Periodicals, including Rs 31,000 for purchase of Books	40,000
Rent	15,000
Postage, telegrams and telephones	6,000
Printing and Stationery	18,000
Donations received	25,000

Answer :

Income and Expenditure Account

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
Salaries 68,000		Fees Collected 5,20,000	
<i>Less: Previous</i>		<i>Less: Previous</i>	
year's Outstanding (5,000)		year's Outstanding (80,000)	
63,000		4,40,000	
<i>Add: Current year's</i>		<i>Add: Current year's</i>	
Outstanding 3,000	66,000	Outstanding 30,000	4,70,000
Entertainment		Donations	25,000
Expenses 8,000			
Tournament Expenses 25,000			
Meeting Expenses 18,000			
Traveling Expenses 7,000			
Purchases of Periodicals			
(40,000 - 31,000) 9,000			
Postage, Telegrams and			
Telephone's 6,000			
Rent 15,000			
Printing and Stationery 18,000			
Surplus (Excess of Income 3,23,000			

over Expenditure)			
	4,95,000		4,95,000

NOTE: As per the solution, Excess of Income over Expenditure is Rs 3,23,000; however, as per the book, it is Rs 3,07,000.

Q4 :

Following is the information given in respect of certain items of a Sports Club. Show these items in the Income and Expenditure Account and the Balance Sheet of the Club:

Particulars	Rs
Sports Fund as on 1.4.2005	35,000
Sports Fund Investments	35,000
Interest on Sports Fund	4,000
Donations for Sports Fund	15,000
Sports Prizes awarded	10,000
Expenses on Sports Events	4,000
General Fund	80,000
General Fund Investments	80,000
Interest on General Fund Investments	8,000

Answer :

Books of Sports Club
Income and Expenditure Account

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
		Interest on General Fund Investments	8,000

Balance Sheet

Liabilities	Amount	Assets	Amount
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		Rs		Rs
Sports Fund	35,000		Sports Fund Investments	35,000
Add: Interest on Sports Fund	4,000		General Fund Investments	80,000
Add: Donations for Sports Fund	15,000			
	<u>54,000</u>			
Less: Expenses on Sports Event	(4,000)			
Less: Prize Awarded	<u>(10,000)</u>	40,000		
General Fund		80,000		

Q5 :

How will you deal with the following items while preparing for the Bombay Women Cricket Club its income and expenditure account for the year ending 31.3.2007 and its Balance Sheet as on 31.3.2007:

	Rs
(a) Donation received during the year for the construction of a permanent Pavilion	12,25,000
Expenditure incurred up to 31.3.2007 on its construction	10,80,000
The total estimated expenditure on construction of Pavilion being	25,00,000
(b) Tournament Fund:	
Balance as on 1.4.2006	10,700
Subscriptions for tournament received during the year	65,800
Expenditure incurred during the year on conducting tournaments	72,400
(c) Life Membership fee received during the year	28,000

Give reasons for your answers

Answer :

(a)

Books of Bombay Women Cricket Club
Balance Sheet

as on March 31, 2007

Liabilities	Amount Rs	Assets	Amount Rs
Donation for Pavilion 12,25,000	1,45,000	Construction of Pavilion in Progress	10,80,000
Less: Exp. On construction of Pavilion			
Capital	10,80,000		
Add: Pavilion Construction			

Reason

Donation for construction of Pavilion is a donation for specific purpose.

Expenses on construction on Pavilion is a capital expenditure.

(b)

Balance Sheet

as on March 31, 2007

Liabilities	Amount Rs	Assets	Amount Rs
Tournament Fund 10,700	4,100		
Add: Subscription for Tournament			
76,500			
Less: Tournament Expenses (72,400)			

Reason

All funds received are treated as capital receipts and expenses related to any fund are deduced from the concerned funds.

(c)

Balance Sheet

as on March 31, 2007

Liabilities	Amount Rs	Assets	Amount Rs
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Life Membership Fees	28,000		
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Reason

Life Membership Fees are considered as capital receipts and are shown on the Liabilities side of the Balance Sheet, if nothing is specified about its treatment. But if it is to be treated as revenue item, then it is shown on the credit side of the Income and Expenditure Account.

Q6 :

From the following receipts and payments and information given below, Prepare Income and Expenditure Account and opening Balance Sheet of Adult Literacy Organisation as on December 31, 2006.

Receipt and Payment Account for the year ending

as on December 31, 2006

Receipts	Amount Rs	Payments	Amount Rs
Balance b/d		General Expenses	3,200
Cash in hand	4,000	News paper	1,850
Cash at Bank	15,550	Electricity	3,000
Subscriptions		Fixed deposit with bank	18,000
2005	1,200	(on 31.06.2006) @ 10% p.a.	
2006	26,500	Books	7,000
2007	500	Salary	3,600
Sale of old newspapers	1,250	Rent	6,500
Govt. grant	12,000	Postage charges	300
Sale of old furniture (book value Rs5000)	3,700	Furniture (purchased)	10,500
Interest received on FD	450	Balance c/d	
		Cash in Hand	3,000
		Cash at Bank	8,200
	65,150		65,150

Information:

(i) Subscription outstanding as on 31.12.2005 Rs 2,000 and on December 31, 2006 Rs 1,500.

(ii) On December 31, 2006 Salary outstanding Rs 600, and one month Rent paid in advance.

(iii) On Jan. 01, 2005 organisation owned Furniture Rs 12,000, Books Rs 5,000.

Answer :

Books of Adult Literacy Organisation
Income and Expenditure Account
as on Dec. 31, 2006

Dr.				Cr.
Expenditure	Amount Rs	Income	Amount Rs	
Loss on Sale of Old Furniture	1,300	Subscription	26,500	
General Expenses	3,200	Add: Outstanding for 2006	1,500	28,000
Newspapers	1,850			
Electricity	3,000	Sale of Old Newspapers		1,250
Salary	3,600	Government Grant		12,000
Add: Outstanding for 2006	600	Interest received on F.D.	450	
	4,200	Add: Accrued Interest	450	900
Rent	6,500			
Less: Prepaid for 2007 {6,500 x (1/13)}	(500)			
Postages Charges	300			
Surplus (<i>Excess of Income over Expenditure</i>)	22,300			
	42,150			42,150

Balance Sheet
as on Dec. 31, 2005

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund on Dec. 31, 2005 (<i>Balancing Figure</i>)	38,550	Subscription Outstanding	2,000
		Cash in Hand	4,000
		Cash at Bank	15,550
		Books	12,000
			5,000
	38,550		38,550

Balance Sheet
as on Dec. 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Capital	38,550	Prepaid Rent	500
<i>Add: Surplus</i>	22,300	Books	5,000
	60,850	<i>Add: Purchases</i>	7,000
Salary Outstanding	600		12,000
Subscription Received in Advance for 2007	500	Furniture	12,000
		<i>Add: Purchases</i>	10,500
			22,500
		<i>Less: Sale</i>	(5,000)
			17,500
		Fixed Deposit	18,000
		<i>Add: Accrued Interest</i>	450
			18,450
		Cash in Hand	3,000
		Cash at Bank	8,200
		Subscription Outstanding for 2006	1,500
		<i>Add: Outstanding for 2005</i>	800
			2,300
	61,950		

Q7 :

The following is the account of cash transactions of the Nari Kalayan Samittee for the year ended December 31, 2006:

Receipts	Amount Rs	Payments	Amount Rs
Balance from last year	2,270	Rent	6,600

Subscriptions	32,500	Electric charges	3,200
Life membership fee	3,250	Lecturer's fee	730
Donation	2,500	Office expenses	1,480
Profit from entertainment	7,250	Printing and Stationery	1,050
Sale of old Books (books value Rs1,000)	750	Legal fee	1,870
Interest	350	Books	6,500
		Furniture purchased	8,600
		Expenses on Nukar Drama	1,300
		Cash in Hand	8,040
		Cash at Bank	9,500
	48,870		48,870

You are required to prepare an Income and Expenditure Account after the following adjustments:

(a) Subscription still to be received are Rs 750, but subscription include Rs 500 for the year 2007.

(b) In the beginning of the year the Sangh owned building Rs 20,000 and furniture Rs 3,000 and Books Rs 2,000.

(c) Provide depreciation on furniture @ 5% (including purchase), books @ 10% and building @ 5%.

Answer :

Books of Nari Kalyan Samittee
Income and Expenditure Account
as on Dec. 31, 2006

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
Rent	6,600	Subscription	32,500
Electric Charges	3,200	Add: Outstanding for 2006	750
Lecturer's fee	730		33,250
Office Expenses	1,480	Less: Advance for 2007	(500)
Printing and Stationery	1,050	Donation	2,500

Legal Fee		1,870	Profit from Entertainment	7,250
Depreciation on:			Interest	350
Books	750			
Furniture	580			
Building	1,000	2,330		
Expenses on Nukar Drama		1,300		
Loss on Sale of Books		250		
Surplus		24,040		
		42,850		42,850

Balance Sheet

as on Dec. 31, 2005

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund as Dec. 31, 2005 (Balancing Figure)	27,270	Building	20,000
		Furniture	3,000
		Books	2,000
		Cash and Bank	2,270
	27,270		27,270

Balance Sheet

as on Dec. 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund	27,270	Building	20,000
Add: Life Membership Fees	3,250	Less: 5% Depreciation	(1,000)
Add: Surplus	24,040		
		Furniture	3,000
Advance Subscription for 2007	500	Add: Purchases	8,600

			11,600	
		Less: 5% Depreciation	580	11,020
		Books	2,000	
		Add: Purchases	6,500	
			8,500	
		Less: Sales	1,000	
			7,500	
		Less: 5% Depreciation	750	6,750

Q8 :

Following is the Receipt and Payment Account of Indian Sports Club, prepared Income and Expenditure Account, Balance Sheet as on December 31, 2006:

Receipt and Payment Account

for the year ending December 31, 2006

Receipts	Amount Rs	Payments	Amount Rs
Balance b/d	7,890	Salary	11,000
Subscriptions	52,000	Electric charges	5,500
Life member ship fee	2,200	Billiard Table	17,500
Entrance fee	3,200	Office expenses	4,100
Tournament fund	26,000	Printing and Stationery	2,300
Locker Rent	1,250	Tournament expenses	18,500
Sale of old sports goods (Costing Rs 2,200)	2,500	Repair of ground	2,000
Sale of Old Newspaper	750	Furniture purchased	7,700
Legacy	37,500	Sports equipments	12,000
		Cash in Hand	12,690
		Cash at Bank	10,000
		Fixed Deposit (on 1.10.06 for 10% p.a)	30,000
	1,33,290		1,33,290

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Other Information:

Subscription outstanding was on December 31, 2005 Rs 1,200 and Rs 3,200 on December 31, 2006. Locker rent outstanding on December 31, 2006 Rs 250. Salary outstanding on December 31, 2006 Rs 1,000.

On January 1, 2006, club has Building Rs 36,000, furniture Rs 12,000, Sports equipments Rs 17,500. Depreciation charged on these items @ 10% (including Purchase).

Answer :

Indian Sports Club
Income and Expenditure Account
as on Dec. 31, 2006

Dr.			Cr.		
Expenditure		Amount Rs	Income		Amount Rs
Salary	11,000		Subscriptions	52,000	
Add: Outstanding for 2006	1,000	12,000	Add: Outstanding for 2006	3,200	
Electric Charges		5,500		55,200	
Office Expenses		4,100	Less: Outstanding for 2005	(1,200)	54,000
Printing and Stationery		2,300			
Repair of Ground		2,000	Locker Rent	1,250	
Depreciation on:			Add: Outstanding for 2006	250	1,500
Furniture	1,970				
Building	3,600		Entrance Fees		3,200
Sports Equipments	2,730	8,300	Profit on Sale of Sports		
Surplus		26,300	Equipments (Rs 2,500 - Rs 2,200)		300
			Sale of Old Newspapers		750
			Accrued Interest		750
		60,500			60,500

Balance Sheet
as on January 01, 2006

Liabilities	Amount Rs	Assets	Amount Rs
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Capital Fund (<i>Balancing Figure</i>)	74,590	Subscription Outstanding	1,200
		Building	36,000
		Furniture	12,000
		Sports Equipments	17,500
		Cash and Bank	7,890
	74,590		74,590

Balance Sheet

as on Dec. 31, 2006

Liabilities		Amount Rs	Assets		Amount Rs
Salary Outstanding		1,000	Subscribing Outstanding		3,200
Tournament Fund	26,000		Locker Rent Outstanding		250
<i>Less: Tournament Expenses</i>	18,500	7,500	Building	36,000	
			<i>Less: 10% Depreciation</i>	(3,600)	32,400
Capital fund	74,590				
<i>Add: Life Membership Fee</i>	2,200		Furniture	12,000	
<i>Add: Legacy</i>	37,500		<i>Add: Purchases</i>	7,700	
<i>Add: Surplus</i>	26,300	1,40,590		19,700	
			<i>Less: 10% Depreciation</i>	(1,970)	17,730
			Sports Equipments	17,500	
			<i>Add: Purchases</i>	12,000	
				29,500	
			<i>Less: Sales</i>	(2,200)	
				27,300	
			<i>Less: 10% Depreciation</i>	(2,730)	24,570
			Billiard Table		17,500

Q9 :

From the following Receipt and Payment Account of Jan Kalyan Club, prepare Income and Expenditure Account and Balance Sheet for the year ending December 31, 2006.

Receipt and Payment Account
for the year ending December 31, 2006

Receipts	Amount Rs	Payments	Amount Rs
Cash in hand as on 1.1.06	6,800	Salaries	24,000
Subscription	60,200	Traveling Expenses	6,000
Donation	3,000	Stationery	2,300
Sale of furniture (Book value Rs 6000)	4,000	Rent	16,000
Entrance fee	800	Repair	700
Life membership fee	7,000	Books purchased	6,000
Interest on investment (@ 5% for full year)	5,000	Building purchased	30,000
		Cash in Hand as 31.12.2006	1,800
	86,800		86,800

Additional Information:

	As on 1.01.2006	As on 31.12.2006
(i) Subscription received in advance	1,000	3,200
(ii) Outstanding subscription	2,000	3,700
(iii) Stock of stationery	1,200	800
(iv) Books	13,500	16,500
(v) Furniture	16,000	8,000
(vi) Outstanding rent	1,000	2,000

Answer :

Books of Jan Kalyan Club
Income and Expenditure Account
as on 31 Dec. 2006

Dr.

Cr.

Expenditure	Amount	Income	Amount
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	Rs		Rs
Loss on Sale of Furniture (Rs 6,000 - Rs 4,000)	2,000	Subscription	60,200
Salaries	24,000	Less: Outstanding for 2005	(2,000)
Traveling Expenses	6,000		58,200
Stationery	2,300	Add: Outstanding for 2006	3,700
Add: Opening Stock	1,200		61,900
	3,500	Add: Advance in 2005	1,000
Less: Closing Stock	(800)		62,900
	2,700	Less: Advance in 2006	(3,200)
			59,700
Repairs	700		
Rent	16,000	Donation	3,000
Less: Outstanding for 2005	(1,000)	Entrance Fees	800
	15,000	Interest on Investments	5,000
Add: Outstanding for 2006	2,000		
	17,000		
Depreciation on Books	3,000		
Depreciation on Furniture	2,000		
Surplus	11,100		
	68,500		68,500

Balance Sheet

as on January 01, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Advance Subscription	1,000	Cash in Hand	6,800
Outstanding Rent	1,000	Investment {5,000 x (100/5)}	1,00,000
Capital Fund (<i>Balancing figure</i>)	1,37,500	Subscription Outstanding	2,000
		Stock of Stationery	1,200
		Books	13,500
		Furniture	16,000
	1,39,500		1,39,500

Balance Sheet
as on Dec. 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Advance Subscription	3,200	Subscription Outstanding	3,700
Outstanding Rent	2,000	Stock of Stationery	800
Capital Fund	1,37,500	Investments	1,00,000
Add: Life Membership Fees	7,000		
Add: Surplus	11,100	Books	13,500
	1,55,600	Add: Purchases	6,000
			19,500
		Less: Depreciation	(3,000)
			16,500
		Building	30,000
		Cash in Hand	1,800
		Furniture	

Q10 :

Receipt and Payment Account of Shankar Sports club is given below, for the year ended December 31, 2006

Receipt and Payment Account
for the year ending December 31, 2006

Receipts	Amount Rs	Payments	Amount Rs
Opening Cash in hand	2,600	Rent	18,000
Entrance fees	3,200	Wages	7,000
Donation for building	23,000	Billiard table	14,000
Locker rent	1,200	Furniture	10,000
Life membership fee	7,000	Interest	2,000
Profit from entertainment	3,000	Postage	1,000
Subscription	40,000	Salary	24,000
Cash in hand	4,000		
	80,000		80,000

Prepare Income and Expenditure Account and Balance Sheet with help of following Information:

Subscription outstanding on 31st December 2005 is Rs 1, 200 and Rs 2,300 on 31.12.2006, opening stock of postage stamps is Rs 300 and closing stock is Rs 200, Rent Rs 1,500 related to 2005 and Rs 1,500 is still unpaid.

On January 1, 2006 the club owned furniture Rs 15,000, Furniture valued at Rs 22,500

On 31.12.2006. The club took a loan of Rs 20,000 (@ 10% p.a.) in 2005.

Answer :

Books of Shankar Sports Club
Income and Expenditure Account
as on 31 Dec. 2006

Dr.			Cr.	
Expenditure	Amount Rs		Income	Amount Rs
Rent	18,000		Entrance Fees	3,200
Add: Outstanding for 2006	1,500		Locker Rent	1,200
	19,500		Profit from Entertainment	3,000
Less: Outstanding for 2005	(1,500)	18,000		
			Subscription	40,000
Wages	7,000		Less: Outstanding for 2005	(1,200)
Depreciation on Furniture	2,500			38,800
Interest	2,000		Add: Outstanding for 2006	2,300
Postage	1,000		Deficit (<i>Balancing Figure</i>)	6,100
Add: Opening Stock	300			
	1,300			
Less: Closing Stock	(200)	1,100		
Salaries		24,000		
		54,600		54,600

Balance Sheet

as on December 31, 2005

Liabilities	Amount Rs	Assets	Amount Rs
Rent Outstanding	1,500	Cash in Hand	2,600
10% Loan	20,000	Subscription Outstanding	1,200
		Furniture	15,000
		Stock of Postage Stamps	300
		Capital fund Deficit (<i>Balancing figure</i>)	2,400
	21,500		21,500

Balance Sheet

as on December 31, 2006

Expenditure	Amount Rs	Income	Amount Rs
Rent Outstanding	1,500	Subscription Outstanding	2,300
10% Loan	20,000	Stock of Postage Stamps	200
Donation for Building	23,000	Billiard Table	14,000
Capital Fund (2,400)		Furniture 15,000	
Add: Life Membership Fee 7,000		Add: Purchases 10,000	
Less: Deficit (6,100)		25,000	
		Less: Depreciation (2,500)	22,500
		Cash in Hand	4,000
		** Capital Fund (<i>Deficit</i>)	1500
	44,500		44,500

NOTE 1: As per the solution, Deficit is Rs 6,100 and the total of the Balance Sheet as on Dec. 31, 2006 is Rs 44,500. However, as per the book, Deficit is Rs 8,100 and the total of the Balance Sheet as on Dec. 31, 2006 is Rs 53,500.

**** NOTE 2:**

Capital Fund	(2,400)
Add: Life Membership Fees	7,000
Less: Deficit	(6,100)

Net Deficit

(1,500)

Q11 :

Prepare Income and Expenditure Account and Balance Sheet for the year ended December 31, 2006 from the following Receipt and Payment Account and Balance Sheet of culture club:

Receipt and Payment Account
for the year ending December 31, 2006

Receipts	Amount Rs	Payments	Amount Rs
Opening cash balance	12,000	Furniture	4,000
Subscription		Telephone expenses	800
2005	2,000	Salary	
2006	22,000	2005	1,000
Entrance fees	2,800	2006	4,000
Locker rent	1,000	Newspapers	700
Life membership fee	1,200	Sundry expenses	1,000
Government grant	11,000	Defence bonds	18,000
		Land	20,000
		Closing cash balance	2,500
	52,000		52,000

Balance Sheet
for the year ending December 31, 2005

Liabilities	Amount Rs	Assets	Amount Rs
Advance locker rent	200	Cash in hand	12,000
Subscription Received in Advance	1,000	Outstanding Expenses	3,000
Outstanding salary	2,000	Building	35,000
Loan	10,000		
Capital fund	36,800		
	50,000		50,000

Answer :

Books of Culture Club
Income and Expenditure Account
as on December 31, 2006

Dr.

Expenditure	Amount Rs	Income	Amount Rs
Telephone Expenses	800	Subscription	22,000
Salary	4,000	Add: Advance Received in 2005	1,000
Newspapers	700		
Sundry Expenses	1,000	Entrance Fees	2,800
		Locker Rent	1,000
Surplus (<i>Balancing figure</i>)	31,500	Add: Advance Received in 2005	200
		Government Grants	11,000
	38,000		38,000

Balance Sheet
as on December 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund	36,800	Subscription Still Outstanding for 2005	1,000
Add: Life Membership Fees	1,200	(Rs 3,000 - Rs 2,000)	
Add: Surplus	31,500	Furniture	4,000
		Defence Bonds	18,000
Salary Still Outstanding for 2005	1,000	Land	20,000
Loan	10,000	Building	35,000
		Cash in Hand	2,500
	80,500		80,500

Q12 :

From the following Receipt and Payment Account prepare final accounts of a Unity Club for the year ended March 31, 2007.

Receipt and Payment Accounts
for the year ending March 31, 2007

Receipts	Amount Rs	Payments	Amount Rs
Balance b/d	15,000	Furniture	18,000
Sale of Old furniture (costing Rs 6,000)	4,000	Library books	10,000
Subscriptions:		Salaries	72,000
2005-06 18,000		General expenses	18,000
2006-07 60,000		Electric charges	12,000
2007-08 2,000	90,000	Newspapers	33,800
Sale of old newspapers	10,800	Postage	3,000
Profit from entertainment	44,000	Stationery	40,000
Rent	84,000	Audit fee	8,000
		Balance c/d	33,000
	2,47,800		2,47,800

Balance Sheet
as on March 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Outstanding Salary	6,000	Cash	15,000
Capital Fund	6,94,000	Outstanding subscription	18,000
		Library Books	30,000
		Furniture	37,000
		Land and Building	6,00,000
	7,00,000		7,00,000

Additional Information:

1. The Club had 500 members each paying an annual subscription of Rs 150.
2. On 31.3.2007 salaries outstanding amounted to Rs 1,200 and salaries paid included Rs 6,000 for the year 2005-06.
3. Provide 5% depreciation on Land and Building.

Answer :

Books of Unity Club
Income and Expenditure Account
as on March 31, 2007

Dr.			Cr.
Expenditure	Amount Rs	Income	Amount Rs
Loss on Sale of Old Furniture (4,000 - 6,000)	2,000	Subscription	
		500 members at Rs 150 each	75,000
Salaries 72,000		Sale of Old Newspapers	10,800
<i>Add:</i> Outstanding for 2006-07 1,200		Profit from Entertainment	44,000
	73,200	Rent	84,000
<i>Less:</i> Outstanding for 2005-06 (6,000)	67,200		
General Expenses	18,000	Deficit (<i>Balancing figure</i>)	200
Electric Charges	12,000		
Newspapers	33,800		
Postage	3,000		
Stationery	40,000		
Audit Fees	8,000		
Depreciation on Land and Building	30,000		
	2,14,000		2,14,000

Balance Sheet
as on 31 March 2007

Liabilities	Amount Rs	Assets	Amount Rs
Advance Subscription (for 2007-08)	12,000	Subscription Outstanding	15,000

Salaries Outstanding		1,200	Furniture	37,000	
Capital Fund	6,94,000		Add: Purchases	18,000	
Less: Deficit	(200)	6,93,800		55,000	
			Less: Sales	(6,000)	49,000
			Library Books	30,000	
			Add: Purchases	10,000	40,000
			Land and Building	6,00,000	
			Less: 5% Depreciation	(30,000)	5,70,000
			Cash and Bank		33,000
		7,07,000			7,07,000

Note: As per the solution, Deficit is Rs 200 and the total of the Balance Sheet as on March 31, 2007 is Rs 7,07,000. However, the Surplus given in the book is Rs 14,000 and the total of the Balance Sheet as on March 31, 2007 is Rs 7,27,000

Q13 :

Following is the information in respect of certain items of a Sports Club. You are required to show them in the Income and Expenditure Account and the Balance Sheet.

Details	Amount Rs
Sports Fund as on April 1, 2005	80,000
Sports Fund Investments	80,000
Interest on Sports Fund Investments	8,000
Donations for Sports Fund	30,000
Sports Prizes awarded	16,000
Expenses on Sports Events	7,000
General Fund	2,00,000
General Fund Investments	2,00,000
Interest on General Fund Investments	20,000

Answer :

Income and Expenditure Account

as on December 31, 2006

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
		Interest on General Fund Investments	20,000

Balance Sheet

as on March 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Sports Fund 80,000		Sports Fund Investments 80,000	
Add: Interest on Sports Fund Investments 8,000		General Fund Investments 2,00,000	
Add: Donation for Sports Fund 30,000			
1,18,000			
Less: Sports Prizes Awarded (16,000)			
Less: Expenses on Sports Events (7,000)	95,000		
General Fund 2,00,000			

Q14 :

Receipt and Payment Account of Maitrey Sports Club showed that Rs 68,500 were received by way of subscriptions for the year ended on March 31, 2006.

The additional information was as under:

1. Subscription Outstanding as on March 31, 2005 were Rs 6,500,
2. Subscription received in advance as on March 31, 2005 were Rs 4,100,
3. Subscription Outstanding as on March 31, 2006 were Rs 5,400,

4. Subscription received in advance as on March 31, 2006 were Rs 2,500.

Show how that above information would appear in the final accounts for the year ended on March 31, 2006 of Maitrey Sports Club.

Answer :

Books of Maitrey Sports Club
Income and Expenditure Account
as on March 31, 2006

Dr.			Cr.
Expenditure	Amount Rs	Income	Amount Rs
		Subscription 68,500	
		Less: O/s on Mar. 31, 2005 (6,500)	
		62,000	
		Add: Advance on Mar. 31, 2005 4,100	
		Add: O/s on Mar. 31, 2006 5,400	
		71,500	
		Less: Advance on Mar. 31, 2006 (2,500)	69,000

Balance Sheet
as on March 31, 2005

Liabilities	Amount Rs	Assets	Amount Rs
Subscription in Advance	4,100	Subscription Outstanding	6,500

Balance Sheet
as on March 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Subscription in Advance	2,500	Subscription Outstanding	5,400

Following is the Receipt and Payment account of Rohatgi Trust :

for the year ending December 31, 2006

Prepare Income and expenditure account for the year ended December 31, 2006, and a balance sheet as on that date after the following adjustments: Subscription for 2006, still owing were Rs 7,000. Interest due on defence bonds was Rs7,000, Rent still owing was Rs 1,000. The Book value of investment sold was Rs 80,000, Rs 30,000 of the investment were still in hand. Subscription received in 2006 included Rs 400 from a life member. The total furniture on January 1, 2006 was worth Rs 12,000. Salary paid for the year 2007 is Rs 2,000.

Books of Rohatgi Trust
Income and Expenditure Account
as on December 31, 2006

Cr.

Expenditure	Amount Rs	Income	Amount Rs
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Rent	6,000		Subscription	83,000	
<i>Add: Outstanding</i>	1,000	7,000	<i>Add: Outstanding for 2006</i>	7,000	
				90,000	
Salary	12,000		<i>Less: Life Membership Fees</i>	(400)	89,600
<i>Less: Advance for 2007</i>	(2,000)	10,000			
			Interest Accrued on Defence Bonds		7,000
			Profit on Sale of Investment		
Postage		300	(Rs 90,000 - Rs 80,000)		10,000
			Profit on Sale of Furniture		
Electricity Charges		6,000	(Rs 3,200 - Rs 3,000)		200
Help to Needy Students		22,000	Interest on Investments		2,000
Surplus (<i>Balancing Figure</i>)		63,500			
		1,08,800			1,08,800

Balance Sheet

as on December 31, 2005

Liabilities	Amount Rs	Assets	Amount Rs
Capital fund (<i>Balancing Figure</i>)	2,01,000	Subscription Outstanding	5,000
		Investment (Rs 80,000 + Rs 30,000)	1,10,000
		Furniture	12,000
		Cash in hand	14,000
		Cash at bank	60,000
	2,01,000		2,01,000

Balance Sheet

as on December 31, 2006

Expenditure	Amount Rs	Income	Amount Rs
Advance Subscription	3,000	Subscription Outstanding	7,000
Rent Outstanding	1,000	Defence Bonds	1,50,000

Capital Fund	2,01,000		<i>Add:</i> Accrued Interest on Defence Bonds	7,000	1,57,000
<i>Add:</i> Surplus	63,500				
<i>Add:</i> Life Membership Fees	400	2,64,900	Investment		30,000
			Advance Salaries		2,000
			Furniture	12,000	
			<i>Add:</i> Purchases	20,000	
				32,000	
			<i>Less:</i> Sales	(3,000)	29,000
			Books		3,000
			Cash in Hand		10,900
			Cash at Bank		30,000
		2,68,900			2,68,900

NOTE: As per the solution, Surplus is Rs 63,500; however, as per the book, the Surplus is Rs 59,900.

Q16 :
Following Receipt and Payment Account was prepared from the cash book of Delhi Charitable Trust for the year ending December 31, 2007

Receipt and Payment Account
for the year ending December 31, 2007

Receipts	Amount Rs	Payments	Amount Rs
Balance b/d		Charity	11,500
Cash in Hand	11,500	Rent and taxes	3,200
Cash at Bank	12,600	Salary	6,000
Donation	9,000	Printing	600
Subscription	42,800	Postage	300
Legacies	18,000	Advertisements	4,500
Interest on investment	4,500	Insurances	2,000
Sale of old newspapers	200	Furniture	21,600
		Investment	23,000

		Balance c/d:	
		Cash in Hand	9,900
		Cash at Bank	16,000
	98,600		98,600

Prepare Income and expenditure account for the year ended December 31, 2006, and a balance sheet as on that date after the following adjustments:

- It was decided to treat one-third of the amount received on account of donation as income.
- Insurance premium was paid in advance for three months.
- Interest on investment Rs1,100 accrued was not received.
- Rent Rs600: salary Rs900 and advertisement expenses Rs1,000 outstanding as on December 31, 2007.

Answer :

Books of Delhi Charitable Trust
Income and Expenditure Account
as on December 31, 2007

Dr.

Expenditure	Amount Rs	Income	Amount Rs
Insurance	2,000	Donation {9,000 x (1/3)}	3,000
Less: Prepaid {2,000 x (3/15)}	(400)	Interest on Investments	4,500
	1,600	Add: Accrued Interest	1,100
Charity	11,500		5,600
Rent and Taxes	3,200	Subscription	42,800
Add: Outstanding	600	Sale of Old Newspapers	200
	3,800		
Salary	6,000		
Add: Outstanding	900		
	6,900		
Printing	600		
Postage	300		
Advertisements	4,500		

Add: Outstanding	1,000	5,500	
Surplus (<i>Balancing figure</i>)		21,400	
		51,600	51,600

Balance Sheet

as on December 31, 2007

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund (<i>Balancing figure</i>)	24,100	Cash in Hand	11,500
		Cash at Bank	12,600
	24,100		24,100

Balance Sheet

as on December 31, 2007

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund	24,100	Prepaid Insurance {2,000 x (3/15)}	400
Add: Donation {9,000 x (2/3)}	6,000	Investment	23,000
Add: Legacies	18,000	Add: Accrued Interest	1,100
Add: Surplus	21,400	Furniture	21,600
Rent Outstanding	600	Cash in Hand	9,900
Salary Outstanding	900	Cash at Bank	16,000
Advertisement Expenses Outstanding	1,000		
	72,000		72,000

Note:

- per the solution, Surplus and the total of the Closing Balance Sheet are Rs 21,400 and Rs 72,000 respectively; however as per the answer given in the book is Rs 21,500 and Rs 72,100. Thus, in order to match the answer with that of the book, Rent paid of Rs 2,000 is assumed for 12 months instead of 15 months.
- question asks us to prepare Income and Expenditure Account for the year ended **December 31, 2006**; however, the solution has been prepared according to the date of Receipt and Payment Account which is **December 31, 2007**.

From the following Receipt and Payment Account of a club, prepare Income and Expenditure Account for the year ended December 31, 2006 and the Balance Sheet as on that date.

for the year ending December 31, 2006

Additional Information:

- (a) The club has 100 members each paying an annual subscription of Rs900. Subscriptions outstanding on December 31, 2005 were Rs 3,600.
- (b) On December 31, 2006 , salary outstanding amounted to Rs 1,000, Salary paid included Rs 1,000 for the year 2005.
- (c) On January 1, 2006 the club owned land and building Rs 25,000, furniture Rs 2,600 and books Rs 6,200.

as on December 31, 2006

Cr.

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

		Rs		Rs
General Expenses		900	Subscription	70,000
Salary	16,000		<i>Add:</i> Outstanding for 2006	20,000
<i>Add:</i> Outstanding for 2006	1,000		(100 members at Rs 900 each)	
	17,000		Rent from use of hall	17,000
<i>Less:</i> Outstanding for 2005	(1,000)	16,000	Sale of Old News Papers	400
			Profit from Entertainment	7,300
Loss on Sale of Old Books		1,200		
Electricity Charges		7,800		
Newspapers		600		
Meeting Expenses		7,200		
Postage		1,300		
Surplus (<i>Balancing figure</i>)		79,700		
		1,14,700		1,14,700

Balance Sheet as on December 31, 2005

Liabilities	Amount Rs	Assets	Amount Rs
Salary Outstanding	1,000	Subscription Outstanding	3,800
Capital Fund (<i>Balancing figure</i>)	40,100	Furniture	2,600
		Books	6,200
		Cash and Bank	3,500
		Building	25,000
	41,100		41,100

Balance Sheet

as on December 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Advance Subscription	3,000	Subscription Outstanding	

Salary Outstanding		1,000	2006	20,000	
			Add: 2005 (Still Outstanding)	1,800	21,800
Capital Fund	40,100		Building		25,000
Add: Surplus	79,700	1,19,800	Furniture	2,600	
			Add: Purchases	26,500	29,100
			Books	6,200	
			Add: Purchases	13,000	
				19,200	
			Less: Sales	3,200	
			T.V. Set		
			Cash and Bank		
		1,23,800			1,23,800

NOTE: In order to match the answer with that of given in the book, Subscription Outstanding on December 31, 2005 has been taken as Rs 3,800 instead of Rs 3,600.

Q18 :

Following is the Receipt and Payment Account of Women's Welfare Club for the year ended December 31, 2007:

Receipt and Payment Account
for the year ending December 31, 2007

Receipts	Amount Rs	Payments	Amount Rs
Balance b/d	7,250	Salary	12,500
Subscriptions	81,750	Stationery	1,700
Donations	3,000	Electricity charges	9,550
Grant from Government	15,000	Insurance	7,500
Sale of newspapers	300	Equipments	30,000
Proceeds of charity show	16,500	Petty expenses	500
Interest on investments @ 10% for full year	7,000	Expenses on charity show	12,900
Sundries income	400	Newspapers	1,000
		Lectures fee	16,500
		Honorarium to Secretary	12,000

		Balance c/d	27,050
	1,31,200		1,31,200

Additional Information:

	01.01.2007 Rs	31.12.2007 Rs
Outstanding salaries	1,200	1,800
Insurance prepaid	700	300
Subscription outstanding	3,750	2,500
Subscription received in advanced	1,750	1,000
Electricity charges outstanding	-	1,250
Stock of stationery	2,250	700
Equipments	25,600	50,200
Building	1,20,000	1,14,000

Prepare Income and Expenditure Account for the year ended December 31, 2007 and Balance Sheet as on that date.

Answer :

Books of Women Welfare Club
Income and Expenditure Account
as on December 31, 2007

Dr.			Cr.		
Expenditure		Amount Rs	Income		Amount Rs
Salary	12,500	13,100	Subscriptions	81,750	81,250
Add: O/s on Dec. 31, 2007	1,800		Add: O/s on Dec. 31, 2007	2,500	
	14,300			84,250	
Less: O/s on Dec. 31, 2006	(1,200)		Less: O/s on Dec. 31, 2006	(3,750)	
				80,500	
Stationery	1,700	3,250	Add: Advance on Dec. 31, 2006	1,750	81,250
Add: Opening Stock	2,250			82,250	
	3,950		Less: Advance on Dec.31, 2007	(1,000)	
Less: Closing Stock	(700)				
			Donations		3,000

Electric Charges	9,550		Grant from Government	15,000
<i>Add: O/s on Dec. 31, 2007</i>	1,250	10,800	Sale of Newspapers	300
			Profit from Charity show (16,500-12,900)	3,600
Insurance	7,500		Interest on Investments	7,000
<i>Add: Prepaid in 2006</i>	700		Sundries Income	400
	8,200			
<i>Less: Prepaid in 2007</i>	(300)	7,900		
Depreciation on Equipments		5,400		
Petty Expenses		500		
Newspapers		1,000		
Lectures Fee		16,500		
Honorarium to Secretary		12,000		
Depreciation on Building		6,000		
Surplus (<i>Balancing Figure</i>)		34,100		
		1,10,550		1,10,550

Balance Sheet

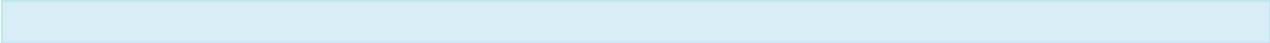
as on December 31, 2006

Liabilities	Amount Rs	Assets	Amount Rs
Outstanding Salaries	1,200	Insurance Prepaid	700
Subscription in Advance	1,750	Subscription Outstanding	3,750
		Stock of Stationery	2,250
Capital Fund (<i>Balancing Figure</i>)	2,26,600	Equipments	25,600
		Building	1,20,000
		Cash and Bank	7,250
		Investments {7,000 x (100/10)}	70,000
	2,29,550		2,29,550

Balance Sheet

as on December 31, 2007

Liabilities	Amount Rs	Assets	Amount Rs
Outstanding Salaries	1,800	Equipments	25,600
Subscription in Advance	1,000	<i>Add: Purchases</i>	30,000
Electricity Charges Outstanding	1,250		55,600
Capital Fund	2,26,600		



Q19 :

As at March 31,2008 the following balances have been extrated from the books of the Indian Chartered Accountants Recreation Club and you are asked to prepare (1) Trading Account for ascertaining gross profit derived from running restaurant and dining room and (2) Income and Expenditure Account for the year ended March 31, 2008 (3) and a Balance Sheet as at that date.

Debit Balances	Rs	Credit Balances	Rs
Stock-in-hand	1170	Receipts Dining Room	87,660
Purchases	24,660	Subscriptions	9,450
Dining Room	32,370	Billiard's Receipts	7,300
Rent	10,470	Sunday Receipts	410
Wages	18,690	Interest on Fixed Deposit	270
Repairs and Renewals	5,400	Sundry Creditors	5310
Fuel and Light	5,280	Grant from Institute (permanent)	42,000
Misc. Expenses	4,050	Income and Exp. A/c (1.4.07)	1,380
Cash in hand	560	Suspense A/c (See note)	60
Cash at bank	2,760		
Fixed Deposit	8,500		
Sundry Debtors	2,250		
China glass, cutlery and linen	600		
Billiard Table	2,070		
Fixtures and Fittings	870		
Furniture	4,140		
Club Premises	30,000		
	1,53,840		1,53,840

On March 31,2008 stock of restaurant consisted of Rs 900 and Rs 60 respectively. Provide depreciations Rs 60 on fixtures and fittings, Rs 390 on billiard table and Rs 560 on furniture.

Answer :

Important Note:

1. Credit side of the Trial Balance of the question is short by Rs 60. Thus, in order to tally both sides of the Trial Balance, Suspense Account will be opened with the difference amount of Rs 60.

2. In the adjustment, Closing Stock should be Rs 960 instead of Rs 900.

**Books of Indian Chartered Accountants Recreation Club
Restaurant Trading Account**

Dr.

Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	1,170	Receipts from Dining Room	87,660
Purchases	24,660	Closing Stock	960
Dining Room Exp.	32,370		
Profit from Restaurant	30,420		
	88,620		88,620

Income and Expenditure Account

as on March 31, 2008

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
Rent	10,470	Subscriptions	9,450
Wages	18,690	Sundry Receipts	410
Repairs an Renewals	5,400	Interest on Fixed Deposits	270
Fuel and Light	5,280	Profit from Restaurant	30,420
Misc. Expenses	4,050	Billiards Receipts	7,300
Depreciation on			
Fixtures and Fittings	60		
Billiards Table	390		

Furniture	560	1,010	
Surplus (Excess of Income over Expenditure)		2,950	
		47,850	47,850

Balance Sheet

as on March 31, 2008

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	5,310	Cash in Hand	560
Grant from Institute	42,000	Cash at Bank	2,760
Suspense	60	Fixed Deposit	8,500
Capital Fund (Income and Exp. A/c as on Apr.01, 2007)	1,380	Sundry Debtors	2,250
Add: Surplus	2,950	China Glass, Cutlery and Linen	600
	4,330	Billiards Table	2,070
		Less: Depreciation	(390)
			1,680
		Fixture and Fittings	870
		Less: Depreciation	(60)
			810
		Furniture	4,140
		Less: Depreciation	(560)
			3,580
		Club Premises	30,000
		Stock of Restaurant	960
	51,700		51,700

Q1 :

Explain the statement: "Receipt and Payment Account is a summarised version of Cash Book".

Answer :

Receipts and Payments Account is a summary of the Cash Book. This account is prepared by those organisations which maintain their books on cash basis. All cash receipts are recorded on the Receipts side (i.e. Debit side) and all cash payments are recorded on the Payments side (i.e. Credit side) of Receipts and Payments Account. It is prepared on the basis of cash and bank transactions recorded in the Cash Book. It begins with the opening balance of cash and bank and ends with the closing balances of cash and bank (balancing figure) at the end of the accounting period. It records all the cash and bank transactions both of capital and revenue nature. It not only records the cash and bank transactions relating to the current accounting period, but also cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period. This account only helps us to ascertain the closing balance of the cash and bank and helps in assessing the cash position of an NPO. It also forms the basis for the preparation of Income and Expenditure Account.

Similarities between Receipt and Payments Account and Cash Book

The following are the features of Receipt and Payment Account that are common to those of Cash Book:

1. **Nature:** It is a summarised version of the Cash Book. Similar to the Cash Book, the Receipt and Payment Account is also a Real Account.
2. **Nature of Transactions:** It records only cash and bank transactions similar to a Two-Column Cash Book. Transactions other than cash and bank like depreciation, loss/ profit on sale of assets, etc. are not recorded in this account.
3. **No distinction between Capital and Revenue items:** It records all the cash and bank receipts and payments of both capital and revenue nature. Likewise, the transactions recorded in the Cash Book are also of both capital and revenue nature.
4. **Opening and closing balance:** It begins with the opening balance of cash and bank and ends with the closing balance of the cash and bank (balancing figure) at the end of the accounting period.
5. **Purpose:** It reveals the cash position of an organisation. It helps to ascertain the total amount paid and received during an accounting period. Similarly, a Cash Book also helps us to assess the cash position of an organisation.

Thus, on the basis of the above mentioned points and similarities, the statement 'Receipt and Payment Account is a summarised version of Cash Book' is justified.

Q2 :

"Income and Expenditure Account of a Not-for-Profit Organisation is akin to Profit and Loss Account of a business concern". Explain the statement.

Answer :

Income and Expenditure Account (I&E) is similar to Profit and Loss Account (P&L), in the sense that the former is prepared by Not-for-profit-Organisations and the latter is prepared by profit earning organisations. Both the accounts are prepared on the accrual basis.

Similar to the P&L, all the expenses and losses pertaining to the current accounting period are recorded on the debit side (Expenditure side) and all the gains and income of the current accounting period are recorded on the credit side (Income side) of the I&E. The balancing figure of the I&E is surplus or deficit and that of the P&L is net profit or net loss. Both the accounts record only revenue items which are related to the current accounting period.

Similarities between Income and Expenditure Account and Profit and Loss Account

I&E Account of an NPO is akin to the Profit and Loss Account of a profit earning business in the following manners.

1. **Nature of Account:** Both the concerned accounts are nominal in nature.
2. **Basis of Recording:** Both the accounts record only revenue expenses and revenue income related to the current accounting period. The items of capital nature are not ignored while preparing these accounts.

3. **Period:** Transactions related to current year are recorded in Income and Expenditure account in the same manner in which profit and loss account is prepared. Transactions related to previous year or next year are excluded.

4. **Adjustments:** The treatment of adjustments like, outstanding expenses, prepaid expenses, income received in advance, income due but not received, depreciation, bad debts etc. is same as that in Profit and Loss Account. Thus, both the accounts are prepared on the accrual basis.

Q3 :

Distinguish between Receipts and Payments Account and Income and Expenditure Account.

Answer :

Basis of Difference	Receipts and Payments Account	Income and Expenditure Account
1. Nature	It is a summary of cash and bank transactions	It is a summary of current year income and expenses
2. Revenue and Capital	It records transactions related to both revenue and capital nature.	It records transactions related to revenue nature only.
3. Debit Side	Debit side of this account records cash and bank receipts during an accounting period.	Debit side of this account records expenses and losses incurred in the current accounting period.
4. Credit side	Credit side of this account records payments in cash and through cheques.	Credit side of this account records income and gains earned in the current accounting period.
5. Type of account	It is a Real Account	It is a Nominal Account
6. Period	It records receipts and payments made during the year that may be related to the current accounting period or the preceding period and the succeeding accounting period.	It only records income and expenditure made during the current accounting period.
7. Object	This account depicts the cash position of an NPO.	This account shows the net result in terms of surplus or deficits due to the business activities during the year.
8. Opening Balance	This account begins with the opening balance of cash in hand and cash at bank or overdraft.	Usually, it has no opening balance but sometimes surplus or deficits forwarded from the last accounting period (if not added to the Capital Fund) can be shown as the opening balance of this account.
9. Closing balance	The balancing figure of this account is expressed in terms of the closing balance of cash in hand and cash at bank or overdraft.	The balancing figure is expressed in terms of either surplus (if incomes > expenses) or deficit (if expenses > incomes).
10. Depreciation	It does not include non-cash items like depreciation, appreciation, etc.	It includes non-cash items like depreciation, bad-debts, provisions, etc. in order to ascertain the actual net profit or net loss.
11. Adjustment	Receipts and Payments during the year can be adjusted before preparation of the financial statements.	Adjustments regarding both cash and non-cash transactions can be made.

12. Transfer of Balance	The opening balance of this account is brought forward from the last year's Receipts and Payments Account and the closing balance of this account is carried forward to the subsequent year's Receipts and Payments Account and is shown in the Balance Sheet of the current accounting period.	If the closing balance of this account is surplus then it is added to the Capital Fund in the Balance Sheet. If the closing balance is deficit then it is deducted from the Capital Fund in the Balance Sheet.
13. System	It is prepared on cash basis.	It is prepared on accrual basis.

Q4 :

Explain the basic features of Income and Expenditure Account and of Receipt and Payment Account.

Answer :

Income and Expenditure Account (I&E) Account is a Nominal Account and is prepared on the accrual basis. It records all transactions of revenue nature that are related to the current accounting period (whether outstanding or prepaid) for which the books are maintained. All expenses and losses are recorded on the debit side (Expenditure side) and all income and gains are recorded on the credit side (Income side) of I&E Account. The closing balance or the balancing figure of I&E Account is termed as surplus (or deficit), if the sum total of the Income side exceeds (is lesser than) the sum total of the Expenditure side.

The following are the basic features of Income and Expenditure Account

1. **Nature:** It is a Nominal Account. The debit side of I&E records all expenses and losses and the credit side records all incomes and gains related to the current accounting period.
2. **Basis:** It is prepared on the basis of Receipt and Payment Account (R&P). All the revenues items whether incomes or expenditures are transferred from R&P.
3. **Excludes Capital Transactions:** The transactions those are capital in nature are excluded from this account. For example, only profit or loss on sale of fixed assets is recorded but the total amount of sales is not recorded since sale of fixed asset is considered as a capital receipt.
4. **Akin to Profit and Loss Account:** Income and Expenditure Account (I&E) is similar to the Profit and Loss Account in the sense that while the former is prepared to ascertain surplus or deficit during an accounting period the latter is prepared to ascertain net profit or net loss incurred during an accounting period.
5. **Records only Current Year's items:** This account records only those transactions that are related to current accounting year. In other words, transactions related to the preceding or succeeding accounting period are excluded even if these transactions are realised in the current period.
6. **Adjustments:** Various cash and non-cash items like, outstanding expenses, prepaid expenses, income received in advance, income due but not received, depreciation, bad debts, etc. can be adjusted in this account.
7. **Balancing Figure:** The balancing figure of this account is expressed in terms of either surplus (if incomes > expenses) or deficit (if expenses > incomes). The surplus balance, if any, is added to the Capital Fund, whereas, the deficit balance, if any, is deducted from the Capital Fund.

Receipts and Payments Account is a summary of the Cash Book. All the cash receipts are recorded on the Receipts side (i.e. Debit side) and all the cash payments are recorded on the Payments side (i.e. Credit side) of Receipts and Payments Account. It is prepared on the basis of cash and bank transactions recorded in the Cash Book. It begins with the opening balance of cash and bank and ends with the closing balances of cash and bank (balancing figure) at the end of the accounting period. It records all the cash and bank transactions both of capital and revenue nature. It not only records the cash and bank transactions relating to the current accounting period but also cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period.

The following are the features of Receipt and Payment Account.

1. **Nature:** It is a Real Account. It is a summarised version of the Cash Book.

2. **Nature of Transactions:** It records only cash and bank transactions. Transactions other than cash and bank like depreciation, loss/ profit on sale of assets, etc. are not recorded in this account.
3. **No distinction between Capital and Revenue items:** It records all cash and bank receipts and payments of both capital and revenue nature.
4. **Opening and closing balance:** It begins with the opening balance of cash and bank and ends with the closing balance of the cash and bank (balancing figure) at the end of the accounting period.
5. **Purpose:** It reveals the cash position of an organisation. It helps to ascertain the total amount paid and received during an accounting period.

Q5 :

Show the treatment of the following items by a Not-for-Profit Organisation:

- (i) Annual subscription
- (ii) Specific donation
- (iii) Sale of fixed assets
- (iv) Sale of old periodicals
- (v) Sale of sports materials
- (vi) Life membership fee

Answer :

i) Annual Subscription

- a) Subscriptions received during an accounting year (whether related to the current year or previous and subsequent year) are shown on the debit side of the Receipts and Payments Account.
- b) Subscription amount related to the current accounting year only, whether received or yet to be received are shown on the credit side of the Income and Expenditure Account.
- c) Subscriptions received in advance for the subsequent year are shown on the Liabilities side of the Balance Sheet.
- d) Subscriptions due but not received are shown in the Assets side of the Balance Sheet.

ii) Specific donation

- a) The amount received for specific donation is shown on the debit side of the Receipts and Payments Accounts.
- b) The amount received for specific donation is shown on the Liabilities side of the Balance Sheet as it is used for the specific purpose for which it is received.

iii) Sale of fixed assets

- a) The amount received from the sale of fixed assets are recorded on the debit side of the Receipts and Payments Account.
- b) Profit (or loss) on the sale of fixed assets is credited (or debited) to the Income and Expenditure Account.

c) The book-value of the fixed assets sold is deducted from its respective assets on the Assets side of the Balance Sheet.

iv) Sale of old periodicals

a) The amount received from the sale of old periodicals are shown on the debit side of the Receipts and Payments Account.

b) As the sale of old periodicals by any organisation is considered as revenue receipts, so it is shown on the credit side of the Income and Expenditure Account.

v) Sale of sport Materials

a) The amount received from the sale of sport materials are debited to the Receipt and Payments Account.

b) As the sale of sport materials by any sport club is considered as revenue income, so it is shown on the credit side of the Income and Expenditure Account.

vi) Life Membership Fees

a) The amount paid by a person to become a member of an organisation is called life membership fees. As this is a receipt for an NPO, so it is debited to the Receipt and Payment Account.

b) Life Membership fees is not recurring in nature and received once for a whole life from a member. Thus, as Life Membership Fees are capital receipts, so these are added to the Capital Fund on the Liabilities side of the Balance Sheet.

Q6 :

Show the treatment of items of Income and Expenditure Account when there is a specific fund for those items.

Answer :

There are various sources of receipts like donations, subscriptions, government grants, etc. to an NPO. Some receipts are specific while others are general. While the former can only be used for the specific purpose for which they are received, the latter can be used for any purpose. For example, if donation is received for construction of buildings, then this donation is a specific donation and thereby can only be used for construction of the building. The specific receipts are not considered as revenue income for the NPO and hence are not shown in the Income and Expenditure Account. In fact, such receipts are considered as liabilities to the NPO as these amounts are received for specific purpose and cannot be used for any other purpose. Specific receipts are shown in the Liabilities side of the Balance Sheet, until and unless they are fully set off against the purpose for which they are received. On the other hand, if these amounts are invested outside the organisations (in the form of shares, debentures, etc.), then these are called funds like, match funds, prize fund, etc. The interest and income earned on such investments are not credited to the Income and Expenditure Account but in fact are credited to the respective Fund Account. Similarly, the expenses incurred for such funds are not debited to the Income and Expenditure Account but, in fact, are debited to the respective Fund Account. These special funds are shown in the Liabilities side of the Balance Sheet. In case, if the related expenses exceed the related receipts of the fund, then the difference is shown in the income and Expenditure Account.

Treatment

(Tournament/Match/Prize, etc.) Fund Account

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Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
	Expenses (expenses incurred like, match expenses, tournament expenses)				Balance b/d		
					Incomes (income or interest earned on funds invested in the form of donation, interests, dividends, etc.)		
	Balanace c/d (see explanation)		(a)		Income and Expenditure A/c (see explanation)		(b)

Explanation (a)

If the receipts exceed the expenses for specific purpose then the difference between the two is shown in the Liabilities side of the Balance Sheet

Balance Sheet

Specific Fund (i.e. Tournament, Match, Prize Fund, etc.)		Tournament Fund Investment	
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Explanation (b)

If the expenses exceed the receipts for the specific purpose then the difference between the two is shown in the Expenditure side of the Income and Expenditure Account.

Income and Expenditure A/c

Expenditure	Amount	Income	Amount
Expenses (i.e. Tournament, Match, Prize Expenses etc. except capital expenditure like, i.e. expenses on construction of building)			

Q7 :

What is Receipt and Payment Account? How is it different from Income and Expenditure Account?

Answer :

Receipts and Payments Account is a summary of the Cash Book. All the cash receipts are recorded on the Receipts side (i.e. Debit side) and all the cash payments are recorded on the Payments side (i.e. Credit side) of Receipts and Payments Account. It is prepared on the basis of cash and bank transactions recorded in the Cash Book. It begins with the opening balance of cash and bank and ends with the closing balances of cash and bank (balancing figure) at the end of the accounting period. It records all cash and bank transactions both of capital and revenue nature. It not only records cash and bank transactions relating to the current accounting period, but also cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period.

Distinguish between Receipts and Payments Account and Income and Expenditure Account

Basis of Difference	Receipts and Payments Account	Income and Expenditure Account
1. Nature	It is a summary of cash and bank transactions	It is a summary of current year income and expenses
2. Revenue and Capital	It records transactions related to both revenue and capital nature.	It records transactions related to revenue nature only.
3. Debit Side	Debit side of this account records cash and bank receipts during an accounting period.	Debit side of this account records expenses and losses incurred in the current accounting period.
4. Credit side	Credit side of this account records payments in cash and through cheques.	Credit side of this account records income and gains earned in the current accounting period.
5. Type of account	It is a Real Account	It is a Nominal Account
6. Period	It records receipts and	It only records income and

	payments made during the year that may be related to the current accounting period or the preceding period and the succeeding accounting period.	expenditure made during the current accounting period.
7. Object	This account depicts the cash position of an NPO.	This account shows the net result in terms of surplus or deficits due to the business activities during the year.
8. Opening Balance	This account begins with the opening balance of cash in hand and cash at bank or overdraft.	Usually, it has no opening balance, but sometimes surplus or deficits forwarded from the last accounting period (if not added to the Capital Fund) can be shown as the opening balance of this account.
9. Closing balance	The balancing figure of this account is expressed in terms of the closing balance of cash in hand and cash at bank or overdraft.	The balancing figure is expressed in terms of either surplus (if incomes > expenses) or deficit (if expenses > incomes).
10. Depreciation	It does not include non-cash items like depreciation, appreciation, etc.	It includes non-cash items like depreciation, bad-debts, provisions, etc. in order to ascertain the actual net profit or net loss.
11. Adjustment	Receipts and Payments during the year can be adjusted before preparation of the financial statements.	Adjustments regarding both cash and non-cash transactions can be made.
12. Transfer of Balance	The opening balance of this account is brought forward from the last year's Receipts and Payments Account and the closing balance of this account is carried forward to the subsequent year's Receipts and Payments Account and is shown in the Balance Sheet of the current accounting period.	If the closing balance of this account is surplus then it is added to the Capital Fund in the Balance Sheet. If the closing balance is deficit then it is deducted from the Capital Fund in the Balance Sheet.
13. System	It is prepared on the cash basis.	It is prepared on the accrual basis.

