

# NCERT Solutions for Class 11 Accountancy

## Financial Accounting Part-2 Chapter 4

### Accounting for Not-for-Profit Organisation

**Short answers :** Solutions of Questions on Page Number : 474

**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**

|                                                                                      |     |     |
|--------------------------------------------------------------------------------------|-----|-----|
| <b>Subscription received during the year</b>                                         |     | *** |
| <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                          | *** | *** |
| <b>## Subscription shown in Income and Expenditure Account</b>                       |     | *** |

## 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**

|                                                          |    |     |
|----------------------------------------------------------|----|-----|
| <b>Capital Fund at the beginning of the year</b>         |    | **  |
| <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 |    | **  |
| <b>Capital Fund at the end of the year</b>               |    | *** |

Numerical questions : Solutions of Questions on Page Number : 474

Q1 :

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<br>Rs | Payments                 | Amount<br>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<br>Rs | Payments             | Amount<br>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<br>Rs | Income                 | Amount<br>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<br>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<br>Rs | Income                                            | Amount<br>Rs |
|--------------------------------------------------|--------------|---------------------------------------------------|--------------|
| Salaries 68,000                                  |              | Fees Collected 5,20,000                           |              |
| <i>Less:</i> Previous year's Outstanding (5,000) |              | <i>Less:</i> Previous year's Outstanding (80,000) |              |
| 63,000                                           |              | 4,40,000                                          |              |
| <i>Add:</i> Current year's Outstanding 3,000     | 66,000       | <i>Add:</i> Current year's Outstanding 30,000     | 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 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<br>Rs | Income                               | Amount<br>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 |
| <i>Add:</i> Interest on Sports Fund   | 4,000    |        | General Fund Investments | 80,000 |
| <i>Add:</i> Donations for Sports Fund | 15,000   |        |                          |        |
|                                       | 54,000   |        |                          |        |
| <i>Less:</i> Expenses on Sports Event | (4,000)  |        |                          |        |
| <i>Less:</i> Prize Awarded            | (10,000) | 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<br>Rs | Assets                                  | Amount<br>Rs |
|----------------------------------------------|-------------|--------------|-----------------------------------------|--------------|
| Donation for Pavilion                        | 12,25,000   | 1,45,000     | Construction of Pavilion<br>in Progress | 10,80,000    |
| Less: Exp. On<br>construction of<br>Pavilion | (10,80,000) |              |                                         |              |
| Capital                                      |             | 10,80,000    |                                         |              |
| Add: Pavilion<br>Construction                | 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, 2007*

| Liabilities                         |          | Amount<br>Rs | Assets | Amount<br>Rs |
|-------------------------------------|----------|--------------|--------|--------------|
| Tournament Fund                     | 10,700   | 4,100        |        |              |
| Add: Subscription for<br>Tournament | 65,800   |              |        |              |
|                                     | 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<br>Rs | Assets | Amount<br>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.

**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<br>Rs | Payments                      | Amount<br>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%<br>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<br>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.**

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

**Balance Sheet**

*as on Dec. 31, 2005*

| Liabilities                                               | Amount<br>Rs | Assets                   |
|-----------------------------------------------------------|--------------|--------------------------|
| Capital Fund on Dec. 31, 2005 ( <i>Balancing Figure</i> ) | 38,550       | Subscription Outstanding |
|                                                           |              | Cash in Hand             |
|                                                           |              | Cash at Bank             |
|                                                           |              | Furniture                |

|  |        |       |
|--|--------|-------|
|  |        | Books |
|  | 38,550 |       |
|  |        |       |

**Balance Sheet**  
*as on Dec. 31, 2006*

| Liabilities                               |               | Amount<br>Rs  | Assets                            |
|-------------------------------------------|---------------|---------------|-----------------------------------|
| Capital                                   | 38,550        |               | Prepaid Rent                      |
| <i>Add: Surplus</i>                       | <u>22,300</u> | 60,850        | Books                             |
|                                           |               |               | <i>Add: Purchases</i>             |
| Salary Outstanding                        |               | 600           |                                   |
| Subscription Received in Advance for 2007 |               | 500           | Furniture                         |
|                                           |               |               | <i>Add: Purchases</i>             |
|                                           |               |               | <i>Less: Sale</i>                 |
|                                           |               |               | Fixed Deposit                     |
|                                           |               |               | <i>Add: Accrued Interest</i>      |
|                                           |               |               | Cash in Hand                      |
|                                           |               |               | Cash at Bank                      |
|                                           |               |               | Subscription Outstanding for 2006 |
|                                           |               |               | <i>Add: Outstanding for 2005</i>  |
|                                           |               | <u>61,950</u> |                                   |

Q7 :

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

| Receipts               | Amount<br>Rs | Payments | Amount<br>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.**

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

|                         |       |        |                           |
|-------------------------|-------|--------|---------------------------|
| Legal Fee               |       | 1,870  | Profit from Entertainment |
| Depreciation on:        |       |        | Interest                  |
| 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 |                           |
|                         |       |        |                           |

### Balance Sheet

as on Dec. 31, 2005

| Liabilities                                         | Amount<br>Rs | Assets                                          |
|-----------------------------------------------------|--------------|-------------------------------------------------|
| Capital Fund as Dec. 31, 2005<br>(Balancing Figure) | 27,270       | Building<br>Furniture<br>Books<br>Cash and Bank |
|                                                     | 27,270       |                                                 |
|                                                     |              |                                                 |

### Balance Sheet

as on Dec. 31, 2006

| Liabilities                      |               | Amount<br>Rs | Assets                       |                |
|----------------------------------|---------------|--------------|------------------------------|----------------|
| Capital Fund                     | 27,270        | 54,560       | Building                     | 20,000         |
| <i>Add: Life Membership Fees</i> | 3,250         |              | <i>Less: 5% Depreciation</i> | <u>(1,000)</u> |
| <i>Add: Surplus</i>              | <u>24,040</u> |              | Furniture                    | 3,000          |
| Advance Subscription for 2007    |               | 500          | <i>Add: Purchases</i>        | 8,600          |

|  |  |                       |        |
|--|--|-----------------------|--------|
|  |  |                       | 11,600 |
|  |  | Less: 5% Depreciation | 580    |
|  |  |                       |        |
|  |  | Books                 | 2,000  |
|  |  | Add: Purchases        | 6,500  |
|  |  |                       | 8,500  |
|  |  | Less: Sales           | 1,000  |
|  |  |                       | 7,500  |
|  |  | Less: 5% Depreciation | 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<br>Rs | Payments                               | Amount<br>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     |

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

**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.**

| Expenditure               |        | Amount<br>Rs | Income                           |         |
|---------------------------|--------|--------------|----------------------------------|---------|
| 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) |
| Printing and Stationery   |        | 2,300        |                                  |         |
| Repair of Ground          |        | 2,000        | Locker Rent                      | 1,250   |
| Depreciation on:          |        |              | Add: Outstanding for 2006        | 250     |
| Furniture                 | 1,970  |              |                                  |         |
| Building                  | 3,600  |              | Entrance Fees                    |         |
| Sports Equipments         | 2,730  | 8,300        | Profit on Sale of Sports         |         |
| Surplus                   |        | 26,300       | Equipments (Rs 2,500 - Rs 2,200) |         |
|                           |        |              | Sale of Old Newspapers           |         |
|                           |        |              | Accrued Interest                 |         |
|                           |        | 60,500       |                                  |         |
|                           |        |              |                                  |         |

**Balance Sheet**  
*as on January 01, 2006*

| Liabilities | Amount<br>Rs | Assets |
|-------------|--------------|--------|
|-------------|--------------|--------|

|                                          |        |                          |
|------------------------------------------|--------|--------------------------|
| Capital Fund ( <i>Balancing Figure</i> ) | 74,590 | Subscription Outstanding |
|                                          |        | Building                 |
|                                          |        | Furniture                |
|                                          |        | Sports Equipments        |
|                                          |        | Cash and Bank            |
|                                          | 74,590 |                          |
|                                          |        |                          |

### Balance Sheet

as on Dec. 31, 2006

| Liabilities                      |        | Amount<br>Rs | Assets                        |         |
|----------------------------------|--------|--------------|-------------------------------|---------|
| Salary Outstanding               |        | 1,000        | Subscribing Outstanding       |         |
| Tournament Fund                  | 26,000 |              | Locker Rent Outstanding       |         |
| <i>Less: Tournament Expenses</i> | 18,500 | 7,500        | Building                      | 36,000  |
|                                  |        |              | <i>Less: 10% Depreciation</i> | (3,600) |
| 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) |
|                                  |        |              |                               |         |
|                                  |        |              | 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) |
|                                  |        |              |                               |         |
|                                  |        |              | Billiard Table                |         |

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<br>Rs | Payments                   |
|---------------------------------------------|--------------|----------------------------|
| Cash in hand as on 1.1.06                   | 6,800        | Salaries                   |
| Subscription                                | 60,200       | Traveling Expenses         |
| Donation                                    | 3,000        | Stationery                 |
| Sale of furniture (Book value Rs 6000)      | 4,000        | Rent                       |
| Entrance fee                                | 800          | Repair                     |
| Life membership fee                         | 7,000        | Books purchased            |
| Interest on investment (@ 5% for full year) | 5,000        | Building purchased         |
|                                             |              | Cash in Hand as 31.12.2006 |
|                                             | 86,800       |                            |
|                                             |              |                            |

**Additional Information:**

|       |                                  | <i>As on</i><br>1.01.2006 | <i>As</i><br>31.12. |
|-------|----------------------------------|---------------------------|---------------------|
| (i)   | Subscription received in advance | 1,000                     |                     |
| (ii)  | Outstanding subscription         | 2,000                     |                     |
| (iii) | Stock of stationery              | 1,200                     |                     |
| (iv)  | Books                            | 13,500                    |                     |
| (v)   | Furniture                        | 16,000                    |                     |
| (vi)  | Outstanding rent                 | 1,000                     |                     |

Answer :

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

**Dr.**

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

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

### Balance Sheet

as on January 01, 2006

| <b>Liabilities</b>                       | <b>Amount<br/>Rs</b> | <b>Assets</b>                |
|------------------------------------------|----------------------|------------------------------|
| Advance Subscription                     | 1,000                | Cash in Hand                 |
| Outstanding Rent                         | 1,000                | Investment {5,000 x (100/5)} |
| Capital Fund ( <i>Balancing figure</i> ) | 1,37,500             | Subscription Outstanding     |
|                                          |                      | Stock of Stationery          |
|                                          |                      | Books                        |
|                                          |                      | Furniture                    |
|                                          | 1,39,500             |                              |
|                                          |                      |                              |

### Balance Sheet

*as on Dec. 31, 2006*

| Liabilities                      | Amount<br>Rs | Assets                    |
|----------------------------------|--------------|---------------------------|
| Advance Subscription             | 3,200        | Subscription Outstanding  |
| Outstanding Rent                 | 2,000        | Stock of Stationery       |
| Capital Fund                     | 1,37,500     | Investments               |
| <i>Add: Life Membership Fees</i> | 7,000        |                           |
| <i>Add: Surplus</i>              | 11,100       | Books                     |
|                                  | 1,55,600     | 13,500                    |
|                                  |              | <i>Add: Purchases</i>     |
|                                  |              | 6,000                     |
|                                  |              | 19,500                    |
|                                  |              | <i>Less: Depreciation</i> |
|                                  |              | (3,000)                   |
|                                  |              | Building                  |
|                                  |              | Cash in Hand              |
|                                  |              | 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<br>Rs | Payments       |
|---------------------------|--------------|----------------|
| Opening Cash in hand      | 2,600        | Rent           |
| Entrance fees             | 3,200        | Wages          |
| Donation for building     | 23,000       | Billiard table |
| Locker rent               | 1,200        | Furniture      |
| Life membership fee       | 7,000        | Interest       |
| Profit from entertainment | 3,000        | Postage        |
| Subscription              | 40,000       | Salary         |
| Cash in hand              | 4,000        |                |
|                           | 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.**

| Expenditure                |         | Amount<br>Rs | Income                              |
|----------------------------|---------|--------------|-------------------------------------|
| Rent                       | 18,000  |              | Entrance Fees                       |
| Add: Outstanding for 2006  | 1,500   |              | Locker Rent                         |
|                            | 19,500  |              | Profit from Entertainment           |
| 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> ) |
| Add: Opening Stock         | 300     |              |                                     |
|                            | 1,300   |              |                                     |
| Less: Closing Stock        | (200)   | 1,100        |                                     |
| Salaries                   |         | 24,000       |                                     |
|                            |         | 54,600       |                                     |

**Balance Sheet**

*as on December 31, 2005*

| Liabilities      | Amount<br>Rs | Assets                                           |
|------------------|--------------|--------------------------------------------------|
| Rent Outstanding | 1,500        | Cash in Hand                                     |
| 10% Loan         | 20,000       | Subscription Outstanding                         |
|                  |              | Furniture                                        |
|                  |              | Stock of Postage Stamps                          |
|                  |              | Capital fund Deficit ( <i>Balancing figure</i> ) |
|                  | 21,500       |                                                  |
|                  |              |                                                  |

### Balance Sheet

as on December 31, 2006

| Expenditure                    | Amount<br>Rs | Income                             |
|--------------------------------|--------------|------------------------------------|
| Rent Outstanding               | 1,500        | Subscription Outstanding           |
| 10% Loan                       | 20,000       | Stock of Postage Stamps            |
| Donation for Building          | 23,000       | Billiard Table                     |
| 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)         |
|                                |              | Cash in Hand                       |
|                                |              | ** Capital Fund ( <i>Deficit</i> ) |
|                                | 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<br>Rs | Payments             |
|----------------------|--------------|----------------------|
| Opening cash balance | 12,000       | Furniture            |
| Subscription         |              | Telephone expenses   |
| 2005                 | 2,000        | Salary               |
| 2006                 | 22,000       | 2005                 |
| Entrance fees        | 2,800        | 2006                 |
| Locker rent          | 1,000        | Newspapers           |
| Life membership fee  | 1,200        | Sundry expenses      |
| Government grant     | 11,000       | Defence bonds        |
|                      |              | Land                 |
|                      |              | Closing cash balance |
|                      | 52,000       |                      |
|                      |              |                      |

**Balance Sheet**

*for the year ending December 31, 2005*

| Liabilities                      | Amount<br>Rs | Assets               |
|----------------------------------|--------------|----------------------|
| Advance locker rent              | 200          | Cash in hand         |
| Subscription Received in Advance | 1,000        | Outstanding Expenses |
| Outstanding salary               | 2,000        | Building             |
| Loan                             | 10,000       |                      |
| Capital fund                     | 36,800       |                      |
|                                  | 50,000       |                      |

Answer :

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

**Dr.**

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

**Balance Sheet**

*as on December 31, 2006*

| Liabilities                       | Amount<br>Rs | Assets                                  |  |
|-----------------------------------|--------------|-----------------------------------------|--|
| Capital Fund                      | 36,800       | Subscription Still Outstanding for 2005 |  |
| <i>Add: Life Membership Fees</i>  | 1,200        | (Rs 3,000 - Rs 2,000)                   |  |
| <i>Add: Surplus</i>               | 31,500       | Furniture                               |  |
|                                   |              | Defence Bonds                           |  |
| Salary Still Outstanding for 2005 | 1,000        | Land                                    |  |
| Loan                              | 10,000       | Building                                |  |
|                                   |              | Cash in Hand                            |  |
|                                   | 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<br>Rs | Payments         |
|------------------------------------------|--------------|------------------|
| Balance b/d                              | 15,000       | Furniture        |
| Sale of Old furniture (costing Rs 6,000) | 4,000        | Library books    |
| Subscriptions:                           |              | Salaries         |
| 2005-06                      18,000      |              | General expenses |
| 2006-07                      60,000      |              | Electric charges |
| 2007-08                      2,000       | 90,000       | Newspapers       |
| Sale of old newspapers                   | 10,800       | Postage          |
| Profit from entertainment                | 44,000       | Stationery       |
| Rent                                     | 84,000       | Audit fee        |
|                                          |              | Balance c/d      |
|                                          | 2,47,800     |                  |
|                                          |              |                  |

**Balance Sheet**  
*as on March 31, 2006*

| Liabilities        | Amount<br>Rs | Assets                   |
|--------------------|--------------|--------------------------|
| Outstanding Salary | 6,000        | Cash                     |
| Capital Fund       | 6,94,000     | Outstanding subscription |
|                    |              | Library Books            |
|                    |              | Furniture                |
|                    |              | Land and Building        |
|                    | 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 06.
3. Provide 5% depreciation on Land and Building.

**Answer :**

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

**Dr.**

| Expenditure                                   | Amount<br>Rs | Income                                     |
|-----------------------------------------------|--------------|--------------------------------------------|
| Loss on Sale of Old Furniture (4,000 - 6,000) | 2,000        | Subscription<br>500 members at Rs 150 each |
| Salaries 72,000                               |              | Sale of Old Newspapers                     |
| <i>Add:</i> Outstanding for 2006-07 1,200     |              | Profit from Entertainment                  |
| 73,200                                        |              | Rent                                       |
| <i>Less:</i> Outstanding for 2005-06 (6,000)  | 67,200       |                                            |
| General Expenses                              | 18,000       | Deficit ( <i>Balancing figure</i> )        |
| 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     |                                            |
|                                               |              |                                            |

**Balance Sheet**  
*as on 31 March 2007*

| Liabilities                        | Amount<br>Rs | Assets                   |
|------------------------------------|--------------|--------------------------|
| Advance Subscription (for 2007-08) | 12,000       | Subscription Outstanding |

|                      |          |          |                              |          |
|----------------------|----------|----------|------------------------------|----------|
| Salaries Outstanding |          | 1,200    | Furniture                    | 37,000   |
| Capital Fund         | 6,94,000 |          | <i>Add: Purchases</i>        | 18,000   |
| <i>Less: Deficit</i> | (200)    | 6,93,800 |                              | 55,000   |
|                      |          |          | <i>Less: Sales</i>           | (6,000)  |
|                      |          |          | Library Books                | 30,000   |
|                      |          |          | <i>Add: Purchases</i>        | 10,000   |
|                      |          |          | Land and Building            | 6,00,000 |
|                      |          |          | <i>Less: 5% Depreciation</i> | (30,000) |
|                      |          |          | Cash and Bank                |          |
|                      |          | 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<br>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.**

| Expenditure | Amount<br>Rs | Income                               |
|-------------|--------------|--------------------------------------|
|             |              | Interest on General Fund Investments |
|             |              |                                      |
|             |              |                                      |

### Balance Sheet

*as on March 31, 2006*

| Liabilities                                           | Amount<br>Rs | Assets                   |
|-------------------------------------------------------|--------------|--------------------------|
| Sports Fund 80,000                                    |              | Sports Fund Investments  |
| <i>Add:</i> Interest on Sports Fund Investments 8,000 |              | General Fund Investments |
| <i>Add:</i> Donation for Sports Fund 30,000           |              |                          |
| 1,18,000                                              |              |                          |
| <i>Less:</i> Sports Prizes Awarded (16,000)           |              |                          |
| <i>Less:</i> 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.**

| Expenditure | Amount<br>Rs | Income                         |               |
|-------------|--------------|--------------------------------|---------------|
|             |              | Subscription                   | 68,500        |
|             |              | Less: O/s on Mar. 31, 2005     | (6,500)       |
|             |              |                                | <u>62,000</u> |
|             |              | Add: Advance on Mar. 31, 2005  | 4,100         |
|             |              | Add: O/s on Mar. 31, 2006      | 5,400         |
|             |              |                                | <u>71,500</u> |
|             |              | Less: Advance on Mar. 31, 2006 | (2,500)       |
|             |              |                                | <u></u>       |

**Balance Sheet**

*as on March 31, 2005*

| Liabilities             | Amount<br>Rs | Assets                   |  |
|-------------------------|--------------|--------------------------|--|
| Subscription in Advance | 4,100        | Subscription Outstanding |  |

**Balance Sheet**

*as on March 31, 2006*

| Liabilities             | Amount<br>Rs | Assets                   |  |
|-------------------------|--------------|--------------------------|--|
| Subscription in Advance | 2,500        | Subscription Outstanding |  |

Q15 :

Following is the Receipt and Payment account of Rohatgi Trust :

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

| Receipts                                    | Amount<br>Rs | Payments               |
|---------------------------------------------|--------------|------------------------|
| Cash in hand                                | 14,000       | Rent                   |
| Cash at Bank                                | 60,000       | Salary                 |
| Subscriptions:                              |              | Postage                |
| 2005                      5,000             |              | Electricity charges    |
| 2006                      83,000            |              | Purchase of furniture  |
| 2007                      3,000             | 91,000       | Books                  |
| Sale of Investment                          | 90,000       | Defence Bonds          |
| Interest on investment                      | 2,000        | Help to needy students |
| Sale of old furniture (book value Rs 3,000) | 3,200        | Cash in hand           |
|                                             |              | Cash at bank           |
|                                             | 2,60,200     |                        |
|                                             |              |                        |

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.

Answer :

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

Dr.

| Expenditure | Amount<br>Rs | Income |
|-------------|--------------|--------|
|-------------|--------------|--------|

|                                     |         |          |                                   |        |
|-------------------------------------|---------|----------|-----------------------------------|--------|
| 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)  |
| <i>Less: Advance for 2007</i>       | (2,000) | 10,000   |                                   |        |
|                                     |         |          | Interest Accrued on Defence Bonds |        |
|                                     |         |          | Profit on Sale of Investment      |        |
| Postage                             |         | 300      | (Rs 90,000 - Rs 80,000)           |        |
|                                     |         |          | Profit on Sale of Furniture       |        |
| Electricity Charges                 |         | 6,000    | (Rs 3,200 - Rs 3,000)             |        |
| Help to Needy Students              |         | 22,000   | Interest on Investments           |        |
| Surplus ( <i>Balancing Figure</i> ) |         | 63,500   |                                   |        |
|                                     |         | 1,08,800 |                                   |        |
|                                     |         |          |                                   |        |

### Balance Sheet

as on December 31, 2005

| Liabilities                              | Amount<br>Rs | Assets                             |
|------------------------------------------|--------------|------------------------------------|
| Capital fund ( <i>Balancing Figure</i> ) | 2,01,000     | Subscription Outstanding           |
|                                          |              | Investment (Rs 80,000 + Rs 30,000) |
|                                          |              | Furniture                          |
|                                          |              | Cash in hand                       |
|                                          |              | Cash at bank                       |
|                                          | 2,01,000     |                                    |
|                                          |              |                                    |

### Balance Sheet

as on December 31, 2006

| Expenditure          | Amount<br>Rs | Income                   |
|----------------------|--------------|--------------------------|
| Advance Subscription | 3,000        | Subscription Outstanding |
| Rent Outstanding     | 1,000        | Defence Bonds            |
|                      |              | 1,50,000                 |

|                                  |          |          |                                               |         |
|----------------------------------|----------|----------|-----------------------------------------------|---------|
| Capital Fund                     | 2,01,000 |          | <i>Add:</i> Accrued Interest on Defence Bonds | 7,000   |
| <i>Add:</i> Surplus              | 63,500   |          |                                               |         |
| <i>Add:</i> Life Membership Fees | 400      | 2,64,900 | Investment                                    |         |
|                                  |          |          | Advance Salaries                              |         |
|                                  |          |          | Furniture                                     | 12,000  |
|                                  |          |          | <i>Add:</i> Purchases                         | 20,000  |
|                                  |          |          |                                               | 32,000  |
|                                  |          |          | <i>Less:</i> Sales                            | (3,000) |
|                                  |          |          | Books                                         |         |
|                                  |          |          | Cash in Hand                                  |         |
|                                  |          |          | Cash at Bank                                  |         |
|                                  |          | 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<br>Rs | Payments       |
|------------------------|--------------|----------------|
| Balance b/d            |              | Charity        |
| Cash in Hand           | 11,500       | Rent and taxes |
| Cash at Bank           | 12,600       | Salary         |
| Donation               | 9,000        | Printing       |
| Subscription           | 42,800       | Postage        |
| Legacies               | 18,000       | Advertisements |
| Interest on investment | 4,500        | Insurances     |
| Sale of old newspapers | 200          | Furniture      |
|                        |              | Investment     |

|  |        |              |
|--|--------|--------------|
|  |        | Balance c/d: |
|  |        | Cash in Hand |
|  |        | Cash at Bank |
|  | 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<br>Rs | Income                   |       |
|--------------------------------|-------|--------------|--------------------------|-------|
| Insurance                      | 2,000 |              | Donation {9,000 x (1/3)} |       |
| Less: Prepaid {2,000 x (3/15)} | (400) | 1,600        | Interest on Investments  | 4,500 |
|                                |       |              | Add: Accrued Interest    | 1,100 |
| Charity                        |       | 11,500       |                          |       |
| Rent and Taxes                 | 3,200 |              | Subscription             |       |
| Add: Outstanding               | 600   | 3,800        | Sale of Old Newspapers   |       |
|                                |       |              |                          |       |
| 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 |  |
|                                     |       |        |  |

### Balance Sheet

as on December 31, 2007

| Liabilities                              | Amount<br>Rs | Assets       |
|------------------------------------------|--------------|--------------|
| Capital Fund ( <i>Balancing figure</i> ) | 24,100       | Cash in Hand |
|                                          |              | Cash at Bank |
|                                          | 24,100       |              |
|                                          |              |              |

### Balance Sheet

as on December 31, 2007

| Liabilities                        | Amount<br>Rs | Assets                             |
|------------------------------------|--------------|------------------------------------|
| Capital Fund                       | 24,100       | Prepaid Insurance {2,000 x (3/15)} |
| Add: Donation {9,000 x (2/3)}      | 6,000        | Investment                         |
| Add: Legacies                      | 18,000       | Add: Accrued Interest              |
| Add: Surplus                       | 21,400       |                                    |
| Rent Outstanding                   | 600          | Furniture                          |
| Salary Outstanding                 | 900          | Cash in Hand                       |
| Advertisement Expenses Outstanding | 1,000        | Cash at Bank                       |
|                                    | 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 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**; solution has been prepared according to the date of Receipt and Payment Account which is **December**

Q17 :

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.

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

| Receipts                         | Amount<br>Rs | Payments            |
|----------------------------------|--------------|---------------------|
| Balance b/d                      | 3,500        | General expenses    |
| Subscription:                    |              | Salary              |
| 2005                      1,800  |              | Postage             |
| 2006                      70,000 |              | Electricity charges |
| 2007                      3,000  | 75,000       | Furniture           |
| Sale of old Books                | 2,000        | Books               |
| (Costing Rs 3,200)               |              | Newspapers          |
| Rent from use of hall            | 17,000       | Meeting expenses    |
| Sale of newspapers               | 400          | T.V. set            |
| Profit from entertainment        | 7,300        | Balance c/d         |
|                                  | 1,05,200     |                     |
|                                  |              |                     |

**Additional Information:**

- The club has 100 members each paying an annual subscription of Rs900. Subscriptions outstanding on D 31, 2005 were Rs 3,600.
- On December 31, 2006 , salary outstanding amounted to Rs 1,000, Salary paid included Rs 1,000 for the 2005.
- On January 1, 2006 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, 2006*

**Dr.**

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

|                                     |         | 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            |        |
| <i>Less:</i> Outstanding for 2005   | (1,000) | 16,000   | Sale of Old News Papers          |        |
|                                     |         |          | Profit from Entertainment        |        |
| 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 |                                  |        |
|                                     |         |          |                                  |        |

**Balance Sheet as on December 31, 2005**

| Liabilities                              | Amount<br>Rs | Assets                   |
|------------------------------------------|--------------|--------------------------|
| Salary Outstanding                       | 1,000        | Subscription Outstanding |
| Capital Fund ( <i>Balancing figure</i> ) | 40,100       | Furniture                |
|                                          |              | Books                    |
|                                          |              | Cash and Bank            |
|                                          |              | Building                 |
|                                          | 41,100       |                          |
|                                          |              |                          |

**Balance Sheet**

*as on December 31, 2006*

| Liabilities          | Amount<br>Rs | Assets                   |
|----------------------|--------------|--------------------------|
| Advance Subscription | 3,000        | Subscription Outstanding |

|                    |        |          |                               |        |
|--------------------|--------|----------|-------------------------------|--------|
| Salary Outstanding |        | 1,000    | 2006                          | 20,000 |
|                    |        |          | Add: 2005 (Still Outstanding) | 1,800  |
| Capital Fund       | 40,100 |          | Building                      |        |
| Add: Surplus       | 79,700 | 1,19,800 | Furniture                     | 2,600  |
|                    |        |          | Add: Purchases                | 26,500 |
|                    |        |          | Books                         | 6,200  |
|                    |        |          | Add: Purchases                | 13,000 |
|                    |        |          |                               | 19,200 |
|                    |        |          | Less: Sales                   | 3,200  |
|                    |        |          | T.V. Set                      |        |
|                    |        |          | Cash and Bank                 |        |
|                    |        | 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<br>Rs | Payments                 |
|---------------------------------------------|--------------|--------------------------|
| Balance b/d                                 | 7,250        | Salary                   |
| Subscriptions                               | 81,750       | Stationery               |
| Donations                                   | 3,000        | Electricity charges      |
| Grant from Government                       | 15,000       | Insurance                |
| Sale of newspapers                          | 300          | Equipments               |
| Proceeds of charity show                    | 16,500       | Petty expenses           |
| Interest on investments @ 10% for full year | 7,000        | Expenses on charity show |
| Sundries income                             | 400          | Newspapers               |
|                                             |              | Lectures fee             |
|                                             |              | Honorarium to Secretary  |

|  |          |             |  |
|--|----------|-------------|--|
|  |          | Balance c/d |  |
|  | 1,31,200 |             |  |
|  |          |             |  |

**Additional Information:**

|                                   | 01.01.2007<br>Rs | 31.12.2007<br>Rs |
|-----------------------------------|------------------|------------------|
| Outstanding salaries              | 1,200            |                  |
| Insurance prepaid                 | 700              |                  |
| Subscription outstanding          | 3,750            |                  |
| Subscription received in advanced | 1,750            |                  |
| Electricity charges outstanding   | -                |                  |
| Stock of stationery               | 2,250            |                  |
| Equipments                        | 25,600           | 5                |
| Building                          | 1,20,000         | 1,1              |

**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.**

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

|                                     |       |          |                                          |
|-------------------------------------|-------|----------|------------------------------------------|
| Electric Charges                    | 9,550 |          | Grant from Government                    |
| <i>Add: O/s on Dec. 31, 2007</i>    | 1,250 | 10,800   | Sale of Newspapers                       |
|                                     |       |          | Profit from Charity show (16,500-12,900) |
| Insurance                           | 7,500 |          | Interest on Investments                  |
| <i>Add: Prepaid in 2006</i>         | 700   |          | Sundries Income                          |
|                                     | 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 |                                          |
|                                     |       |          |                                          |

### Balance Sheet

*as on December 31, 2006*

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

### Balance Sheet

*as on December 31, 2007*

| Liabilities                                              | Amount<br>Rs | Assets                                                          |
|----------------------------------------------------------|--------------|-----------------------------------------------------------------|
| Outstanding Salaries                                     | 1,800        | Equipments <span style="float: right;">25,600</span>            |
| Subscription in Advance                                  | 1,000        | <i>Add:</i> Purchases <span style="float: right;">30,000</span> |
| Electricity Charges Outstanding                          | 1,250        | <span style="float: right;">55,600</span>                       |
| Capital Fund <span style="float: right;">2,26,600</span> |              |                                                                 |

**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                  |
|--------------------------------|----------|----------------------------------|
| Stock-in-hand                  | 1170     | Receipts Dining Room             |
| Purchases                      | 24,660   | Subscriptions                    |
| Dining Room                    | 32,370   | Billiard's Receipts              |
| Rent                           | 10,470   | Sunday Receipts                  |
| Wages                          | 18,690   | Interest on Fixed Deposit        |
| Repairs and Renewals           | 5,400    | Sundry Creditors                 |
| Fuel and Light                 | 5,280    | Grant from Institute (permanent) |
| Misc. Expenses                 | 4,050    | Income and Exp. A/c (1.4.07)     |
| Cash in hand                   | 560      | <b>Suspense A/c (See note)</b>   |
| 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 |                                  |
|                                |          |                                  |

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<br>Rs | Particulars               |
|------------------------|--------------|---------------------------|
| Opening Stock          | 1,170        | Receipts from Dining Room |
| Purchases              | 24,660       | Closing Stock             |
| Dining Room Exp.       | 32,370       |                           |
| Profit from Restaurant | 30,420       |                           |
|                        | 88,620       |                           |
|                        |              |                           |

**Income and Expenditure Account**

*as on March 31, 2008*

**Dr.**

| Expenditure           | Amount<br>Rs | Income                     |
|-----------------------|--------------|----------------------------|
| Rent                  | 10,470       | Subscriptions              |
| Wages                 | 18,690       | Sundry Receipts            |
| Repairs and Renewals  | 5,400        | Interest on Fixed Deposits |
| Fuel and Light        | 5,280        | Profit from Restaurant     |
| Misc. Expenses        | 4,050        | Billiards Receipts         |
| Depreciation on       |              |                            |
| Fixtures and Fittings | 60           |                            |
| Billiards Table       | 390          |                            |

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

### Balance Sheet

as on March 31, 2008

| Liabilities                                              | Amount<br>Rs | Assets                         |
|----------------------------------------------------------|--------------|--------------------------------|
| Sundry Creditors                                         | 5,310        | Cash in Hand                   |
| Grant from Institute                                     | 42,000       | Cash at Bank                   |
| Suspense                                                 | 60           | Fixed Deposit                  |
| Capital Fund (Income and Exp. A/c<br>as on Apr.01, 2007) | 1,380        | Sundry Debtors                 |
| Add: Surplus                                             | 2,950        | China Glass, Cutlery and Linen |
|                                                          | 4,330        | Billiards Table                |
|                                                          |              | Less: Depreciation             |
|                                                          |              | 2,070<br>(390)                 |
|                                                          |              | Fixture and Fittings           |
|                                                          |              | Less: Depreciation             |
|                                                          |              | 870<br>(60)                    |
|                                                          |              | Furniture                      |
|                                                          |              | Less: Depreciation             |
|                                                          |              | 4,140<br>(560)                 |
|                                                          |              | Club Premises                  |
|                                                          |              | Stock of Restaurant            |
|                                                          | 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 :**

| <b>Basis of Difference</b> | <b>Receipts and Payments Account</b>                                                                                                                                     | <b>Income and Expenditure Account</b>                                                                                                                                                                                                  |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Nature                  | It is a summary of cash and bank transactions                                                                                                                            | It is a summary of current year's transactions                                                                                                                                                                                         |
| 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 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 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 expenses during the current accounting period.                                                                                                                                                              |
| 7. Object                  | This account depicts the cash position of an NPO.                                                                                                                        | This account shows the net income or deficits due to the business 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. If it has, it is the surplus or deficits forwarded from the previous period (if not added to the opening balance of the current period, it is added as the opening balance of the current period). |
| 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 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, provisions, etc. in order to arrive at the 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 revenue and capital 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 added to the Capital Fund and the closing balance is deficit, the Capital Fund in the Balance Sheet is reduced. |
| 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****Dr.****Cr.**

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

**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**


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| <b>Expenditure</b>                                                                                                                   | <b>Amount</b> | <b>Income</b> | <b>Amount</b> |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|
| Expenses<br>(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**

| <b>Basis of Difference</b> | <b>Receipts and Payments Account</b>                                                   | <b>Income and Expenditure Account</b>                                                             |
|----------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                           |

