

Chapter 1

Accounting For Not For Profit Organization

Question 1:

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

ANSWER:

Not-for-Profit Organizations (NPO) are set up with the prime objective of providing services and not to earn profit thereby enhancing the welfare of society. Such organizations include schools, hospitals, trade unions, religious organizations, 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.

Question 2:

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.

Question 3:

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.

Question 4:

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.

Question 5:

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).

Question 6:

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		***
Add: Subscription received (in advance) during previous year for current year	***	
Add: Subscription outstanding at the end of the year	***	***
Less: Subscription received in advance for the next year	***	
Less: 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.

Question 7:

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

Question 8:

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.

Question 9:

“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.

Question 10:

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.

Question 11:

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.

Question 12:

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.

Question 13:

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

Dr.

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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.)		
	Balance c/d				Income and Expenditure		(b)

	(see explanation)		(a)		A/c (see explanation)		

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, 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)			
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Question 14:

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 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	If the closing balance of this account is surplus then it is added

	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.	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.

Question 15:

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

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ANSWER:

Books of Health Club
Receipt and Payment Account

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Receipts	Amount	Payments	Amount
	Rs		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

Question 16:

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

Receipt and Payment Account for the year ending March 31, 2015

Receipts	Amount	Payments	Amount
	Rs		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, 2015 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.

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ANSWER:**Books of Harimohan Charitable Institution
Income and Expenditure Account**

Dr.

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Expenditure		Amount	Income		Amount
		Rs			Rs
Rent and Taxes	4,000		Donations		16,000
Add:			Legacies		12,000
Outstanding	800	4,800	Subscriptions		50,200
			Interest on Investment		
Salaries	10,400			3,800	
Add:			Add:		
Outstanding	1,200		Accrued Interest 2,000		5,800
			Interest on Deposits		800
Advertisement	1,100		Sale of Old Newspapers		500
Add: Outstanding	200	1300			
Charities		60,000			
Printing		1,000			
Postage		300			

Insurance	4,800		
Surplus (Excess of Income Expenditure)	1,500		
	85,300		85,300

Question 17:

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	Income	Amount
	Rs		Rs
Salaries	68,000	Fees Collected	
			5,20,000
Less: Previous year's Outstanding	(5,000)	Less: Previous year's Outstanding	(80,000)

63,000		4,40,000	
Add: Current year's Outstanding	3,000	Add: Current year's Outstanding	30,000
	66,000		4,70,000
Entertainment Expenses	8,000	Donations	25,000
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 over Expenditure)	3,23,00		
	4,95,00		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.

Question 18:

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 1.4.2015	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	Income	Amount
	Rs		Rs
		Interest on General Fund Investments	8,000

Balance Sheet

Liabilities	Amount	Assets	Amount
	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> </u>			
54,000			
Less: Expenses on Sports Event (4,000)			
Less: Prize Awarded (10,000)			
	40,000		
General Fund	80,000		

Question 19:

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 31.3.2017 and its Balance Sheet as on 31.3.2017:

	Rs
(a)	
Donation received during the year for the construction of a permanent Pavilion	12,25,000
Expenditure incurred up to 31.3.2017 on its construction	10,80,000
The total estimated expenditure on construction of Pavilion being	25,00,000
(b)	
Tournament Fund:	
Balance as on 1.4.2016	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, 2017

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

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, 2017

Liabilities	Amount	Assets	Amount
	Rs		Rs
Tournament Fund	10,700		
Add: Subscription for Tournament	65,800		

	76,500		
Less: Tournament Expenses	(72,400)		

	4,100		

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, 2017

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

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.

Question 20:

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, 2017.

Receipt and Payment Account for the year ending
as on December 31, 2017

Receipts	Amount	Payments	Amount
	Rs		Rs
Balance b/d		General Expenses	3200
Cash in hand	4,000	News paper	1850
Cash at Bank	15,550	Electricity	3,000
Subscriptions		Fixed deposit with bank	18,000
2016	1,200		
2017	26,500		
2018	500	Salary	36,00
	28,200		
Sale of old newspapers	1250	Rent	6,500
Govt. grant	12,000	Postage charges	300
Sale of old furniture (book value Rs 5, 000)	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 31.12.2016 Rs 2,000 and on December 31, 2017 Rs 1,500.
- (ii) On December 31, 2017 Salary outstanding Rs 600, and one month

- Rent paid in advance.
- (iii) On Jan. 01, 2016 organisation owned Furniture Rs 12,000, Books Rs 5,000.

ANSWER:

Books of Adult Literacy Organisation
Income and Expenditure accounts
as on Dec. 31, 2017

Dr.

Cr.

Expenditure	Amount	Income	Amount
	Rs		Rs
Loss on Sale of Old Furniture	1300	Subscription	26,500
General Expenses	3200	Add:	
Newspapers	1850	Outstanding	1,500
Electricity	3000	for 2017	28,000
Salary	3,600	Sale of Old Newspapers	1,250
Add: Outstanding for 2017	4200	Government Grant	12,000
600			450
Rent	6,500	Interest received on F.D.	
		Add: Accrued Interest	450
			900

Less: Prepaid for 2018 {6,500×(1/13)} 500			
	6000		
Postages Charges			
Surplus (Excess of Income over Expenditure)	300 22,300		
	42,150		42,150

Balance Sheet
as on Dec. 31, 2016

Liabilities	Amount	Assets	Amount
	Rs		Rs
Capital Fund on Dec. 31, 2016 (Balancing Figure)	38,550	Subscription Outstanding	2,000
		Cash in Hand	4,000
		Cash at Bank	15,550
		Furniture	12,000
		Books	5,000
	38,550		38,550

Balance Sheet
as on Dec. 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Capital	38,550	Prepaid Rent	500
Add: Surplus	22,300	Books	5,000
-----	60,850	Add: Purchases	7,000
Salary Outstanding	600	-----	
Subscription Received in Advance for 2018	500	Furniture	12,000
		Add:	10,500
		Purchases	-----
		22,500	
		Less: Sale	(5,000)
		-----	17,500
		Fixed Deposit	18,000
		Add: Accrued	
		Interest	450
		-----	18,450
		Cash in Hand	
		Cash at Bank	
		Subscription Outstanding	

		for 2017	1500	
		Add:		
		Outstanding		
		for 2016	800	2300
	61,950			61,950

Question 21:

The following is the account of cash transactions of the Nari Kalayan Samittee for the year ended December 31, 2017:

Receipts	Amount	Payments	Amount
	Rs		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 Rs 1,000)	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 2018.
- (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 Samitte
Income and Expenditure Account
as on Dec. 31, 2017

Dr.

Cr.

Expenditure	Amount	Income	Amount
	Rs		Rs
Rent	6,600	Subscription	
		32,500	
Electric Charges	3,200	Add:	
		Outstanding for	
		2017	750

Lecturer's fee	730	33,250	
Office Expenses	1,480	Less:	
		Advance	(500)
		for 2018	-----
Printing and Stationery	1,050	Donation	2500
Legal Fee	1,870	Profit	7250
		from	
Depreciation on:		Entertainment	
		Interest	350
Books	750		
Furniture	580		
Building	1,000		
	2,330		

Expenses on Nukar Drama	1300		
Loss on Sale of Books	250		
Surplus	24,040		

Balance Sheet
as on Dec. 31, 2016

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund as Dec. 31, 2016	27,270	Building	20,000
(Balancing Figure)		Furniture	3,000
		Books	2,000
		Cash and Bank	2,270
	27,270		27,270

Balance Sheet
as on Dec. 31, 2017

Liabilities	Amount	Assets		Amount
	Rs			Rs
Capital Fund	27,270	Building	20,000	
Add: Life Membership Fees	3,250	Less: 5% Depreciation	(1,000)	19,000
Add: Surplus	24,040			
	-----	Furniture	3,000	
Advance Subscription for 2018	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
		Cash in Hand	8,040
		Cash at Bank	9,500
		Subscription Outstanding	750
	55,060		55,060

Question 22:

Following is the Receipt and Payment Account of Indian Sports Club, prepared Income and Expenditure Account, Balance Sheet as on December 31, 2017:

Receipt and Payment Account

For the year ending December 31, 2017

Receipts	Amount	Payments	Amount
	Rs		Rs
Balance b/d	7,890	Salary	11,000
Subscriptions	52,000	Electric charges	5,500

Life membership 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 1.10.17 for 10% p.a)	30,000
	1,33,290		1,33,290

Other Information:

Subscription outstanding was on December 31, 2016 Rs 1,200 and Rs 3,200 on December 31, 2017. Locker rent outstanding on December 31, 2017 Rs 250. Salary outstanding on December 31, 2017 Rs 1,000.

On January 1, 2017, 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, 2017

Dr.

Cr.

Expenditure		Amount	Income		Amount
		Rs			Rs
Salary	11,000		Subscriptions	52,000	
Add: Outstanding for 2017	1,000	12,000	Add: Outstanding for 2017	3,200	
	-----			-----	
Electric Charges		5,500		55,200	

Office Expenses	4,100	Less: Outstanding for 2016	54,000
Printing and Stationery	2,300	(1,200)	
Repair of Ground	2,000	-----	
		Locker Rent	1250
		Add: Outstanding for 2017	1500
Depreciation on:		250	

Furniture	1970		
Building	3,600		3,200
Sports Equipments	2,730	8,300	

Surplus		26,300	
		Profit on Sale of Sports 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, 2016

Liabilities	Amount	Assets	Amount
	Rs		Rs
Capital Fund (Balancing Figure)	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, 2017

Liabilities	Amount	Assets	Amount
	Rs		Rs
Salary Outstanding	1,000	Subscribing Outstanding	3200
Tournament Fund 26,000		Locker Rent Outstanding	250

Less: Tournament Expenses	18,500	7500	Building	36,000	
	-----		Less: 10% Depreciation	(3600)	32400

Capital fund	74,590		Furniture	12,000	
Add: Life Membership Fee	2,200		Add: Purchases	7,700	

Add: Legacy	37,500			19,700	
Add: Surplus	26,300	1,40,590	Less 10% Depreciation	(1,970)	17,730
	-----			-----	
			Sports Equipments	17,500	
			Add Purchases	12,000	

				29,500	
			Less: Sales	(2,200)	

				27,300	

		Less: 10% Depreciation	(2730)	24,570

		Billiard Table		
		Cash in hand		
		Cash at Bank		
		Fixed Deposit	30,000	
		Add: Accrued Interest	750	30,750

	1,49,090			1,49,090

Question 23:

From the following Receipt and Payment Account of Jan Kalyan Club, prepare Income and Expenditure Account and Balance Sheet for the year ending March 31, 2017.

Receipt and Payment Account
For the year ending March 31, 2017

Receipts	Amount	Payments	Amount
	Rs		Rs
Cash in hand as on 1.4.16	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 31.3.2017	1,800
	86,800		86,800

Additional Information:

		As on 1.04.2016	As on 31.03.2017
(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 March 2017**

Dr.**Cr.**

Expenditure	Amount Rs	Income	Amount Rs
Loss on Sale of Furniture (Rs 6,000 – Rs 4,000)	2,000	Subscription	60,200
Salaries	24,000	Less: Outstanding	

		for 2016	(2,000)	

Traveling Expenses	6,000		58,200	
Stationery	2,300	<i>Add: Outstanding for 2017</i>	3,700	

<i>Add: Opening Stock</i>	1,200		61,900	
	-----	<i>Add: Advance in 2016</i>	1,000	
	3500		-----	
<i>Less: Closing Stock</i>	(800)		62,900	

	-	<i>Less: Advance in 2017</i>	(3200)	59,700
Repairs	700			
Rent	16,000	Donation		3,000
<i>Less: Outstanding for 2016</i>	(1,000)			
	-----	Entrance fees		800
	15,000	Interest on Investment		5,000
<i>Add: Outstanding for 2017</i>	2,000			

	17000			

Depreciation on Books	3000		
Depreciation on Furniture	2000		
Surplus	11,100		
	68,500		68,500

Balance Sheet
as on April 01, 2016

Liabilities	Amount Rs	Assets	Amount Rs
Advance Subscription	1,000	Cash in Hand	6800
Outstanding Rent	1,000	Investment {5,000 × (100/5)}	1,00,000
Capital Fund (Balancing figure)	1,37,500	Subscription Outstanding	2000
		Stock of Stationery	1200
		Books	13,500
		Furniture	16,000

	1,39,500		1,39,500

Balance Sheet
as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Advance Subscription	3,200	Subscription Outstanding	3700
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	16,000	
		Less: Sales	6,000	

			10,000	
		Less:		8000
		Depreciation (2,000)		
	1,60,800			1,60,800

Question 24:

Receipt and Payment Account of Shankar Sports club is given below, for the year ended March 31, 2017

Receipt and Payment Account

for the year ending March 31, 2017

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
	3,000	Postage	1,000

Profit from entertainment			
	40,000	Salary	24,000
Subscription		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 March 31, 2016 is Rs 1, 200 and Rs 2,300 on March 31, 2017, opening stock of postage stamps is Rs 300 and closing stock is Rs 200, Rent Rs 1,500 related to 2015 and Rs 1,500 is still unpaid.

On April 01, 2016 the club owned furniture Rs 15,000, Furniture valued at Rs 22,500

On March 31, 2017. The club took a loan of Rs 20,000 (@ 10% p.a.) in 2017.

ANSWER:

Books of Shankar Sports Club
Income and Expenditure Account
as on 31 Dec. 2017

Dr.

Cr.

Expenditure		Amount	Income		Amount
		Rs			Rs
Rent	18,000		Entrance Fees		3,200
Add: Outstanding for 2017	1500		Locker Rent		1,200
	-----		Profit from Entertainment		3,000
	19500		Subscription	40,000	
Less: Outstanding for 2016	(1,500)	18000	Less: Outstanding for 2016	(1,200)	
Wages		7,000		-----	
				38,800	
Depreciation on Furniture		2,500	Add: Outstanding for 2017	2,300	
Interest		2000		-----	41,100
Postage	1000		Deficit (Balancing Figure)		6,100
Add: Opening Stock	300				

	1300			
<i>Less: Closing Stock</i>	(200)	1,100		

Salaries		24,000		
		54,600		54,600

Balance Sheet
as on December 31, 2016

Liabilities	Amount Rs	Assets	Amount Rs
Rent Outstanding	1,500	Cash in Hand	2600
10% Loan	20,000	Subscription Outstanding	1,200
		Furniture	15,000
		Stock of Postage Stamps	300
		Capital fund Deficit (Balancing figure)	2,400
	21,500		21,500

Balance Sheet
as on December 31, 2017

Expenditure	Amount	Income	Amount
	Rs		Rs
Rent Outstanding	1,500	Subscription Outstanding	2300
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

		25,000	
Less: Deficit	(6,100)	Less: Depreciation	(2500)
		Cash in Hand	4000
		* Capital Fund (Deficit)	1500
	44,500		44,500

* NOTE 1:

Capital Fund	(2,400)
Add: Life Membership Fees	7,000
Less: Deficit	(6,100)
Net Deficit	<u>(1,500)</u>

Question 25:

Prepare Income and Expenditure Account and Balance Sheet for the year ended March 31, 2016 from the following Receipt and Payment Account and Balance Sheet of culture club:

Receipt and Payment Account
For the year ending March 31, 2016

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Opening cash balance	12,000	Furniture	4,000
Subscription		Telephone expenses	800
2014- 15 2,000		Salary	
2015-16 22,000	24,000	2014-15	1000
Entrance fees	2,800	2015-16	4000

Locker rent	1,000	Newspapers	700
Life membership fee	1,200	Sundry expenses	1000
Government grant	11,000	Defence bonds	18000
		Land	20,000
		Closing cash balance	2,500
	52,000		52,000

Balance Sheet
for the year ending March 31, 2016

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Advance locker rent	200	Cash in hand	12,000
Subscription received in Advance	1000	Outstanding subscription	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 March 31, 2016**

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
Telephone Expenses	800	Subscription	22,000
		Add:	
		Advance Received	
Salary	4000	in 2015	<u>1000</u>
Newspapers	700		23,000
Sundry Expenses	1,000	Entrance Fees	2800
		Locker Rent	1,000
		Add: Advance Received	
Surplus (Balancing figure)	31,500	in 2015	<u>200</u>
		Government Grants	11,000
	38,000		38,000

**Balance Sheet
as on March 31, 2016**

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund	36,800	Subscription Still Outstanding for 2015	1000
Add: Life			

Membership Fees 1,200		(Rs 3,000 – Rs 2,000)	
Add: Surplus 31,500	69,500	Furniture	4000
-----		Defence Bonds	18000
-			
Salary Still Outstanding for 2015	1,000	Land	20,000
Loan	10,000	Building	35,000
		Cash in Hand	2,500
	80,500		80,500

Question 26:

From the following Receipt and Payment Account prepare final accounts of a Unity Club for the year ended March 31, 2017.

Receipt and Payment Accounts for the year ending March 31, 2017

Receipts	Amount	Payments	Amount
	Rs		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
2015–16 18,000		General expenses	18,000

2016–17	60,000		Electric charges	12,000
2017–18	12,000	90,000	Newspapers	33,800
Sale of old newspapers		10,800	Postage	3,000
Profit from entertainment		44,000	Stationary	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, 2016

Liabilities	Amount	Assets	Amount
	Rs		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 31.3.2016 salaries outstanding amounted to Rs 1,200 and salaries paid included Rs 6,000 for the year 2015–16.
3. Provide 5% depreciation on Land and Building.

ANSWER:

Books of Unity Club
Income and Expenditure Account
as on March 31, 2017

Dr.

Cr.

Expenditure	Amount	Income	Amount
	Rs		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
Add: Outstanding for 2015		Profit from Entertainment	44,000

-16	1200			

	73,200		Rent	84,000
Less:				
Outstanding				
for				
2016				
-17	(6,000)	67,200		

General	18,000		Deficit	
Expenses			(Balancing	200
Electric	12,000		figure)	
Charges				
Newspapers	33,800			
Postage	3,000			
Stationery	40,000			
Audit Fees	8,000			
Depreciation on	30,000			
Land and				
Building				
	2,14,000			2,14,000

Balance Sheet

as on 31 March 2017

Liabilities	Amount Rs	Assets	Amount Rs
Advance Subscription (for 2017–18)	12,000	Subscription Outstanding	15,000
Salaries Outstanding	1,200	Furniture	37,000
Capital Fund	6,94,000	Add:	18,000
Less: Deficit	(200)	Purchases	-----
	6,93,800		55,000
		Less: Sales	(6000) 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

Question 27:

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, 2016	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 March 31, 2016

Dr.

Cr.

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

Balance Sheet
as on March 31, 2016

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	(7000)		
	-----	95,000	
General Fund		2,00,000	

Question 28:

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, 2017.

The additional information was as under:

1. Subscription Outstanding as on March 31, 2016 were Rs 6,500,
2. Subscription received in advance as on March 31, 2016 were Rs 4,100,
3. Subscription Outstanding as on March 31, 2017 were Rs 5,400,
4. Subscription received in advance as on March 31, 2017 were Rs 2,500.

Show how that above information would appear in the final accounts for the year ended on March 31, 2017 of Maitrey Sports Club.

ANSWER:

**Books of Maitrey Sports Club
Income and Expenditure Account
as on March 31, 2017**

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
		Subscription	68,500
		Less: O/s on Mar. 31, 2016	(6500)

			62,000
		Add: Advance on Mar. 31, 2016	4,100
		Add: O/s on Mar. 31, 2017	5400

			71,500
		Less: Advance on Mar. 31, 2017	(2500)

			69000

Balance Sheet
as on March 31, 2016

Liabilities	Amount	Assets	Amount
	Rs		Rs
Subscription in Advance	4,100	Subscription Outstanding	6500

Balance Sheet
as on March 31, 2017

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

Question 29*:

Following is the Receipt and Payment account of Rohatgi Trust :

Receipt and Payment Account
for the year ending December 31, 2017

Receipts	Amount	Payments	Amount
	Rs		Rs
Cash in hand	14,000	Rent	6,000
Cash at Bank	60,000	Salary	12,000

Subscriptions:		Postage	300
2016	5,000	Electricity charges	6,000
2017	83,000	Purchase of furniture	20,000
2018	3,000	Books	3,000

	91,000		
Sale of Investment	90,000	Defence Bonds	1,50,000
Interest on investment	2,000	Help to needy students	22,000
Sale of furniture (book value Rs 3,000)	3,200	Cash in hand	10,900
		Cash at bank	30,000
	2,60,200		2,60,200

Prepare Income and expenditure account for the year ended December 31, 2017, and a balance sheet as on that date after the following adjustments: Subscription for 2017, still owing were Rs 7,000. Interest due on defence bonds was Rs 7,000, 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 2017 included Rs 400 from a life member. The total furniture on January 1, 2017 was worth Rs 12,000. Salary paid for the year 2018 is Rs 2,000.

Answer:

Books of Rohatgi Trust
Income and Expenditure Account
as on December 31, 2017

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
Rent 6,000		Subscription 83,000	
Add: 1,000	7000	Add: Outstanding 7000	
Outstanding		for 2017	-----
-----			90,000
Salary 12,000		Less: Life Membership Fees (400)	89,600
Less: Advance 2000	10,000	-----	
for 2018			
-----		Interest Accrued on Defence Bonds	7,000
		Profit on Sale of Investment	
Postage 300	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 (Balancing Figure)	63,500		
	1,08,800		1,08,800

**Balance Sheet
as on December 31, 2016**

Liabilities	Amount Rs	Assets	Amount Rs
Capital fund (Balancing Figure)	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, 2017

Expenditure	Amount	Income	Amount
	Rs		Rs
Advance Subscription	3,000	Subscription Outstanding	7,000
Rent Outstanding	1,000	Defence Bonds	1,50,000
Capital Fund		Add: Accrued Interest on Defence Bonds	
2,01,000		7,000	1,57,000
Add: Surplus	63,500	Investment	30,000
Add: Life Membership Fees	400	Advance Salaries	2,000
-----	2,64,900	Furniture	12,000
		Add: Purchases	20,000

	2,68,900		2,68,900

Question 30:

Following Receipt and Payment Account was prepared from the cash book of Delhi Charitable Trust for the year ending December 31, 2017

Receipt and Payment Account
for the year ending December 31, 2017

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, 2017, and a balance sheet as on that date after the following adjustments:

- (a) It was decided to treat one-third of the amount received on account of donation as income.
- (b) Insurance premium was paid in advance for three months.
- (c) Interest on investment Rs1,100 accrued was not received.
- (d) Rent Rs600: salary Rs900 and advertisement expenses Rs1,000 outstanding as on December 31, 2017.

Answer:

Books of Delhi Charitable Trust
Income and Expenditure Account
as on December 31, 2017

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
Insurance 2,000		Donation {9,000×(1/3)}	3,000
Less: Prepaid {2,000 × (3/15)}	(400)	Interest on Investments 4500	
-----	1600	Add: Accrued Interest 1,100	5,600

Charity	11,500		
Rent and Taxes 3,200		Subscription	42,800
Add: Outstanding 600	3,800	Sale of Old Newspapers	200
Salary 6,000			
Add: Outstanding 900	6,900		

Printing	600		
Postage	300		
Advertisements	4,500		
Add:			
Outstanding	1,000	5,500	

Surplus (Balancing figure)	21,400		
	51,600		51,600

Balance Sheet

as on December 31, 2016

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

Balance Sheet
as on December 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Capital Fund	24,100	Prepaid Insurance {2,000 × (3/15)}	400
Add: Donation {9,000 × (2/3)}	6,000	Investment	23,000
		Add: Accrued Interest	1,100
		-----	24,100
Add: Legacies	18,000	Furniture	21,600
Add: Surplus	21,400		
-----	600	Cash in Hand	9,900
Rent Outstanding	900	Cash at Bank	16,000
Salary Outstanding	1000		
Advertisement Expenses Outstanding			
	72,000		72,000

Question 31:

From the following Receipt and Payment Account of a club, prepare Income and Expenditure Account for the year ended March 31, 2017 and the Balance Sheet as on that date.

Receipt and Payment Account
for the year ending March 31, 2017

Receipts	Amount Rs	Payments	Amount Rs
Balance b/d	3,500	General expenses	900
		Salary	16,000
Subscription: 2015-16 2000		Postage	1,300
2016-17 70,000	75,000	Electricity charges	7,800
2017-18 3,000		Furniture	26,500
Sale of old Books	2000	Books	13,000
(Costing Rs 3,200)		Newspapers	600
Rent from use of hall	17,000	Meeting expenses	7,200
Sale of News papers	400	T.V. set	16,000

Profit from entertainment	7,300	Balance c/d	15,900
	1,05,200		1,05,200

Additional Information:

- (a) The club has 100 members each paying an annual subscription of Rs 900. Subscriptions outstanding on March 31, 2016 were Rs 3,600.
- (b) On March 31, 2017, salary outstanding amounted to Rs 1,000, Salary paid included Rs 1,000 for the year 2012.
- (c) On April 1, 2017 the club owned land and building Rs 25,000, furniture Rs 2,600 and books Rs 6,200.

ANSWER:

Income and Expenditure Account

as on December 31, 2017

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
General Expenses	900	Subscription	70,000
Salary	16000	Add: Outstanding for 2017	20,000
Add: Outstanding for 2017	1,000	(100 members at Rs 900 each)	
	-----	Rent from use of hall	17,000
	17,000		
Less: Outstanding for 2016 (1000)	16000	Sale of Old News Papers	400
	-----	Profit from Entertainment	7300
Loss on Sale of Old Books	1,200		
Electricity Charges	7800		
Newspapers	600		
Meeting Expenses	7200		

Postage	1300		
Surplus (Balancing figure)	79,700		
	1,14,700		1,14,700

Balance Sheet as on March 31, 2016

Liabilities	Amount	Assets	Amount
	Rs		Rs
Salary Outstanding	1000	Subscription Outstanding	3600
Capital Fund (Balancing figure)	39,900	Furniture	2,600
		Books	6,200
		Cash and Bank	3,500
		Building	25,000
	40,900		40,900

Balance Sheet
as on March 31, 2017

Liabilities		Amount Rs	Assets		Amount Rs
Advance Subscription		3,000	Subscription Outstanding		
Salary Outstanding		1,000	2017	20,000	
			Add: 2016 (Still Outstanding)	1,600	21,600

Capital Fund	39,900		Building		25,000
Add: Surplus	79,700	1,19,600	Furniture	2,600	
	-----		Add: Purchases	26,500	29,100

			Books	6,200	
			Add: Purchases	13,000	

				19,200	
			Less: Sales	3,200	16,000

			T.V. Sets		16,000
			Cash and Bank		15,900
		1,23,600			1,23,600

Question 32:

Following is the Receipt and Payment Account of Women's Welfare Club for the year ended December 31, 2017:

Receipt and Payment Account
for the year ending December 31, 2017

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	7,550
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:

	01.01.2017	31.12.2017
	Rs	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	-	1250
Stock of stationery	2250	750

Equipments	25,600	50,200
Building	1,20,000	1,14,000

Prepare Income and Expenditure Account for the year ended December 31, 2017 and Balance Sheet as on that date.

ANSWER:

Books of Women Welfare Club
Income and Expenditure Account
as on December 31, 2017

Dr.

Cr.

Expenditure		Amount Rs	Income		Amount Rs
Salary	12,500		Subscriptions	81,750	
Add: O/s on Dec. 31, 2017	1800		Add: O/s on Dec. 31, 2017	2,500	
	-----			-----	
	14,300			84,250	
Less: O/s on Dec. 31, 2016	(1200)	13,100	Less: O/s on Dec. 31, 2016	(3750)	
	-----			-----	
				80,500	
Stationery	1,700		Add: Advance		

			on Dec. 31, 2016	1750	

Add: Opening Stock	2,250			82,250	

	3,950		Less: Advance on Dec.31, 2017	(1000)	81,250

Less: Closing Stock	(700)	3,250	Donations		3,000
Electric Charges	9550		Grant from Government		15,000
Add: O/s on Dec. 31, 2017	1250	10,800	Sale of Newspapers		300
			Profit from Charity show (16,500–12,900)		3600
Insurance	7,500		Interest on Investments		7000
Add: Prepaid in 2016	700		Sundries Income		400

	8200				
Less: Prepaid in 2017	(300)	7900			

		5400			

Depreciation on Equipments			
	500		
Petty Expenses			
	1,000		
Newspapers			
	16,500		
Lectures Fee			
	12,000		
Honorarium to Secretary			
	6000		
Depreciation on Building			
	34,100		
Surplus (Balancing Figure)			
	1,10,550		1,10,550

Balance Sheet
as on December 31, 2016

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 (Balancing Figure)	2,26,600	Equipments	25,600
		Building	1,20,000
		Cash and Bank	7,250
		Investments {7,000 × (100/10)}	70,000
	2,29,550		2,29,550

Balance Sheet
as on December 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Outstanding Salaries	1,800	Equipments 25600	
Subscription in Advance	1,000	Add: 30,000	
		Purchases -----	
		55,600	
Electricity Charges Outstanding	1250		
Capital 2,26,600		Less: (5400)	50,200
Fund		Depreciation -----	
Add: 34,100	2,60,700		
Surplus		Insurance Prepaid	300
		Subscription	2500
		Outstanding	700

		Stock of Stationery	
		Building 1,20,000	
		Less:	
		Depreciation (6000)	1,14,000
		Cash and Bank	27,050
		Investments	70,000
	2,29,550		2,29,550

Question 33:

As at March 31, 2017 the following balances have been extracted 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, 2017 (3) and a Balance Sheet as at that date.

Debit Balances	Rs	Credit Balances	Rs.
Stock-in-hand	1170	Receipts Dinning 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
Rapairs 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 1.6)	1380
Cash in hand	560	Suspense A/c (see note)	60
Cash at bank	2760		
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, 2016 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.

Cr.

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

Income and Expenditure Account

as on March 31, 2017

Dr.

Cr.

Expenditure	Amount Rs	Income	Amount Rs
Rent	10,470	Subscriptions	9,450
Wages	18,690	Sundry Receipts	410
Repairs an Renewals			270

Fuel and Light	5,400	Interest on Fixed Deposits	30,420
Misc. Expenses	5280	Profit from Restaurant	7,300
Depreciation on	4050	Billiards Receipts	
Fixtures and Fittings	60		
Billiards Table	390		
Furniture	560		
	1,010		
Surplus (Excess of Income over Expenditure)	2950		
	47850		47850

Balance Sheet
as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	5310	Cash in Hand	560
	42,000	Cash at Bank	2760
Grant from Institute	60	Fixed Deposit	8500
Suspense			
Capital Fund (Income			

and Exp. A/c				
as on Apr.01, 2016)	1,380		Sundry Debtors	
Add: Surplus	2,950	4330	China Glass, Cutlery and Linen	
	-----		Billiards Table	2,070
			<i>Less:</i> Depreciation	(390) 1680
			Fixture and Fittings	870
			<i>Less:</i> Depreciation	60 810

			Furniture	4,410
			<i>Less:</i> Depreciation	(560) 3580

			Club Premises	30,000
			Stock of Restaurant	960
		51,700		51,700