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## Accounting for Not-for-Profit Organisation

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### LEARNING OBJECTIVES

*After studying this chapter, you will be able to;*

- *Identify the need for, and nature of accounting records relating to not-for-profit organisations;*
- *List the principal financial statements prepared by not-for-profit organisations;*
- *Prepare the Receipt, and Payment Account and Income and Expenditure Account;*
- *Prepare Income and Expenditure Account and Balance Sheet from a given Receipt and Payment Account;*
- *Explain treatment of certain peculiar items of Receipts and Payments such as subscriptions from members, special funds, legacies, sale of old fixed assets, etc.*

There are certain organisations which are set up for providing *service* to its members and the public in general. Such organisations include clubs, charitable institutions, schools, religious organisations, trade unions, welfare societies and societies for the promotion of art and culture. These organisations have *service* as the main objective and not the *profit* as is the case of organisations *in business*. Normally, these organisations do not undertake any business activity, and are managed by trustees who are fully accountable to their members and the society for the utilization of the funds raised for meeting the objectives of the organisation. Hence, they also have to maintain proper accounts and prepare the financial statement which take the form of Receipt and Payment Account; Income and Expenditure Account; and Balance Sheet. at the end of for every accounting period (normally a financial year).

This is also a legal requirement and helps them to keep track of their income and expenditure, the nature of which is different from those of the business organisations. In this chapter we shall learn about the accounting aspects relating to not-for-profit organisation.

### 1.1 Meaning and Characteristics of Not-for-Profit Organisation

Not-for-Profit Organisations refer to the organisations that are for used for the welfare of the society and are set up as charitable institutions

which function without any profit motive. Their main aim is to provide service to a specific group or the public at large. Normally, they do not manufacture, purchase or sell goods and may not have credit transactions. Hence they need not maintain many books of account (as the trading concerns do) and Trading and Profit and Loss Account. The funds raised by such organisations are credited to capital fund or general fund. The major sources of their income usually are subscriptions from their members donations, grants-in-aid, income from investments, etc. The main objective of keeping records in such organisations is to meet the statutory requirement and help them in exercising control over utilisation of their funds. They also have to prepare the financial statements at the end of each accounting period (usually a financial year) and ascertain their income and expenditure and the financial position, and submit them to the statutory authority called Registrar of Societies.

*The main characteristics of such organisations are:*

1. Such organisations are formed for providing service to a specific group or public at large such as education, health care, recreation, sports and so on without any consideration of caste, creed and colour. Its sole aim is to provide service either free of cost or at nominal cost, and not to earn profit.
2. These are organised as charitable trusts/societies and subscribers to such organisation are called members.
3. Their affairs are usually managed by a managing/executive committee elected by its members.
4. The main sources of income of such organisations are: (i) subscriptions from members, (ii) donations, (iii) legacies, (iv) grant-in-aid, (v) income from investments, etc.
5. The funds raised by such organisations through various sources are credited to capital fund or general fund.
6. The surplus generated in the form of excess of income over expenditure is not distributed amongst the members. It is simply added in the capital fund.
7. The Not-for-Profit Organisations earn their reputation on the basis of their contributions to the welfare of the society rather than on the customers' or owners' satisfaction.
8. The accounting information provided by such organisations is meant for the present and potential contributors and to meet the statutory requirement.

## **1.2 Accounting Records of Not-for-Profit Organisations**

As stated earlier, normally such organisations are not engaged in any trading or business activities. The main sources of their income are subscriptions from members, donations, financial assistance from government and income from investments. Most of their transactions are in *cash* or through the bank. These

institutions are required by law to keep proper accounting records and keep proper control over the utilization of their funds. This is why they usually keep a cash book in which all receipts and payments are duly recorded. They also maintain a ledger containing the accounts of all incomes, expenses, assets and liabilities which facilitates the preparation of financial statements at the end of the accounting period. In addition, they are required to maintain a stock register to keep complete record of all fixed assets and the consumables.

They do not maintain any capital account. Instead they maintain capital fund which is also called general fund that goes on accumulating due to surpluses generated, life membership fee, donation, legacies, etc. received from year to year. In fact, a proper system of accounting is desirable to avoid or minimise the chances of misappropriations or embezzlement of the funds contributed by the members and other donors.

*Final Accounts or Financial Statements:* The Not-for-Profit Organisations are also required to prepare financial statements at the end of the each accounting period. Although these organisations are non-profit making entities and they are not required to make Trading and Profit & Loss Account but it is necessary to know whether the income during the year was sufficient to meet the expenses or not. Not only that they have to provide the necessary financial information to members, donors, and contributors and also to the Registrar of Societies. For this purpose, they have to prepare their final accounts at the end of the accounting period and the general principles of accounting are fully applicable in their preparation as stated earlier, the final accounts of a 'not-for-profit organisation' consist of the following:

- (i) Receipt and Payment Account
- (ii) Income and Expenditure Account, and
- (iii) Balance Sheet.

The Receipt and Payment Account is the summary of cash and bank transactions which helps in the preparation of Income and Expenditure Account and the Balance Sheet. Besides, it is a legal requirement as the Receipts and Payments Account has also to be submitted to the Registrar of Societies along with the Income and Expenditure Account, and the Balance Sheet.

Income and Expenditure Account is akin to Profit and Loss Account. The Not-for-Profit Organisations usually prepare the Income and Expenditure Account and a Balance Sheet with the help of Receipt and Payment Account. However, this does not imply that they do not make a trial balance. In order to check the accuracy of the ledger accounts, they also prepare a trial balance which facilitates the preparation of accurate Receipt and Payment Account as well as the Income and Expenditure Account and the Balance Sheet.

In fact, if an organisation has followed the double entry system they must prepare a trial balance for checking the accuracy of the ledger accounts and it will also facilitate the preparation of Receipt and Payment account, Income and Expenditure Account and the Balance Sheet.

### 1.3 Receipt and Payment Account

It is prepared at the end of the accounting year on the basis of cash receipts and cash payments recorded in the cash book. It is a summary of cash and bank transactions under various heads. For example, subscriptions received from the members on different dates which appear on the debit side of the cash book, shall be shown on the receipts side of the Receipt and Payment Account as one item with its total amount. Similarly, salary, rent, electricity charges paid from time to time as recorded on the credit side of the cash book but the total salary paid, total rent paid, total electricity charges paid during the year appear on the payment side of the Receipt and Payment Account. Thus, Receipt and Payment Account gives summarised picture of various receipts and payments, irrespective of whether they pertain to the current period, previous period or succeeding period or whether they are of capital or revenue nature. It may be noted that this account does not show any non cash item like depreciation. The opening balance in Receipt and Payment Account represents cash in hand/cash at bank which is shown on its receipts side and the closing balance of this account represents cash in hand and bank balance as at the end of the year, which appear on the credit side of the Receipt and Payment Account. However, if it is bank overdraft at the end it shall be shown on its debit side as the last item. Let us look at the cash book of Golden Cricket Club given in the example to show how the total amount of each item of receipt and payment has been worked out.

#### Example 1

#### Golden Cricket Club Cash Book (Columnar)

Dr.					Cr.				
Date	Receipts	L.F.	Bank Amount (Rs.)	Office Amount (Rs.)	Date	Payments	L.F.	Bank Amount (Rs.)	Office Amount (Rs.)
2014					2014				
April 1	Balance b/d		35,000	20,000	April 15	Insurance premium		15,000	
April 10	Subscriptions		1,20,000		May 12	Printing and stationery		10,750	
April 10	Entrance fees		13,000		May 20	Postage and courier fees			430
May 20	Life membership fees		12,000		June 16	Telephone expenses			810
June 12	Locker rent			42,000	July 10	Wages and salaries			22,000
July 23	Life membership fees		8,000		July 15	Rates and Taxes		17,000	
Aug. 20	Donation for building		60,000		July 30	Govt. securities		1,00,000	
Sept. 13	Subscriptions (2013-14)		30,000		Aug. 13	Printing and stationery		15,000	
Sept. 13	Subscription		45,000		Aug. 15	Postage and courier service			480
					Sept. 10	Lighting		12,250	

Sept. 14	Entrance fees	10,000	Sept 13	Telephone expenses	830
Nov. 9	Subscription	35,000	Oct. 1	Wages and salaries	10,000
Nov. 9	Subscription (2015-16)	10,000	Oct. 18	Printing and stationery	13,000
2015			Oct. 31	Govt. securities	1,00,000
Feb. 07	Subscription	25,000	Dec. 31	Wages and Salaries	22,000
Mar. 28	Interest on government securities	18,000	2015		
			Jan. 21	Courier charges	240
			Feb. 2	Telephone expenses	960
			Mar. 10	Postage and Courier fees	850
			Mar. 27	Lighting	14,000
			Mar. 27	Wages and Salaries	22,000
			Mar. 31	Balance c/d	70,000
					23,400
		<b>4,21,000</b>			<b>4,21,000</b>
		<b>62,000</b>			<b>62,000</b>

**Part A***Item wise Aggregation of various Receipts*

## Subscriptions (2014–2015)

<i>Date</i>	<i>Amount (Rs.)</i>
April 10, 2014	1,20,000
Sept. 13, 2014	45,000
Nov. 9, 2014	35,000
Feb. 7, 2015	25,000
<b>Total</b>	<b>2,25,000</b>

## Subscriptions (2013–14)

<i>Date</i>	<i>Amount (Rs.)</i>
Sept. 13, 2014	30,000
<b>Total</b>	<b>30,000</b>

## Subscription (2015–16)

<i>Date</i>	<i>Amount (Rs)</i>
Nov. 9, 2014	10,000
<b>Total</b>	<b>10,000</b>

## Entrance Fees

<i>Date</i>	<i>Amount (Rs)</i>
April 10, 2014	13,000
Sept. 14, 2014	10,000
<b>Total</b>	<b>23,000</b>

## Locker Rent

<i>Date</i>	<i>Amount (Rs)</i>
June 12, 2014	42,000
<b>Total</b>	<b>42,000</b>

## Life Membership fee

<i>Date</i>	<i>Amount (Rs)</i>
May 20, 2014	12,000
July 23, 2014	8,000
<b>Total</b>	<b>20,000</b>

## Donation for Buildings

<i>Date</i>	<i>Amount (Rs)</i>
Aug. 20, 2014	60,000
<b>Total</b>	<b>60,000</b>

## Interest on Government securities

<i>Date</i>	<i>Amount (Rs)</i>
March 28, 2015	18,000
<b>Total</b>	<b>18,000</b>

**Part B***Item wise Aggregation of various Payments*

## Insurance Premium

<i>Date</i>	<i>Amount (Rs)</i>
April 15, 2014	15,000
<b>Total</b>	<b>15,000</b>

## Printing and Stationery

<i>Date</i>	<i>Amount (Rs.)</i>
May 12, 2014	10,750
Aug. 13, 2014	15,000
Oct. 18, 2014	13,000
<b>Total</b>	<b>38,750</b>

## Lighting

<i>Date</i>	<i>Amount (Rs.)</i>
Sept. 10, 2014	12,250
March 27, 2015	14,000
<b>Total</b>	<b>26,250</b>

## Telephone Expenses

<i>Date</i>	<i>Amount (Rs.)</i>
June 16, 2014	810
Sept. 13, 2014	830
Feb. 2, 2015	960
<b>Total</b>	<b>2,600</b>

## Rates and Taxes

<i>Date</i>	<i>Amount (Rs.)</i>
July 15, 2014	17,000
<b>Total</b>	<b>17,000</b>

## Government Securities

<i>Date</i>	<i>Amount (Rs.)</i>
July 30, 2014	1,00,000
Oct. 31, 2014	1,00,000
<b>Total</b>	<b>2,00,000</b>

## Wages and Salaries

<i>Date</i>	<i>Amount (Rs.)</i>
July 10, 2014	22,000
Oct. 1, 2014	22,000
Dec. 31, 2014	22,000
March 30, 2015	22,000
<b>Total</b>	<b>88,000</b>

## Postage and Courier Service

<i>Date</i>	<i>Amount (Rs.)</i>
May 20, 2014	430
Aug. 15, 2014	480
Jan. 21, 2015	240
March 10, 2015	850
<b>Total</b>	<b>2,000</b>

The above data can also be shown in the form of the respective accounts in the ledger. A detailed illustrative list of items of receipts and payments is given in figure 1.

**Figure 1**

<i>Receipts</i>	<i>Payments</i>
1. Donations (a) General (b) Specific purpose	1. Purchase of Fixed Assets
2. Entrance Fees	2. Purchase of Sports Material
3. Legacies	3. Investment in Securities
4. Sale of Investments	4. Printing and Stationery
5. Sale of Fixed Assets	5. Postage and Courier Charges
6. Subscriptions from Members	6. Advertisements
7. Life Membership Fees	7. Wages and Salary
8. Sale of old Newspapers	8. Honorarium
9. Sale of Old Sports Material	9. Telephone Charges
10. Interest on Fixed Deposits	10. Electricity and Water Charges
11. Interest/ Dividend on Investments	11. Repairs and Renewals
12. Proceed from Charity Shows	12. Upkeep of Play Ground
13. Sale of Scrap	13. Conveyance Charges
14. Grant-in-aid	14. Subscription for Periodicals
15. Interest/Dividend on Specific Fund Investments	15. Audit Fees
16. Miscellaneous Receipts.	16. Entertainment Expenses
	17. Municipal Taxes
	18. Charity
	19. Insurance

Receipt and Payment Account is given below:

**Receipt and Payment Account for the year ending ———**

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d		Balance b/d (Bank overdraft)	xxx
Cash in Hand	xxx	Wages and Salaries	xxx
Cash at Bank	xxx	Rent	xxx
Subscriptions	xxx	Rates and Taxes	xxx
General Donations	xxx	Insurance	xxx
Sale of newspaper/ periodicals/waste paper	xxx	Printing and Stationery	xxx
Sale of old sports materials	xxx	Postage and courier	xxx
Interest on fixed deposits		Advertisement	xxx
Interest/Dividend on general investments	xxx	Sundry expenses	xxx
Locker Rent	xxx	Telephone charges	xxx
Sale of scraps	xxx	Entertainment expenses	xxx
Proceeds from charity show	xxx	Audit fees	xxx
Miscellaneous receipts	xxx	Honorarium	xxx
Grant-in-aid	xxx	Repair and Renewals	xxx
Legacies	xxx	Upkeep of ground	xxx
Specific Donations	xxx	Conveyance	xxx
Sale of Investments	xxx	Newspapers and Periodicals	xxx
Sale of Fixed Assets	xxx	Purchases of Assets	xxx
		Purchase of Investments	xxx
		Balance c/d	xxx



Life membership fees	xxx	Cash in hand	xxx
Entrance fees	xxx	Cash at Bank*	xxx
Receipts on account of specific purpose funds	xxx		
Interest on specific funds' investments	xxx		
Balance b/d (Bank Overdraft)*	xxx		
	xxxxx		xxxxx

**Fig. 1.1:** Format of Receipt and Payment Account

\* There will be either of the two amounts i.e., each at bank or bank overdraft, not both.

It may be noted that the receipts side of the Receipt and Payment Account gives a list of revenue receipts (for past, current and future periods) as well as capital receipts. Similarly, the payments side of the Receipts and Payments Account lists the Revenue Payments (for past, current and future periods) as well as Capital Payments.

### 1.3.1 Salient Features

1. It is a summary of the cash book. Its form is identical with that of simple cash book (without discount and bank columns) with debit and credit sides. Receipts are recorded on the debit side while payments are entered on the credit side.
2. It shows the total amounts of all receipts and payments irrespective of the period to which they pertain . For example, in the Receipt and Payment account for the year ending on March 31, 2016, we record the total subscriptions received during 2015–16 including the amounts related to the years 2014–2015 and 2016-2017. Similarly, taxes paid during 2015–16 even if they relate to the years 2014–15 and 2016–2017.
3. It includes all receipts and payments whether they are of capital nature or of revenue nature.
4. No distinction is made in receipts/payments made in cash or through bank. With the exception of the opening and closing balances, the total amount of each receipt and payment is shown in this account.
5. No non-cash items such as depreciation outstanding expenses accrued income, etc. are shown in this account.
6. It begins with opening balance of cash in hand and cash at bank (or bank overdraft) and closes with the year end balance of cash in hand/ cash at bank or bank overdraft. In fact, the closing balance in this account (difference between the total amount of receipts and payments) which is usually a debit balance reflects cash in hand and cash at bank unless there is a bank overdraft.

### 1.3.2 Steps in the Preparation of Receipt and Payment Account

1. Take the opening balances of cash in hand and cash at bank and enter them on the debit side. In case there is bank overdraft at the beginning of the year, enter the same on the credit side of this account.
2. Show the total amounts of all receipts on its debit side irrespective of their nature (whether capital or revenue) and whether they pertain to past, current and future periods.
3. Show the total amounts of all payments on its credit side irrespective of their nature (whether capital or revenue) and whether they pertain to past, current and future periods.
4. None of the receivable income and payable expense is to be entered in this account as they do not involve inflow or outflow of cash.
5. Find out the difference between the total of debit side and the total of credit side of the account and enter the same on the credit side as the closing balance of cash/bank. In case, however, the total of the credit side is more than that of the total of the debit side, show the difference on the debit as bank overdraft and close the account.

From the following information based on the data assimilated from the cash book given in *example 1*, at page 4, the Receipt and Payment Account of Golden Cricket Club for the year ended on March 31, 2015 will be prepared as follows:

#### Summary of Cash Book

Details	Amount (Rs.)
Cash in hand as on April 1, 2014	20,000
Cash at bank as on April 1, 2014	35,000
Subscription: Rs.	
2013-14      30,000	
2014-15    2,25,000	
2015-16 <u>10,000</u>	2,65,000
Donation for Building	60,000
Entrance fees	23,000
Life membership fee	20,000
Printing and Stationery	38,750
Lighting	26,250
Rates and Taxes	17,000
Telephone charges	2,600
Postage and courier	2,000
Wages and Salaries	88,000
Insurance Premium	15,000
Interest on government securities	18,000
Locker rent	42,000
Purchase of government securities	2,00,000
Cash in hand as on March 31, 2015	23,400
Cash at bank as on March 31, 2015	70,000

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

Dr.

Cr.

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Cash in hand as on April 1, 2014	20,000	Printing and Stationery	38,750
Cash at bank as on April 1, 2014	35,000	Lighting	26,250
Subscription:		Rates and Taxes	17,000
2013-14           30,000		Telephone charges	2,600
2014-15           2,25,000		Postage and Courier	2,000
2015-16 <u>10,000</u>	2,65,000	Wages and Salaries	88,000
Donation for building	60,000	Insurance Premium	15,000
Entrance fees	23,000	Purchase of govt. securities	2,00,000
Life membership fee	20,000	Cash in hand as on March 31, 2015	23,400
Interest on investment in Government securities	18,000	Cash at bank as on March 31, 2015	70,000
Locker rent	42,000		
	<b>4,83,000</b>		<b>4,83,000</b>

**Illustration 1**

From the following particulars relating to Silver Point, prepare a Receipt and Payment account for the year ending March 31, 2017.

<i>Particulars</i>	<i>Amount (Rs.)</i>	<i>Particulars</i>	<i>Amount (Rs.)</i>
Opening cash balance	1,000	Sale of old sports materials	1,200
Opening bank balance	7,200	Donation received for pavilion	4,600
Subscriptions collected for:		Rent paid	3,000
2015-16       Rs. 500		Sports materials purchases	4,800
2016-17       Rs. 7,600		Purchase of refreshments	600
2017-18       Rs. <u>900</u>	9,000	Expenses for maintenance of tennis court	2,000
Sale of refreshments	1,000	Salary paid	2,500
Entrance fees received	1,000	Tournament expenses	2,400
		Furniture purchased	1,500
		Office expenses	1,200
		Closing cash in hand	400

**Solution**

**Books of Silver Point**  
**Receipt and Payment Account**  
**for the year ending March 31, 2017**

Dr. Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d		Rent	3,000
Cash	1,000	Sports materials purchased	4,800
Bank	7,200	Purchase of refreshments	600
Subscriptions		Maintenance expenses for tennis court	2,000
2015-16	500	Salary	2,500
2016-17	7,600	Tournament expenses	2,400
2017-18	<u>900</u>	Furniture purchased	1,500
Sale of refreshments	1,000	Office expenses	1,200
Entrance fees	1,000	Balance c/d	
Sale of old sports materials	1,200	Cash	400
Donation for pavilion	4,600	Bank (balancing figure)	6,600
	<u>25,000</u>		<u>25,000</u>

**1.4 Income and Expenditure Account**

It is the summary of income and expenditure for the accounting year. It is just like a profit and loss account prepared on accrual basis in case of the business organisations. It includes only revenue items and the balance at the end represents surplus or deficit. The Income and Expenditure Account serves the same purpose as the profit and loss account of a business organisation does. All the revenue items relating to the current period are shown in this account, the expenses and losses on the expenditure side and incomes and gains on the income side of the account. It shows the net operating result in the form of surplus (i.e. excess of income over expenditure) or deficit (i.e. excess of expenditure over income), which is transferred to the capital fund shown in the balance sheet.

The Income and Expenditure Account is prepared on accrual basis with the help of Receipts and Payments Account along with additional information regarding outstanding and prepaid expenses and depreciation etc. Hence, many items appearing in the Receipts and Payments need to be adjusted. For example, as shown in Example 1, (Page No. 10) subscription amount of Rs.2, 65,000 received during the year 2014-15 appearing on the receipts side of the Receipt and Payment Account includes receipts for the periods other than the current period. But the subscription amount of Rs. 2,25,000 pertaining to the current year only will be shown as income in Income and Expenditure Account for the year 2014-15.

### 1.4.1 Steps in the Preparation of Income and Expenditure Account

Following steps may be helpful in preparing an Income and Expenditure Account from a given Receipt and Payment Account:

1. *Persue* the Receipt and Payment Account thoroughly.
2. Exclude the opening and closing balances of cash and bank as they are not an income.
3. Exclude the capital receipts and capital payments as these are to be shown in the Balance Sheet.
4. Consider only the revenue receipts to be shown on the income side of Income and Expenditure Account. Some of these need to be adjusted by excluding the amounts relating to the preceding and the succeeding periods and including the amounts relating to the current year not yet received.
5. Take the revenue expenses to the expenditure side of the Income and Expenditure Account with due adjustments as per the additional information provided relating to the amounts received in advance and those not yet received.
6. Consider the following items not appearing in the Receipt and Payment Account that need to be taken into account for determining the surplus/deficit for the current year :
  - (a) Depreciation of fixed assets.
  - (b) Provision for doubtful debts, if required.
  - (c) Profit or loss on sale of fixed assets.

Now you will observe how the income and expenditure account is prepared from the receipts and payments account given in example 1, on page 10.

#### Income and Expenditure Account for the year ending on March 31, 2015

<i>Dr.</i>	<i>Amount (Rs.)</i>	<i>Cr.</i>	<i>Amount (Rs.)</i>
<i>Expenditure</i>		<i>Income</i>	
Printing and Stationery	38,750	Subscriptions	2,25,000
Lighting	26,250	Entrance fees	23,000
Rates and Taxes	17,000	Interest on investment	18,000
Telephone charges	2,600	in government securities	
Postage and courier charges	2,000	Locker rent	42,000
Wages and Salaries	88,000		
Insurance Premium	15,000		
Surplus ( <i>Excess of income over expenditure</i> )	1,18,400		
	<b>3,08,000</b>		<b>3,08,000</b>

Note that-

1. Opening and closing cash/bank balances have been excluded.
2. Payment for purchase of Government securities being capital expenditure has been excluded.
3. Amount of subscriptions received for the year 2013-14 and 2015-16 have been excluded.
4. Life membership fee is an item of capital receipt and so excluded.
5. Donation for building is a receipt for a specific purpose and so excluded.

### Illustration 2

From the Receipt and Payment Account given below, prepare the Income and Expenditure Account of Clean Delhi Club for the year ended March 31, 2017.

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

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d (Cash in hand)	3,200	Salary	1,500
Subscriptions	22,500	Rent	800
Entrance Fees	1,250	Electricity	3,500
Donations	2,500	Taxes	1,700
Rent of hall	750	Printing and Stationery	380
Sale of investments	3,000	Sundry expenses	920
		Books purchased	7,500
		Govt. bonds purchased	10,000
		Fixed deposit with bank (on 31.03.2017)	5,000
		Balance c/d	
		Cash in hand	400
		Cash at bank	1,500
	<b>33,200</b>		<b>33,200</b>

### Solution

#### Books of Clean Delhi Club

#### Income and Expenditure Account for the year ending March 31, 2017

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Salary	1,500	Subscriptions	22,500
Rent	800	Entrance fees	1,250
Electricity	3,500	Donation	2,500
Taxes	1,700	Rent of hall	750
Printing & Stationery	380		
Sundry Expenses	920		
Surplus (excess of income over expenditure)	18,200		
	<b>27,000</b>		<b>27,000</b>

**Illustration 3**

From the following Receipt and Payment Account for the year ending March 31, 2015 of Negi's Club, prepare Income and Expenditure Account for the same period:

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

<i>Dr.</i>		<i>Cr.</i>	
<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
Balance c/d Bank	25,000	Purchase of furniture (1.7.14)	5,000
Subscriptions		Salaries	2,000
2013	1,500	Telephone expenses	300
2014	10,000	Electricity charges	600
2015	<u>500</u>	Postage and Stationery	150
Donation	2,000	Purchase of books	2,500
Hall rent	300	Entertainment expenses	900
Interest on bank deposits	450	Purchase of 5% government	8,000
Entrance fees	1,000	papers (1.7.14)	
		Miscellaneous expenses	600
		Balance c/d:	
		Cash	300
		Bank	20,400
	<b>40,750</b>		<b>40,750</b>

The following additional information is available:

- (i) Salaries outstanding – Rs. 1,500;
- (ii) Entertainment expenses outstanding – Rs. 500;
- (iii) Bank interest receivable – Rs. 150;
- (iv) Subscriptions accrued – Rs. 400;
- (v) 50 per cent of entrance fees is to be capitalised;
- (vi) Furniture is to be depreciated at 10 per cent per annum.

**Solution****Books of Negi's Club****Income and Expenditure Account for the year ending 31.3.2015**

<i>Dr.</i>		<i>Cr.</i>	
<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
Salaries	2,000	Subscriptions	10,400
<i>Add: Outstanding</i>	<u>1,500</u>	Donation	2,000
Telephone expenses	300	Entrance Fees (50% of Rs. 1,000)	500
Electricity charges	600	Bank interest	450
Postage and Stationery	150	<i>Add: Outstanding interest</i> <u>150</u>	600

Entertainment expenses	900		Interest on investment	200
Add: Outstanding expenses	<u>500</u>	1,400	Hall rent	300
Miscellaneous expenses		600		
Depreciation on furniture		375		
Surplus (Excess of Income over Expenditure)		7,075		
		<b>14,000</b>		<b>14,000</b>

#### 1.4.2 Distinction between Income and Expenditure Account and Receipt and Payment Account

Based upon discussion made in regard to the Receipts and Payments Account and the Income and Expenditure Account we make the distinction between Income and Expenditure Account and Receipts and Payments Account in the tabular form:

Basis of distinction Account	Income and Expenditure	Receipt and Payment Account
Nature	It is like as profit and loss account.	It is the summary of the cash book.
Nature of Items	It records income and expenditure of <i>revenue</i> nature only.	It records receipts and payments of <i>revenue as well as capital</i> nature.
Period	Income and expenditure items relate only to the current period.	Receipts and payments may also relate to preceding and succeeding periods.
Debit side	Debit side of this account records expenses and losses.	Debit side of this account records the receipts.
Credit side	Credit side of this account records income and gains.	Credit side of this account records the payments.
Depreciation	Includes depreciation.	Does not includes depreciation.
Opening Balance	There is no opening balance.	Balance in the beginning represents cash in hand /cash at bank or overdraft at the beginning.
Closing Balance	Balance at the end represents excess of income over expenditure or vice-versa.	Balance at the end represents cash in hand at the end and bank balance (or bank overdraft).



## 1.5 Balance Sheet

'Not-for-Profit' Organisations prepare Balance Sheet for ascertaining the financial position of the organisation. The preparation of their Balance Sheet is on the same pattern as that of the business entities. It shows assets and liabilities as at the end of the year. Assets are shown on the right hand side and the liabilities on the left hand side. However, there will be a Capital Fund or General Fund in place of the Capital and the surplus or deficit as per Income and Expenditure Account which is either added to/deducted from the capital fund, as the case may be. It is also a common practice to add some of the capitalised items like legacies, entrance fees and life membership fees directly in the capital fund.

Besides the Capital or General Fund, there may be other funds created for specific purposes or to meet the requirements of the contributors/donors such as building fund, sports fund, etc. Such funds are shown separately in the liabilities side of the balance sheet.

Some times it becomes necessary to prepare Balance Sheet as at the beginning of the year in order to find out the opening balance of the capital/general fund.

### 1.5.1 Preparation of Balance Sheet

The following procedure is adopted to prepare the *Balance Sheet*:

1. Take the Capital/General Fund as per the opening balance sheet and add surplus from the Income and Expenditure Account. Further, add entrance fees, legacies, life membership fees, etc. received during the year.
2. Take all the fixed assets (not sold/discarded/or destroyed during the year) with additions (from the Receipts and Payments account) after charging depreciation (as per Income and Expenditure account) and show them on the assets side.
3. Compare items on the receipts side of the Receipts and Payments Account with income side of the Income and Expenditure Account. This is to ascertain the amounts of: (a) subscriptions due but not yet received; (b) incomes received in advance; (c) sale of fixed assets made during the year; (d) items to be capitalised (i.e. taken directly to the Balance Sheet) e.g. legacies, interest on specific fund investment and so on.
4. Similarly compare, items on the payments side of the Receipt and Payment Account with expenditure side of the Income and Expenditure Account. This is to ascertain the amounts if: (a) outstanding expenses; (b) prepaid expenses; (c) purchase of a fixed asset during the year; (d) depreciation on fixed assets; (e) stock of consumable items like stationery in hand; (f) Closing balance of cash in hand and cash at bank as, and so on.

A proforma Balance Sheet is given for the proper understanding of preparing the balance sheet.

**Balance Sheet of as on .....**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
<i>Capital fund:</i>			
Opening Balance	.....	<i>Cash in hand and /or Cash at Bank</i>	.....
<i>Add: Surplus</i>		<i>Outstanding Incomes</i>	.....
OR		<i>Prepaid Expenses</i>	.....
<i>Less: Deficit</i>		<i>Stock of Consumable Items:</i>	
<i>Add: Capitalised Income of the     Current Year on account of:</i>	.....	Previous Balance	
Legacies	.....	<i>Add: Purchases in the current     period</i>	
Entrance Fees	.....	<i>Less: Value consumed during     the period</i>	.....
Life Membership Fees	.....	Previous Balance	.....
Closing Balance	.....	<i>Add: Purchases in the current     period</i>	
<i>Special Fund/Donations:</i>		<i>Less: Book Value of the Asset     sold/disposed off</i>	
Previous Balance (If any )		<i>Closing Balance</i>	.....
<i>Add: Receipts for the item     during the period</i>			
<i>Add: Income earned on     fund/Donations'     Investments</i>			
<i>Less: Expenses paid out of     fund/Donations</i>			
Net Balance	.....		
<i>Creditors for Purchases and/or supplies</i>	.....		
<i>Bank Overdraft</i>	.....		
<i>Outstanding Expenses:</i>			
<i>Income received in Advance</i>	.....		
	.....		.....

**Fig. 1.2:** Proforma Balance Sheet**Illustration 4**

From the following Receipt and Payment Account and additional information relating to Excellent Cricket Club, prepare Income and Expenditure Account for the year ended March 31, 2015 and Balance Sheet as on date.

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d (Cash in Hand)	18,000	Balance b/d (bank overdraft)	16,000
Member's subscriptions	2,50,000	Upkeep of field and pavilion	1,15,000
Member's admission fee	15,000	Tournament expenses	40,000
Sale of old sports materials	2,500	Rates and Insurance	10,000
Hire of ground	28,000	Telephone	3,500
Subscription for tournament	60,000	Postage and Courier charges	4,000
Life membership fee	20,000	Printing and Stationery	26,000
Donations	6,00,000	Miscellaneous expenses	4,400

		Secretary's honorarium	30,000
		Grass seeds	2,600
		Investments	6,00,000
		Purchase of sports materials	68,000
		Balance c/d	74,000
	<b>9,93,500</b>		<b>9,93,500</b>

Assets at the beginning of the year were:

	Rs.
Play ground	5,00,000
Cash in hand	18,000
Stock of sports materials	85,000
Printing and Stationery	11,000
Subscriptions receivable	28,000

Donations and Surplus on account of tournament are to be kept in Reserve for a permanent pavilion. Subscriptions due on March 31, 2015 were Rs. 42,000. Write-off fifty per cent of sports materials and thirty per cent of printing and stationery.

### Solution

#### Books of Excellent Cricket Club

#### Income and Expenditure Account for the year ending on March 31, 2015

Dr.

Cr.

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Upkeep of field and pavilion	1,15,000	Subscriptions	2,50,000
Rates and Insurance	10,000	Add: Outstanding	
Telephone	3,500	(closing)	<u>42,000</u>
Postage and Courier charges	4,000		2,92,000
Printing & stationery	26,000	Less: Outstanding	
Add: Opening stock	<u>11,000</u>	(opening)	<u>28,000</u>
Available for use	37,000	Admission fees	15,000
Less: Closing stock	<u>25,900</u>	Sale of old sports material	2,500
Stationery consumed	4,400	Rent of hall	28,000
Miscellaneous expenses	30,000		
Secretary's honorarium	2,600		
Grass seeds			
Sports materials consumed:			
Opening stock	85,000		
Add: Purchases	<u>68,000</u>		
	1,53,000		
Less: Closing stock	<u>76,500</u>		
Surplus	52,400		
(Excess of income over expenditure)			
	<b>3,09,500</b>		<b>3,09,500</b>

Note: Since the opening balance of the capital fund is not given, the same has been ascertained by preparing opening balance sheet.

**Balance Sheet of Excellent Cricket Club as on March 31, 2015**

<i>Liabilities</i>		<i>Amount (Rs.)</i>	<i>Assets</i>		<i>Amount (Rs.)</i>
Capital Fund	6,26,000		Cash in hand	74,000	
Add: Surplus	<u>52,400</u>		Outstanding subscriptions	42,000	
	6,78,400		Stock of sports materials	76,500	
Add: Life membership fee	<u>20,000</u>	6,98,400	Stock of printing and stationery	25,900	
Pavilion Fund:			Investments	6,00,000	
Surplus from Tournament (Rs.60,000-40,000)	20,000		Play ground	5,00,000	
Donation	<u>6,00,000</u>	6,20,000			
		<b>13,18,400</b>			<b>13,18,400</b>

**Balance Sheet of Excellent Cricket Club as on March 31, 2014**

<i>Liabilities</i>		<i>Amount (Rs.)</i>	<i>Assets</i>		<i>Amount (Rs.)</i>
Bank overdraft		16,000	Cash in hand	18,000	
Capital/General fund (balancing figure)		6,26,000	Outstanding subscription	28,000	
			Stock of sports materials	85,000	
			Printing and Stationery	11,000	
			Play ground	5,00,000	
		<b>6,42,000</b>			<b>6,42,000</b>

**Test your Understanding – I**

State with reasons whether the following statements are TRUE or FALSE:

- (i) Receipt and Payment Account is a summary of all capital receipts and payments.
- (ii) If there appears a sports fund, the expenses incurred on sports activities will be shown on the debit side of Income and Expenditure Account.
- (iii) The balancing figure on credit side of Income and Expenditure Account denotes excess of expenses over incomes.
- (iv) Scholarships granted to students out of funds provided by government will be debited to Income and Expenditure Account.
- (v) Receipt and Payment Account records the receipts and payments of revenue nature only.
- (vi) Donations for specific purposes are always capitalized.
- (vii) Opening balance sheet is prepared when the opening balance of capital fund is not given.
- (viii) Surplus of Income and Expenditure Account is deducted from the capital/general fund.
- (ix) Receipt and Payment Account is equivalent to profit and loss account.
- (x) Receipt and Payment Account does not differentiate between capital and revenue receipts.

### 1.6 Some Peculiar Items

Final accounts of the Not-for-Profit organisations are prepared on the similar pattern as that of a business organisation. However, a few items of income and expenses of such organisations are somewhat different in nature and need special attention in their treatment in final accounts. They are peculiar to these organisations. Some of the common peculiar items are explained as under:

**Subscriptions:** Subscription is a membership fee paid by the member on annual basis. This is the main source of income of such organisations. Subscription paid by the members is shown as receipt in the Receipt and Payment Account and as income in the Income and Expenditure Account. It may be noted that Receipt and Payment Account shows the total amount of subscription actually received during the year while the amount shown in Income and Expenditure Account is confined to the figure related to the current period only irrespective of the fact whether it has been received or not. For example, a club received Rs. 20,000 as subscriptions during the year 2016-17 of which Rs.3,000 relate to year 2015-16 and Rs.2,000 to 2017-18, and at the end of the year 2016-17 Rs.6,000 are still receivable. In this case, the Receipt and Payment Account will show Rs.20,000 as receipt from subscriptions. But the Income and Expenditure Account will show Rs. 21,000 as income from subscriptions for the year 2016-17, the calculation of which is given as below:

	Rs.
Subscriptions received in 2016-17	20,000
Less: Subscriptions for the year 2015-16	3,000
	17,000
Less: Subscription for the year 2017-18	2,000
	15,000
Add: Subscriptions outstanding for the year 2016-17	6,000
Income from subscriptions for the year 2016-17	<b>21,000</b>

The above amount of subscriptions to be shown as income can also be ascertained by preparing the subscription account as follows:

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs.)	Date	Particulars	J.F.	Amount (Rs.)
	Balance b/d (outstanding at the beginning)		3,000		Balance b/d (received in advance during previous year)		Nil
	Income and Expenditure Account (balancing figure)		21,000		Cash (subscription received)		20,000
	Balance c/d (received in advance)		2,000		Balance c/d (outstanding at the end)		6,000
			<b>26,000</b>				<b>26,000</b>

**Illustration 5**

As per Receipt and Payment Account for the year ended on March 31, 2017, the subscriptions received were Rs. 2,50,000. Additional Information given is as follows:

1. Subscriptions Outstanding on 1.4.2016 Rs. 50,000
2. Subscriptions Outstanding on 31.3.2017 Rs.35,000
3. Subscriptions Received in Advance as on 1.4.2016 Rs.25,000
4. Subscriptions Received in Advance as on 31.3.2017 Rs.30,000

Ascertain the amount of income from subscriptions for the year 2016–17 and show how relevant items of subscriptions appear in opening and closing balance sheets.

**Solution**

Details	Amount (Rs.)
Subscriptions Received as per Receipt and Payment account	2,50,000
Add: Subscriptions outstanding on 31.3.2017	35,000
Add: Subscriptions received in advance on 1.4.2016	25,000
	3,10,000
Less: Subscriptions outstanding on 1.4.2016	50,000
	2,60,000
Less: Subscriptions received in advance on 31.3.2017	30,000
Income from subscription for the year 2016–17	<b>2,30,000</b>

Alternately, income received from subscriptions can be calculated by preparing a Subscriptions account as under.

**Subscription Account**

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs.)	Date	Particulars	J.F.	Amount (Rs.)
	Balance b/d (outstanding)		50,000		Balance b/d (advance)		25,000
	Income and Expenditure Account (balancing figure)		2,30,000		Receipts and Payments A/c		2,50,000
	Balance c/d (advance)		30,000		Balance c/d (outstanding)		35,000
			<b>3,10,000</b>				<b>3,10,000</b>

Relevant items of subscription can be shown in the opening and closing balance sheet as under:

**Balance Sheet as on March 31, 2014**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Subscriptions received in advance	25,000	Subscription outstanding	50,000

\*Relevant data only

**Balance Sheet as on March 31, 2015**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Subscriptions received in advance	30,000	Subscriptions outstanding	35,000

\*Relevant data only

**Illustration 6**

Extracts of Receipt and Payment Account for the year ended March 31, 2017 are given below:

<i>Receipt Subscriptions</i>	<i>(Rs.)</i>
2015-16	2,500
2016-17	26,750
2017-18	1,000
	30,250
	30,250

*Additional Information:*

Total number of members: 230.

Annual membership fee: Rs. 125.

Subscriptions outstanding on April 1, 2016: Rs. 2,750.

Prepare a statement showing all relevant items of subscriptions viz., income, advance, outstanding, etc.

**Solution**

Amount of subscription due for the year 2016-17 irrespective of cash Rs. 28,750 (i.e. Rs. 125 × Rs. 230).

<i>Details</i>	<i>Amount (Rs.)</i>
Subscriptions received as per Receipts and Payments Account	30,250
<i>Add:</i> Subscriptions outstanding on March 31, 2016	2,250
<i>Add:</i> Subscriptions received in advance on April 1, 2016	NIL
	32,500
<i>Less:</i> Subscriptions outstanding on April 1, 2016	2,750
	29,750
<i>Less:</i> Subscriptions received in advance on March 31, 2017	1,000
Income from Subscription for the year 2016-17. (125×230)	<b>28,750</b>

*Note:* The amount of subscriptions outstanding as on 01-04-2014 has been ascertained as follows:

Details	(Rs.)	(Rs.)
(i) Outstanding as on 01.04.2016	2,750	
Received for 2015-16	<u>2,500</u>	250
(ii) Due for 2016-17 (125×230)	28,750	
Received for 2016-17	<u>26,750</u>	2,000
Outstanding as on 31-3-2017		<b>2,250</b>

**Illustration 7**

From the following extract of Receipt and Payment Account and the additional information, compute the amount of income from subscriptions and show as how they would appear in the Income and Expenditure Account for the year ending March 31, 2015 and the Balance Sheet.

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

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Subscriptions:			
2013-14           7,000			
2014-15           30,000			
2015-16           5,000	<b>42,000</b>		

**Additional Information:**

	Rs.
1. Subscriptions outstanding March 31, 2014	8,500
2. Total Subscriptions outstanding March 31, 2015	18,500
3. Subscriptions received in advance as on March 31, 2014	4,000

**Solution****Income and Expenditure Account for the year ending on March 31, 2015**

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
		Subscriptions Received for 2014-15	30,000
		Add: Outstanding for 2014-15	17,000
		Add: Received in advance for 2014-15	4,000
			<b>51,000</b>

**Note:** Total amount of subscriptions outstanding as on 31-3-2015 are Rs. 18,500. This, includes Rs. 1,500 (Rs. 8,500 – Rs. 7,000) for subscriptions still outstanding for 2013-14. Hence, the subscriptions outstanding for 2014-15 are Rs. 17,000 (Rs. 18,500 – Rs. 1,500).



**Balance Sheet (Relevant Data) as on March 31, 2015**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Subscription Received in Advance for 2014-15	<b>5,000</b>	Subscription Outstanding: 2013-14                      1,500 2014-15 <u>1,7000</u>	<b>18,500</b>

\*Relevant data only

**Do it Yourself**

1. Subscriptions received by the health club during the year 2015 were as under:

	Rs.
2014	3,000
2015	96,000
2016	<u>2,000</u>
	<u>1,01,000</u>

	Rs.
Subscriptions Outstanding as on 31.12.14	5,000
Subscriptions Outstanding as on 31.12.15	12,000
Subscriptions received in advance in 2014 for 2015	5,000

Calculate the amount of subscriptions to be shown on the income side of Income and Expenditure A/c.

2. During the year 2015, subscriptions received by a sports club were Rs. 80,000. These included Rs. 3,000 for the year 2014 and Rs.6,000 for the year 2016. On March 31, 2016 the amount of subscriptions due but not received was Rs.12,000. Calculate the amount of subscriptions to be shown in Income and Expenditure Account as income from subscription.

3. Subscriptions received during the year ended December 31, 2015 by Royal Club were as under:

	Rs.
2014	3,000
2015	93,000
2016	<u>2,000</u>
	<u>98,000</u>

The club has 500 members each paying @ Rs.200 as annual subscription. Subscriptions outstanding as on March 31, 2016 are Rs. 6,000. Calculate the amount of subscriptions to be shown as income in the Income and Expenditure Account for the year ended March 31, 2016 and show the relevant data in the Balance Sheet as on date.

**Donations:** It is a sort of gift in cash or property received from some person or organisation. It appears on the receipts side of the Receipts and Payments Account. Donation can be for specific purposes or for general purposes.

- (i) **Specific Donations:** If donation received is to be utilised to achieve specified purpose, it is called Specific Donation. The specific purpose can be an

extension of the existing building, construction of new computer laboratory, creation of a book bank, etc. Such donation is to be capitalised and shown on the liabilities side of the Balance Sheet irrespective of the fact whether the amount is big or small. The intention is to utilise the amount for the specified purpose only.

- (ii) *General Donations:* Such donations are to be utilised to promote the general purpose of the organisation. These are treated as revenue receipts as it is a regular source of income hence, it is taken to the income side of the Income and Expenditure Account of the current year.

*Legacies:* It is the amount received as per the *will* of a deceased person. It appears on the receipts side of the Receipt and Payment Account and is directly added to capital fund/general fund in the balance sheet, because it is not of recurring nature. However, legacies of a small amount may be treated as income and shown on the income side of the Income and Expenditure Account.

*Life Membership Fees:* Some members prefer to pay lump sum amount as life membership fee instead of paying periodic subscription. Such amount is treated as capital receipt and credited directly to the capital/general fund.

*Entrance Fees:* Entrance fee also known as admission fee is paid only once by the member at the time of becoming a member. In case of organisations like clubs and some charitable institutions, is limited and the amount of entrance fees is quite high. Hence, it is treated as non-recurring item and credited directly to capital/general fund. However, for some organisations like educational institutions, the entrance fees is a regular income and the amount involved may also be small. In their case, it is customary to treat this item as a revenue receipt. However, if there is specific instruction, it is advisable to treat the entire amount as capital receipt and the relevant amount should be directly added to capital/general fund.

*Sale of old asset:* Receipts from the sale of an old asset appear in the Receipts and Payments Account of the year in which it is sold. But any gain or loss on the sale of asset is taken to the Income and Expenditure Account of the year. For example, if an item furniture with a book value of Rs. 800 is sold for Rs. 700, this amount of Rs. 700 will be shown as receipt in Receipts and Payments Account and Rs. 100 on the expenditure side of the Income and Expenditure Account as a loss on sale of old asset and while showing furniture in the balance sheet Rs. 800 will be deducted from its total book value.

*Sale of Periodicals:* It is an item of recurring nature and shown as the income side of the Income and Expenditure Account.

*Sale of Sports Materials:* Sale of sports materials (*used* materials like old balls, bats, nets, etc) is the regular feature with any Sports Club. It is usually shown as an income in the Income and Expenditure Account.

*Payments of Honorarium:* It is the amount paid to the person who is not the regular employee of the institution. Payment to an artist for giving performance at the club is an example of honorarium. This payment of honorarium is shown on the expenditure side of the Income and Expenditure Account.

*Endowment Fund:* It is a fund arising from a bequest or gift, the income of which is devoted for a specific purpose. Hence, it is a capital receipt and shown on the Liabilities side of the Balance Sheet as an item of a specific purpose fund.

*Government Grant:* Schools, colleges, public hospitals, etc. depend upon government grant for their activities. The recurring grants in the form of maintenance grant is treated as revenue receipt (i.e. income of the current year) and credited to Income and Expenditure account. However, grants such as building grant are treated as capital receipt and transferred to the building fund account. It may be noted that some Not-for-Profit organisations receive cash subsidy from the government or government agencies. This subsidy is also treated as revenue income for the year in which it is received.

### *Special Funds*

The Not-for-Profit Organisations office create special funds for certain purposes/ activities such as 'prize funds', 'match fund' and 'sports fund', etc. Such funds are invested in securities and the income earned on such investments is added to the respective fund, not credited to Income and Expenditure Account. Similarly, the expenses incurred on such specific purposes are also deducted from the special fund. For example, a club may maintain a special fund for sports activities. In such a situation, the interest income on sports fund investments is added to the sports fund and all expenses on sports deducted therefrom. The special funds are shown in balance sheet. However, if, after adjustment of income and expenses the balance in specific or special fund is negative, it is transferred to the debit side of the Income and Expenditure Account or adjusted as per prescribed directions. (see Illustrations 8 and 9.)

### **Illustration 8**

Show how you would deal with the following items in the financial statements of a Club:

<i>Details</i>	<i>Debit Amount (Rs.)</i>	<i>Credit Amount (Rs.)</i>
Prize Fund		80,000
Prize Fund Investments	80,000	
Income from Prize Fund Investments		8,000
Prizes awarded	6,000	

**Solution****Balance Sheet as on.....**

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Prize fund	80,000		Prize Fund Investments	80,000
Add: Income from Investments	<u>8,000</u>			
	88,000			
Less: Prizes Awarded	<u>6,000</u>	82,000		

**Illustration 9**

- (a) Show the following information in financial statements of a 'Not-for-Profit' Organisation:

Details	Amount (Rs.)
Match Expenses	16,000
Match Fund	8,000
Donation for Match Fund	5,000
Sale of Match tickets	7,000

- (b) What will be the effect, if match expenses go up by Rs. 6,000 other things remaining the same?

**Solution**

(a)

**Balance Sheet as on.....\***

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Match fund	8,000			
Add: Donation (Specific)	5,000			
Add: Sale of Match Tickets	<u>7,000</u>			
	20,000			
Less: Match Expenses	<u>16,000</u>	4,000		
		<b>4,000</b>		

\* Only relevant data.

(b)

If match expenses go up by Rs. 6,000, the net balance of the match fund becomes negative i.e. Debit exceeds the Credit, and the resultant debit balance of Rs. 2,000 shall be charged to the Income and Expenditure Account of that year.

**Test your Understanding – II**

How would you treat the following items in the case of a 'not-for-profit' organisation?

1. Tournament Fund Rs. 40,000. Tournament Expenses Rs. 14,000. Receipts from Tournament Rs. 16,000.
2. Table Tennis match expenses Rs. 4,000.
3. Prize Fund Rs. 22,000. Interest on Prize fund Investments Rs. 3,000. Prizes given Rs. 5,000. Prize fund Investments Rs. 18,000.
4. Receipts from Charity Show Rs. 7,000. Expenses on Charity Show Rs. 3,000.

**Illustration 10**

Extract of a Receipt and Payment Account for the year ended on March 31, 2015:

*Payments:*

Stationery Rs. 23,000

Additional Information:

<i>Details</i>	<i>April 1, 2014</i>	<i>March 31, 2015</i>
Stock of stationery	4,000	3,000
Creditors for stationery	9,000	2,500

**Solution**

<i>Details</i>	<i>Amount (Rs.)</i>
Payment made for the purchase of stationery as per Receipts and Payments account	23,000
<i>Less:</i> Creditors in the beginning	9,000
Payment made for the year 2014-15	14,000
<i>Add:</i> Payment not yet made (i.e. creditors at the end)	2,500
Stationery <i>Purchased</i> for the year 2014-15	16,500
<i>Add:</i> Stock in the beginning	4,000
Stationery Available for consumption during 2014-15	20,500
<i>Less:</i> Stock at the end	3,000
Stationery Consumed during 2014-15 to be taken to the Expenditure side of the Income and Expenditure account	<b>17,500</b>

*Stationery:* Normally expenses incurred on stationary, a consumable items are charged to Income and Expenditure Account. But in case stock of stationery (opening and/or closing) is given, the approach would be make necessary adjustments in purchases of stationery and work out cost of stationery consumed and show that amount in Income and Expenditure Account and its stock in the

balance sheet. For example, the Receipt and Payment Account shows a payment for stationery amounting to Rs. 40,000 and there is an opening and closing stationery amounting to Rs. 12,000 and Rs. 15,000. The amount of expense on stationery will be worked out as follows:

Stationery	
Purchases	40,000
Add: Opening stock	12,000
	<hr/>
	52,000
Less: Closing stock	15,000
	<hr/>
	37,000

In case stationery is also purchased on credit, the amount of its consumption will be worked out as given in Illustration 12.

#### Do it Yourself

1. Find out the cost of medicines consumed during 2014-15 from the following information:

Details	Amount (Rs.)
Payment for purchase of medicines	3,70,000
Creditors for medicines purchased:	
On 1.4.2014	25,000
On 31.3.2015	17,000
Stock of Medicines:	
On 1.4.2014	62,000
On 31.3.2015	54,000
Advance to suppliers of medicines:	
On 1.4.2014	11,500
On 31.3.2015	18,200

2. What amount of sports material will be posted to Income and Expenditure Account for the year ended March 31, 2016 as expenditure? :

	Amount (Rs.)
Stock of sports materials as on April 1, 2014	7,500
Creditors for sports material as on April 1, 2014	2,000
Stock of sports material as on March 31, 2016	6,200
Amount paid for sports material during the year 2015-16	17,000
Advance paid for sports material as on March 31, 2016	3,500
Creditors for sports material as on March 31, 2016	1,200

**Illustration 11**

Following is the Receipt and Payment Account of an Entertainment Club for the period April 1, 2016 to March 31, 2017.

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d		Salaries	24,000
Cash 27,500		Electric bill	21,000
Bank <u>60,000</u>	87,500	Food stuff for restaurant	60,000
Member's subscriptions:		Telephone bill	35,000
2015-2016 12,500		Subscription for periodicals	14,500
2016-2017 1,00,000		Printing and stationery	13,000
2017-2018 <u>10,000</u>	1,22,500	Sports expenses	50,000
Sale of furniture (book value: Rs. 8,000)	10,000	Secretary's honorarium	30,000
Sale of food stuffs	1,00,000	8% Investments (31.3.2017)	1,00,000
Sale of old periodicals and newspapers	3,200	Balance c/d:	
Hire of ground used for marriage	48,750	Cash 21,500	
Donation for sports fund	25,000	Bank <u>45,000</u>	66,500
Locker Rent	17,050		
	<b>4,14,000</b>		<b>4,14,000</b>

*Additional Information*

- The club had 225 members, each paying an annual subscription of Rs. 500. Subscription outstanding as on 31 March 2016 Rs. 15,000.
- Telephone bill outstanding for the year 2016-2017 is Rs. 2,000.
- Locker Rent Rs. 3,050 outstanding for the year 2015-16 and Rs. 1,500 for 2016-17.
- Salary outstanding for the year 2016-17 Rs. 4,000.
- Opening Stock of Printing and stationery Rs. 2,000 and closing stock of printing and stationery is Rs. 3,000 for the year 2016-17.
- On 1<sup>st</sup> April 2016 other balances were as under:

	Rs.
Furniture	1,00,000
Building	6,50,000
Sports fund	15,000

- Depreciation Furniture and Building @ 12.5% and 5% respectively assuming that it is on reducing balance for the year ending March 31, 2017

Prepare Income and Expenditure account and Balance Sheet as on that date.

**Solution**

**Book of Entertainment Club  
Income and Expenditure Account  
for the year ending on March 31, 2017**

<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
Salary	24,000	Subscriptions	1,00,000
<i>Add: Outstanding</i>	<u>4,000</u>	<i>Add: Outstanding</i>	<u>12,500</u>
Electric Bill	21,000	Sale of old periodicals	3,200
Telephone Bill	35,000	Profit on sale of furniture	2,000
<i>Add: Outstanding</i>	<u>2,000</u>	Hire of ground for marriage	48,750
Subscription for periodicals	14,500	Locker rent	17,050
Printing and Stationery	13,000	<i>Less: Opening o/s</i>	<u>3,050</u>
<i>Add: Opening Stock</i>	<u>2,000</u>		14,000
	15,000	<i>Add: Closing o/s</i>	<u>1,500</u>
<i>Less: Closing stock</i>	<u>3,000</u>		15,500
Secretary's honorarium	30,000	Sale of Food Stuff	1,00,000
Sports Expenses	50,000	Cost of food Consumed	<u>60,000</u>
<i>Less: Opening Balance of sports fund</i>	<u>15,000</u>		40,000
	35,000		
<i>Less: Donation for Sports</i>	<u>25,000</u>		
	10,000		
Depreciation On:			
Furniture	11,500		
Building	<u>32,500</u>		
Surplus (Excess of Income over Expenditure)	25,450		
	<b><u>2,21,950</u></b>		<b><u>2,21,950</u></b>



**Balance Sheet of Entertainment Club as on March 31, 2016**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Sports fund	15,000	Cash in hand	27,500
Capital/General Fund (Balancing figure)	8,42,550	Cash at bank	60,000
		Outstanding subscription	15,000
		Outstanding locker Rent	3,050
		Printing & Stationery	2,000
		Furniture	1,00,000
		Buildings	6,50,000
	<b>8,57,550</b>		<b>8,57,550</b>

**Balance Sheet of Entertainment Club as on March 31, 2017**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Subscriptions received in advanced	10,000	Cash in hand	21,500
Outstanding Telephone Bill	2,000	Cash at bank	45,000
Salary Outstanding	4,000	Outstanding subscriptions (2015 Rs 2500 and 2016 Rs 12500)	15,000
Capital/General Fund	8,42,550	Outstanding locker Rent	1,500
Add: Surplus	<u>25,450</u>	Printing and Stationery	3,000
	8,68,000	Furniture	1,00,000
		Less: Sales	<u>8,000</u>
			92,000
		Less: Depreciation	<u>11,500</u>
			80,500
		Building	6,50,000
		Less: Depreciation	<u>32,500</u>
			6,17,500
		Investment	1,00,000
	<b>8,84,000</b>		<b>8,84,000</b>

**Illustration 12**

Prepare Income and Expenditure Account and Balance Sheet for the year ended March 31, 2015 from the following information.

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d	41,000	Salaries and Wages:	
Subscriptions:		2013-14	4,800
2013-14	7,200	2014-15	<u>83,200</u>
2014-15	3,37,600	Sundry expenses	37,000
2015-16	<u>12,000</u>	Freehold land	60,000
Entrance fees	16,000	Stationery	16,000
Locker rent	58,000	Rates	24,000
Revenue from refreshment	48,000	Refreshment expenses	37,500
Income from investments	56,000	Telephone charges	4,000
		Investments	2,50,000
		Audit fee	6,000
		Balance c/d	53,300
	<b>5,75,800</b>		<b>5,75,800</b>

The following additional information is provided to you:

1. There are 1800 members each paying an annual subscription of Rs. 200, Rs. 8,000 were in arrears for 2013-14 as on April 1, 2014.
2. On March 31, 2015 the rates were prepaid to June 2015; the charge paid every year being Rs. 24,000.
3. There was an outstanding telephone bill for Rs. 1,400 on March 31, 2015.
4. Outstanding sundry expenses as on March 31, 2014 totaled Rs. 2,800.
5. Stock of stationery as on March 31, 2014 was Rs. 2000; on March 31, 2015, it was Rs. 3,600.
6. On March 31, 2014 Building stood at Rs. 4,00,000 and it was subject to depreciation @ 2.5% p. a.
7. Investment on March 31, 2014 stood at Rs. 8,00,000.
8. On March 31, 2015, income accrued on investments purchased during the year amounted to Rs. 1,500.

**Solution****Income and Expenditure Account  
for the year ending on March 31, 2015**

Dr.

Cr.

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Salaries and Wages	83,200	Subscriptions	3,60,000
Sundry Expenses 37,000		Entrance fees	16,000
Less: Outstanding on 31.3.2014 2,800	34,200	Locker rent	58,000
Stationery : (consumed)		Income from refreshment:	
Opening stock 2,000		Revenue from 48,000	
Add: Purchases 16,000		refreshment	
Less: Closing stock 3,600	14,400	Less: Refreshment 37,500	10,500
Rates 24,000		expenses	
Less: Paid for 2015-16 6,000		Income from 56,000	
Add: Prepaid in 2014-15 6,000	24,000	investments	
Telephone charges 4,000		Add: Accrued income 1,500	57,500
Add: Outstanding 1,400	5,400	on current year	
audit fee 6,000	6,000	investment	
Surplus Depreciation on building (excess of Income over expenditure) 3,24,800	10,000		
	3,24,800		
	<b>5,02,000</b>		<b>5,02,000</b>

**Balance Sheet as on March 31, 2015**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Outstanding Telephone Expenses 1,400	1,400	Cash and Bank Balance	53,300
Subscription received in Advance 12,000	12,000	Subscription in Arrears	23,200
General Fund 12,49,400		Stock of Stationery	3,600
Add: Surplus 3,24,800	15,74,200	Rates Prepaid	6,000
		Accrued Interest on investment:	1,500
		Investments 8,00,000	
		Additions 2,50,000	10,50,000
		Building 4,00,000	
		Less: Depreciation 10,000	3,90,000
		Land	60,000
	<b>15,87,600</b>		<b>15,87,600</b>

**Balance Sheet as on March 31, 2014**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Outstanding Sundry Expenses	2,800	Cash and Bank balance	41,000
Outstanding Salary and Wages	4,800	Subscription in arrears	8,000
General Fund (Balancing figure)	12,49,400	Stock of stationery	2,000
		Rates prepaid	6,000
		Investments	8,00,000
		Building	4,00,000
	<b>12,57,000</b>		<b>12,57,000</b>

Working Note :

**Subscription Account**

<i>Dr.</i>				<i>Cr.</i>			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount (Rs.)</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount (Rs.)</i>
	Opening Balance or Balance b/d (Arrears for 2013-14)		8,000		Receipt and Payment Balance c/d		3,56,800 23,200
	Income and Expenditure (1800×200)		3,60,000				
	Balance c/d (Advance for 2015-16)		12,000				
			<b>3,80,000</b>				<b>3,80,000</b>

**Illustration 13**

Following is the Receipt and Payment Account of Friendship Club in respect of the Year on 31.3.2016.

**Receipt and Payment Account for the year ending March 31, 2016.**

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payment</i>	<i>Amount (Rs.)</i>
Opening cash in hand	10,000	Salaries	20,000
Subscription:		Stationery	4,500
2014-15	15,000	Rates and Taxes	1,500
2015-16	20,000	Telephone charges	7,500
2016-17	<u>5,000</u>	8% govt. securities at par	25,000
Profit from sports	17,800	Sundry expenses	500
Interest on 8% govt. securities	5,000	Courier service charges	300
		Closing cash in hand	13,500
	<b>72,800</b>		<b>72,800</b>

**Additional Information :**

1. There are 500 members, each paying an annual subscription of Rs. 50, Rs. 17,500 being in arrears for 2014-15 at the beginning of 2015-16. During 2014-15, subscriptions were paid in advance by 40 members for 2015-16.
2. Stock of stationery on March 31, 2015, was Rs. 1,500 and on March 31, 2016, Rs. 2,000.
3. On March 31, 2016, the rates and taxes were prepaid to the following January 31, the annual charge being Rs. 1,500.
4. A quarter's charge for telephone is outstanding, the amount accrued being Rs. 1,500. There is no change in quarterly charge.
5. Sundry expenses accruing at 31.3.2015 were Rs. 250 and at March 31, 2016 Rs. 300.
6. On March 31, 2015 Building stood in the books at Rs. 2,00,000 and it is required to write off depreciation @ 10% p.a.
7. Value of 8% Government Securities on March 31, 2015 was Rs. 75,000 which were purchased at that date at Par. Additional Government Securities worth Rs. 25,000 are purchased on March 31, 2016.

You are required to prepare:

- (a) An Income and Expenditure Account for the year ended on 31.3.2016
- (b) A Balance Sheet on that date.

**Solution**

**Books of Friendship Club  
Balance Sheet as on March 31, 2015**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Outstanding Expenses:		Building	2,00,000
Telephone charges      3,000		Investment in 8% Govt. Securities	75,000
Sundry Expenses <u>250</u>	3,250	Stock of stationery	1,500
Subscription received in Advance	2,000	Prepaid Rates and Taxes	1,250
General Fund	3,00,000	Subscription outstanding	17,500
(balancing figure)		Cash in hand	10,000
	<b><u>3,05,250</u></b>		<b><u>3,05,250</u></b>

**Income and Expenditure Account  
for the year ending on March 31, 2015**

<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
Salaries	20,000	Profit on Sports	17,800
Stationery (paid)      4,500		Interest on 8% Govt. Securities Received	5,000
Add: Opening stock <u>1,500</u>		Add: Receivable <u>1,000</u>	6,000
	6,000	Total Subscription      40,000	
Less: Closing stock <u>2,000</u>		Received during the current year	
Stationery consumed	4,000		
Rates and Taxes          1,500			

Less: Closing Prepaid	<u>1,250</u>		Add: Opening Subscription in advance	2,000	
	250		Add: Outstanding at the end of the Current Year	5,500	
Add: Opening Prepaid	<u>1,250</u>	1,500	(2,500+3,000)=	47,500	
Telephone charges paid	7,500		Less: Subscription received in Advance(Closing)	<u>5,000</u>	
Add: Outstanding (Current Year)	<u>1,500</u>		Less: Outstanding at the start of the Current Year	<u>17,500</u>	25,000*
	9,000		Deficit: (Excess of Expenditure over to Income)		3,550
Less: Outstanding (Previous year)	<u>3,000</u>	6,000			
Sundry expenses paid	500				
Add: Outstanding (Current Year)	<u>300</u>				
	800				
Less: Outstanding (Previous year)	<u>250</u>	550			
Depreciation on building		20,000			
Courier charges		300			
		<b>52,350</b>			<b>52,350</b>

- Verification:  $500 \times 50 = 25000$ .

#### Balance Sheet of Friendship Club as on March 31, 2016

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Outstanding Expenses:		Building :	2,00,000
Telephone charges	1,500	Less: depreciation	<u>20,000</u>
Sundry Expenses	<u>300</u>		1,80,000
Subscription received in Advance	5,000	Investment in 8%	75,000
General Fund	3,00,000	Govt. Securities:	
Less: Deficit	<u>3,550</u>	Add: Purchases	<u>25,000</u>
	2,96,450		1,00,000
		Stock of stationery	2,000
		Interest on 8%	1,000
		Govt. securities Receivable	
		Prepaid Rates and Taxes	1,250
		Subscription outstanding (Rs.17,500-Rs. 5,000)	5,500
		+Rs. 3,000= Rs.5,500	
		Cash in hand	13,500
	<b>3,03,250</b>		<b>3,03,250</b>

#### 1.7 Income and Expenditure Account based on Trial Balance

In case of not-for-profit organisations, normally the Income and Expenditure Account and Balance Sheet is prepared based on the Receipts and Payments Account and the additional information given. But, sometimes, the trial balance along with some additional information is given for this purpose. See Illustration 14.

**Illustration 14**

From the trial balance and other information given below for a school, prepare Income and Expenditure Account for the year ended on 31.3.2017 and a Balance Sheet as on that date:

<i>Debit Balance</i>	<i>Amount (Rs.)</i>	<i>Credit Balance</i>	<i>Amount (Rs.)</i>
Building	6,25,000	Admission fees	12,500
Furniture	1,00,000	Tuition fees received	5,00,000
Library books	1,50,000	Creditors for supplies	15,000
Investment @12%	5,00,000	Rent for the school hall	10,000
Salaries	5,00,000	Miscellaneous receipts	30,000
Stationery	40,000	Government grant	3,50,000
General expenses	18,000	General fund	10,00,000
Sports expenses	15,000	Donation for library books	62,500
Cash at bank	50,000	Sale of old furniture	20,000
Cash in hand	2,000		
	<b>20,00,000</b>		<b>20,00,000</b>

**Additional Information:**

- (i) Tuition fee yet to be received for the year are Rs. 25,000.
- (ii) Salaries yet to be paid amount to Rs.30,000.
- (iii) Furniture costing Rs. 40000 was purchased on October 1, 2016.
- (iv) The book value of the furniture sold was Rs. 50,000 on April 1, 2016
- (v) Depreciation is to be charged @ 10% p.a. on furniture, 15% p.a. on Library books, and 5% p.a. on building.

**Solution**

**Income and Expenditure Account  
for the year ending on March 31, 2017**

<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
Loss on sale of old furniture (50,000 – 20,000)	30,000	Admission fees	12,500
Salaries 5,00,000		Tuition fees 5,00,000	
Add: outstanding 30,000	5,30,000	Add: Outstanding 25,000	5,25,000
Stationery 40,000		Rent for the school hall	10,000
General expenses 18,000		Miscellaneous receipts	30,000
Depreciation:		Government grant	3,50,000
Furniture 3,000		Interest accrued on investments	60,000
Building 31,250			
Library books 22,500	56,750		
Sports expenses	15,000		
Surplus (excess of income over expenditure)	2,97,750		
	<b>9,87,500</b>		<b>9,87,500</b>

*Working Notes:*

1. As admission fee is a regular income of a school, so it has been taken as a revenue income of the school.
2. Depreciation on furniture has been computed as following on the assumption that furniture was sold on April 1, 2016.

	<i>Amount (Rs.)</i>
Book Value on March 31, 2017	1,00,000
Less: Book Value of Sold furniture	(50,000)
	<b>50,000</b>
Depreciation on furniture of Rs. 10,000 for one year	1,000
Depreciation on furniture of Rs. 40,000 for 6 months	2,000
Total depreciation	<b>3,000</b>

**Balance Sheet as on March 31, 2017**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Creditors for Supplies	15,000	Buildings	6,25,000
Outstanding Salaries	30,000	Less: Depreciation	31,250
Donation for Library Books	62,500	Furniture	1,00,000
General fund	10,00,000	Less: Sold	50,000
Add: Surplus	2,97,750		50,000
	12,97,750	Less: Depreciation	3,000
		Accrued fees	25,000
		Library books	1,50,000
		Less: Depreciation	22,500
		Investments @ 12%	5,00,000
		Interest accrued	60,000
		Cash at bank	50,000
		Cash in hand	2,000
	<b>14,05,250</b>		<b>14,05,250</b>

**Illustration 15**

Prepare Income and Expenditure Account of Entertainment Club for the year ending March 31, 2017 and Balance Sheet as on that date from the following information:



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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d	24,000	Rent and Rates	48,750
Subscriptions		Furniture purchased	40,000
2015-16           23,250		Creditors for sports materials	61,000
2016-17           3,36,000		Purchases for sports materials	10,000
2017-18 <u>13,000</u>	3,72,250	Cost of prizes awarded	20,750
Sale of sports materials	26,000	Match expenses	35,150
Entrance fees	40,000	Miscellaneous expenses	1,50,000
General donation	20,250	Balance c/d	1,34,050
Donation for prize fund	14,000		
Interest on prize fund			
Investments	1,500		
Miscellaneous receipts	1,700		
	<b>4,99,700</b>		<b>4,99,700</b>

*Additional Information:*

<i>Details</i>	<i>Apr. 01, 2016</i>	<i>Mar. 31, 2017</i>
Sports materials	20,000	25,000
Furniture	2,00,000	?
5% Prize fund investments	60,000	?
Creditors for sports materials	7,000	14,750
Subscription in arrears	23,750	?
Prize fund	60,000	?
Rent paid in advance	----	3,750
Outstanding rent	3,750	
Outstanding miscellaneous expenses	11,400	20,100
Miscellaneous expenses paid in advance	3,750	4,250
Book value of sports materials sold was Rs. 20000		
Depreciation on furniture is to be provided @ 10%.		
Half of the entrance fee is to be capitalised.		
There are 1440 members, each paying an annual subscription @ Rs. 250.		
Subscription received in advance on 1.4.2016 were Rs. 7,000.		

**Solution**

**Books of Entertainment Club  
Income and Expenditure Account  
for the year ending March 31, 2017**

<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
Rent	48,750	Subscriptions	3,36,000
Less: Opening	<u>3,750</u>	Add: Received	
Outstanding		in advance	
	45,000	01.04.2016	7,000
Less: Closing rent paid in	<u>3,750</u>	Add: Outstanding	
advance	41,250	(2015–2016)	<u>17,000</u>
Sports Materials		(Rs.3,60,000–Rs.3,43,000)	3,60,000
Opening stock	20,000	General donations	20,250
Add: Payments	<u>61,000</u>	Entrance fees	20,000
to creditor		Sports materials	
	81,000	(Profit on sale)	
Add: Closing creditor	<u>14,750</u>	(i.e. 26,000–20,000)	6,000
	95,750	Miscellaneous receipts	<u>1,700</u>
Add: Cash purchase	<u>10,000</u>		
	1,05,750		
Less: Opening creditor	<u>7,000</u>		
	98,750		
Less: Sports material	<u>20,000</u>		
Sold			
	78,750		
Less: Closing stock	<u>25,000</u>		
	53,750		
Match expenses	35,150		
Depreciation on furniture	24,000		
Miscellaneous expenses:			
Paid	1,50,000		
Less: Outstanding	<u>11,400</u>		
(Opening)			
	1,38,600		
Paid in advance	<u>4,250</u>		
(Opening)			
	1,34,350		
Add: Outstanding	<u>20,100</u>		
(Closing)			
	1,54,250		
Paid in advance	<u>3,750</u>		
(Closing)			
Surplus (Excess of	95,600		
income over expenditure)			
	<b><u>4,07,950</u></b>		<b><u>4,07,950</u></b>

**Balance Sheet of Entertainment Club as on March 31, 2016**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Capital Fund (Balancing figure)	2,42,350	Furniture	2,00,000
Prize fund	60,000	5% Prize Fund Investments	60,000
Creditors for Sports Materials	7,000	Subscription Receivable (i.e. outstanding)	23,750
Subscription Received in Advance	7,000	Stock of Sports Materials	20,000
Outstanding Expenses:		Miscellaneous Expenses Paid in Advance	3,750
Rent 3,750		Cash in hand	24,000
Miscellaneous Expenses <u>11,400</u>	15,150		
	<b>3,31,500</b>		<b>3,31,500</b>

**Balance Sheet of Entertainment as on March 31, 2017**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Capital fund 2,42,350		<i>Furniture:</i>	
Add: Surplus 95,600		Opening balance 2,00,000	
Entrance fees <u>20,000</u>	3,57,950	Additions <u>40,000</u>	
Prize fund 60,000			2,40,000
Add: Donations 14,000		Less: Depreciation <u>24,000</u>	2,16,000
Interest received 1,500		5% Prize fund investments	60,000
Interest accrued* <u>1,500</u>		Subscription receivable (i.e. Outstanding):	
	77,000	(2015-2016) 500	
Less: Prizes awarded <u>20,750</u>	56,250	(2016-2017) <u>17,000</u>	17,500
Creditors for sports materials	14,750	Stock of sports materials	25,000
Subscription received in advance	13,000	Miscellaneous expenses	4,250
Outstanding miscellaneous expenses	20,100	Paid in advance	
		Prepaid rent	3,750
		Accrued interest on	1,500
		Prize fund investments	
		Cash in hand	1,34,050
	<b>4,62,050</b>		<b>4,62,050</b>

Note: \* Interest on Prize Fund Investments @ 5% amounts to Rs. 3,000 whereas only Rs. 1,500 have been received; so the balance is treated as Accrued interest.

*It is preferable to prepare separate accounts of various items involving many transactions. In this case Account for Subscription, Miscellaneous Expenses, and Sports Materials may be made as a Classroom activity.*

**Illustration 16**

Shiv-e-Narain Education Trust provides the information in regard to Receipt and Payment Account and Income and Expenditure Account for the year ended March 31st 2017:

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Cash in hand as on April 1, 2016	3,000	Printing and Stationery	6,000
Cash at bank as on April 1, 2016	15,000	Lighting & Water	2,600
<i>Subscription:</i>		Rent	21,000
2015-16           12,000		Advertisement	2,820
2016-17           46,000		Miscellaneous Expenses	4,400
2017-18 <u>15,600</u>	73,600	Staff Salaries	85,000
Entrance fees	25,200	Furniture purchased	28,000
<i>Tuition fees:</i>		Honorarium	15,000
2016-17           80,000		Books	5,000
2017-18 <u>10,000</u>	90,000	Cash in hand as on March 31, 2017	9,180
<i>Interest on investment:</i>		Cash at bank as on March 31, 2017	45,000
2015-16           4,000			
2016-17 <u>6,000</u>	10,000		
Miscellaneous receipts	7,200		
	<b>2,24,000</b>		<b>2,24,000</b>

On March 31, 2016 the following balances appeared:

Investments Rs.1, 60,000; Furniture Rs.40, 000; and Books Rs.20, 000.

**Income and Expenditure Account for the year ending on March 31, 2017**

<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
Printing and Stationery	7,800	Subscription	46,000
Lighting & Water	2,600	Interest on investment	6,800
Rent	24,000	Miscellaneous incomes	7,200
Staff salaries	84,000	Tuition fees	90,000
Advertisement	3,200		
Honorarium	15,000		
Misc. expenses	4,400		
Depreciation on furniture	4,000		
Surplus(Excess of income over expenditure)	5,000		
	<b>1,50,000</b>		<b>1,50,000</b>

Prepare opening and closing balance sheet

**Solution**

**Shiv-e-Narain Education Trust**  
**Balance Sheet as on March 31, 2016**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Capital/General Fund (Balancing figure)	2,54,000	Investments	1,60,000
		Furniture	40,000
		Books	20,000
		Outstanding subscription	12,000
		Accrued Interest on Invest.	4,000
		Cash in hand	3,000
		Cash at bank	15,000
	<b>2,54,000</b>		<b>2,54,000</b>

**Balance Sheet of Shiv-e-Narain Education Trust as on March 31, 2017**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Tuition fee advance	10,000	Investments	1,60,000
Rent Outstanding	3,000	Furniture	40,000
Advertisement Outstanding	380	Less: Depreciation	<u>4,000</u>
Printing & Stationery	1,800		36,000
Outstanding		Add: Purchases	<u>28,000</u>
Advance Subscription	15,600	Books	20,000
Capital/		Add: Purchases	<u>5,000</u>
General Fund	2,54,000	Interest Accrued	800
Add Entrance fee	25,200	Outstanding tuition fee	10,000
Add Surplus	<u>5,000</u>	Staff Salary Advance	1,000
	2,84,200	Cash in Hand	9,180
		Cash at Bank	<u>45,000</u>
	<b>3,14,980</b>		<b>3,14,980</b>

**Note:**

1. Income and Expenditure Account for the current year shows interest on investment income Rs.6,800 while Receipts and Payments Account shows the receipts of Rs.6,000 the difference of Rs.800 means interest on investment has become due but not yet receivable during the year.
2. Income and Expenditure Account shows Rs.90,000 as income from Tuition fees. However, the Receipts and Payments Account shows Rs.10,000 as tuition fees received for the year 2017-18 and Rs.80,000 for 2015-16. It implies that Rs.10,000 on account of tuition fees for the year 2016-17 are still receivable (i.e. Tuition fees are outstanding).
3. Receipt and Payment Account shows a payment of Rs.85,000 on account of staff salaries, but the Income and Expenditure Account shows expenditure

of Rs.84,000 on account of staff salaries. It means the excess of Rs.1,000 shown in the Receipt and Payment Account may either belong to the pervious year or the next year. Their is no evidence that staff salaries of Rs.1,000 was outstanding at the end of the previous year 2013-14. This is why this payment of Rs.1,000 has been considered as an advance salaries to the staff.

### **Terms Introduced in the Chapter**

1. Not-for-Profit Organisation.
2. Receipts and Payments Account
3. Income and Expenditure Account
4. Entrance Fee
5. Life Membership
6. Special Receipts
7. Subscription
8. Donation
9. Incidental Trading Activity
10. Legacy

### **Summary**

1. *Difference between Profit Seeking Entities and Not-for-Profit Entities:* Profit-seeking entities undertake activities such as manufacturing trading, banking and insurance to bring financial gain to the owners. Not-for-Profit entities exist to provide services to the member or to the society at large. Such entities might sometimes carry on trading activities but the profits arising therefrom are used for further the service objectives.
2. *Appreciation of the need for separate Accounting Treatment for Not-for-Profit Organisations:* Since not-for-profit entities are guided primarily by a service motive, the decisions made by their managers are different from those made by their counterparts in profit-seeking entities. Differences in the nature of decisions implies that the financial information on which they are based, must also be different in content and presentation.
3. *Explanation of the nature of the Principal Financial Statements prepare by Not-for-Profit enterprises:* Not-for-Profit Organisations that maintain accounts based on the double-entry system of accounting, generally prepare three principal statements to fulfil their information needs. These include Receipts and Payments Account, Income and Expenditure Account, and a Balance Sheet. The Receipts and Payments Account is a summarised cash book which records all cash Receipts and cash Payments without distinguishing between capital and revenue items, and between items relating to the current year and those relating to previous or future years. The Income and Expenditure Account is an income statement which is prepared to ascertain the excess of revenue income over revenue expenditure or vice

- versa, for a particular accounting year, as a result of the entity's overall activities. Although it is considered to be a substitute for the Trading and Profit and Loss Account of a profit-seeking entity, there are certain conceptual differences between the two statements. The Balance Sheet is prepared at the end of the entity's accounting year to depict the financial position on that date. It includes the Capital Fund or Accumulated Fund, special purpose funds, and current liabilities on the left hand or liabilities side, and fixed assets and current assets on the right hand or assets side.
4. *Difference between the Receipt and Payment Account and the Income and Expenditure Account:* Many differences exist between the Receipt and Payment Account and the Income and Expenditure Account which is evident from the nature and purpose of two statements. While the former records both capital and revenue receipts and payments relating to any accounting year, the latter records only revenue items relating to the current accounting year. Non-cash expenses such as depreciation on fixed assets and outstanding incomes and expenses are shown in the latter but omitted in the former. The Receipt and Payment Account has an opening balance while the Income and Expenditure Account does not. The closing balance of the former account represents cash and bank balances on the closing date while in the latter account it indicates surplus or deficit from the activities of the enterprise.
  5. *Conversion of a Receipt and Payment Account into an Income and Expenditure Account:* This essentially involves five steps namely, (i) adjusting the revenue receipts on the debit side to include outstanding incomes and incomes relating to the current year received earlier and to exclude amounts received in arrears or in advance; (ii) adjusting revenue payments on the credit side; (iii) identifying and showing non-cash expenses and losses on the debit side of the Income and Expenditure Account; (iv) computing and showing profits/losses from trading and/or social activities on the credit/debit side of the Income and Expenditure Account; and (v) ascertaining the surplus or deficit as the closing balance of the Income and Expenditure Account.

### **Questions for Practice**

#### **Short Answer Questions**

1. State the meaning of 'Not-for-Profit' Organisations.
2. State the meaning of Receipt and Payment Account.
3. State the meaning of Income and Expenditure Account.
4. What are the features of Receipt and Payment Account?
5. What steps are taken to prepare Income and Expenditure Account from a Receipt and Payment Account?
6. What is subscription? How is it calculated?
7. What is Capital Fund? How is it calculated?

**Long Answer Questions**

1. Explain the statement: "Receipt and Payment Account is a summarised version of Cash Book".
2. "Income and Expenditure Account of a Not-for-Profit Organisation is akin to Profit and Loss Account of a business concern". Explain the statement.
3. Distinguish between Receipts and Payments Account and Income and Expenditure Account.
4. Explain the basic features of Income and Expenditure Account and of Receipt and Payment Account.
5. 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
6. Show the treatment of items of Income and Expenditure Account when there is a specific fund for those items.
7. What is Receipt and Payment Account? How is it different from Income and Expenditure Account?

**Numerical Questions**

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

	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

**(Ans:** Cash at Bank (balancing figure) Rs. 91,000)



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

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
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
	<b>2,02,100</b>		<b>2,02,100</b>

Prepare the Income and Expenditure Account for the Year ended on March 31, 2015 after considering the following:

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

**(Ans : Excess of income over Expenditure Rs. 1,500.)**

3. From the following particulars , prepare Income and Expenditure account:

<i>Details</i>	<i>Amount (Rs.)</i>
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

**(Ans : Excess of income over expenditure Rs. 3,23,000)**

4. 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:

	Rs.
Sports Fund as on 1.4.2015	35,000
Sports Fund Investments	35,000
Interest on Sports Fund	4,000
Donations for Sports Fund	15,000
Sports Prizes awarded	10,000
Expenses on Sports Events	4,000
General Fund	80,000
General Fund Investments	80,000
Interest on General Fund Investments	8,000

**(Ans : Balance of Sports Fund Rs. 40,000.)**

5. How will you deal with the following items while preparing for the Bombay Women Cricket Club its income and expenditure account for the year ending 31.3.2017 and its Balance Sheet as on 31.3.2017:

	Rs.
(a) Donation received during the year for the construction of a permanent Pavilion	12,25,000
Expenditure incurred up to 31.3.2017 on its construction	10,80,000
The total estimated expenditure on construction of Pavilion being	25,00,000
(b) Tournament Fund:	
Balance as on 1.4.2016	10,700
Subscriptions for tournament received during the year	65,800
Expenditure incurred during the year on conducting tournaments	72,400
(c) Life Membership fee received during the year	28,000

Give reasons for your answers.

**(Ans : (a) Balance of Pavilion Fund Rs. 1,45,000; (b) Balance of Tournament Fund Rs. 4,100; (c) Life Membership fee to the Capitalised).**

6. From the following receipts and payments and information given below, Prepare Income and Expenditure Account and opening Balance Sheet of Adult Literacy Organisation as on December 31, 2017.

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d		General Expenses	3,200
Cash in hand	4,000	Newspaper	1,850
Cash at Bank	15,550	Electricity	3,000
Subscriptions		Fixed deposit with bank (on 31.06.2017) @ 10% p.a.	18,000
2016	1,200	Books	7,000
2017	26,500	Salary	3,600
2018	500	Rent	6,500
Sale of old newspapers	1,250	Postage charges	300
Govt. grant	12,000	Furniture (purchased)	10,500
Sale of old furniture (book value Rs.5000)	3,700	Balance c/d	
Interest received on FD	450	Cash in hand	3,000
		Cash at bank	8,200
	<b>65,150</b>		<b>65,150</b>

*Information:*

- (i) Subscription outstanding as on 31.12.2016 Rs.2,000 and on December 31, 2017 Rs.1,500.
- (ii) On December 31, 2017 Salary outstanding Rs.600, and one month Rent paid in advance.
- (iii) On Jan. 01, 2016 organisation owned Furniture Rs.12,000, Books Rs.5,000.
- (Ans :** Surplus Rs. 22,300, Opening Capital Fund Rs.38,550, Total Balance Sheet Rs. 61,950).

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance from last year	2,270	Rent	6,600
Subscriptions	32,500	Electric charges	3,200
Life membership fee	3,250	Lecturer's fee	730
Donation	2,500	Office expenses	1,480
Profit from entertainment	7,250	Printing and Stationery	1,050
Sale of old Books (books value Rs.1,000)	750	Legal fee	1,870
Interest	350	Books	6,500
		Furniture purchased	8,600
		Expenses on nukar drama	1,300
		Cash in hand	8,040
		Cash at bank	9,500
	<b>48,870</b>		<b>48,870</b>

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

- Subscription still to be received are Rs.750, but subscription include Rs.500 for the year 2018.
- In the beginning of the year the Sangh owned building Rs.20,000 and furniture Rs.3,000 and Books Rs.2,000.
- Provide depreciation on furniture @5% (including purchase), books @ 10% and building @ 5%.

**(Ans : Surplus Rs. 24,040)**

8. Following is the Receipt and Payment Account of Indian Sports Club, prepared Income and Expenditure Account, Balance Sheet as on December 31, 2015:

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

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d	7,890	Salary	11,000
Subscriptions	52,000	Electric charges	5,500
Life membership fee	2,200	Billiard Table	17,500
Entrance fee	3,200	Office expenses	4,100
Tournament fund	26,000	Printing & Stationery	2,300
Locker Rent	1,250	Tournament expenses	18,500
Sale of old sports equipment (Costing Rs.2,200)	2,500	Repair of ground	2,000
Sale of old newspaper	750	Furniture purchased	7,700
Legacy	37,500	Sports equipment	12,000
		Cash in hand	12,690
		Cash at bank	10,000
		Fixed deposit (on 1.10.2017 for 10% p.a)	30,000
	<b>1,33,290</b>		<b>1,33,290</b>

*Other Information:*

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

On January 1, 2017, club has Building Rs.36,000, furniture Rs.12,000, Sports equipments Rs.17,500. Depreciation charged on these items @ 10% (including Purchase).

**(Ans : Surplus Rs.26,300, Opening Capital fund Rs.74,590, Total of Closing Balance Sheet Rs.1,49,090)**

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

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Cash in hand as on 1.4.16	6,800	Salaries	24,000
Subscription	60,200	Traveling Expenses	6,000
Donation	3,000	Stationery	2,300
Sale of furniture (Book value Rs.6000)	4,000	Rent	16,000
Entrance fee	800	Repair	700
Life membership fee	7,000	Books purchased	6,000
Interest on investment (@ 5% for full year)	5,000	Building purchased	30,000
		Cash in hand as 31.03.2017	1,800
	<b>86,800</b>		<b>86,800</b>

*Additional Information:*

	<i>As on 01.04.2016</i>	<i>As on 31.03.2017</i>
(i) Subscription received in advance	1,000	3,200
(ii) Outstanding subscription	2,000	3,700
(iii) Stock of stationery	1,200	800
(iv) Books	13,500	16,500
(v) Furniture	16,000	8,000
(vi) Outstanding rent	1,000	2,000

**(Ans :** Surplus Rs.11,100 ,Opening Capital fund Rs.1,37,500, Total of Closing Balance Sheet Rs.1,60,800]

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

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

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

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

Subscription outstanding on March 31, 2016 is Rs.1, 200 and Rs.2, 300 on March 31, 2017, opening stock of postage stamps is Rs.300 and closing stock is Rs. 200, Rent Rs.1, 500 related to 2015 and Rs.1, 500 is still unpaid.

On April 1, 2016 the club owned furniture Rs.15, 000, Furniture valued at Rs. 22,500

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

**(Ans : Deficit Rs.6,100, Opening Capital fund Deficit Rs.2,400, Total of Closing Balance Sheet Rs. 44,500)**

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

**Receipt and Payment Account  
for the year ending March 31, 2016**

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Opening cash balance	12,000	Furniture	4,000
Subscription		Telephone expenses	800
2014-15	2,000	Salary	
2015-16	<u>22,000</u>	2014-15	1,000
Entrance fees	2,800	2015-16	4,000
Locker rent	1,000	Newspapers	700
Life membership fee	1,200	Sundry expenses	1,000
Government grant	11,000	Defence bonds	18,000
		Land	20,000
		Closing cash balance	2,500
	<b>52,000</b>		<b>52,000</b>

**Balance Sheet for the year ending March 31, 2016**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Advance locker rent	200	Cash in hand	12,000
Subscription received in Advance	1,000	Outstanding subscription	3,000
Outstanding salary	2,000	Building	35,000
Loan	10,000		
Capital fund	36,800		
	<b>50,000</b>		<b>50,000</b>

**(Ans : Surplus Rs.31500, Total of Closing Balance Sheet Rs.80500)**

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

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d	15,000	Furniture	18,000
Sale of Old furniture (costing Rs. 6,000)	4,000	Library books	10,000
Subscriptions:		Salaries	72,000
2015-16                   18,000		General expenses	18,000
2016-17                   60,000		Electric charges	12,000
2017-18 <u>12,000</u>	90,000	Newspapers	33,800
Sale of old newspapers	10,800	Postage	3,000
Profit from entertainment	44,000	Stationery	40,000
Rent	84,000	Audit fee	8,000
		Balance c/d	33,000
	<b>2,47,800</b>		<b>2,47,800</b>

**Balance Sheet as on March 31, 2017**

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Outstanding Salary	6,000	Cash	15,000
Capital Fund	6,94,000	Outstanding subscription	18,000
		Library Books	30,000
		Furniture	37,000
		Land and Building	6,00,000
	<b>7,00,000</b>		<b>7,00,000</b>

*Additional Information:*

- The Club had 500 members each paying an annual subscription of Rs. 150.
- On 31.3.2016 salaries outstanding amounted to Rs. 1,200 and salaries paid included Rs. 6,000 for the year 2015-16.
- Provide 5% depreciation on Land and Building.

**(Ans : Deficit Rs. 200 Total of Closing Balance Sheet Rs.7,07,000)**

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

Details	Amount (Rs.)
Sports Fund as on April 1, 2016	80,000
Sports Fund Investments	80,000
Interest on Sports Fund Investments	8,000
Donations for Sports Fund	30,000
Sports Prizes awarded	16,000
Expenses on Sports Events	7,000
General Fund	2,00,000
General Fund Investments	2,00,000
Interest on General Fund Investments	20,000

14. Receipt and Payment Account of Maitrey Sports Club showed that Rs. 68,500 were received by way of subscriptions for the year ended on March 31, 2017.

The additional information was as under:

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

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

**(Ans :** Subscription credited to Income and Expenditure Account for the year ended on March 31, 2017 is Rs. 69,000. Subscription Outstanding as on 31.3.2017 is Rs. 5,400 and should be shown on the assets side of the Balance sheet as on March 31, 2017 and subscriptions of Rs. 2,500 received in advance as on March 31, 2017 on the liabilities side of the balance sheet as on March 31, 2017)

15. Following is the Receipt and Payment account of Rohatgi Trust :

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

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Cash in hand	14,000	Rent	6,000
Cash at bank	60,000	Salary	12,000
Subscription:		Postage	300
2016	5,000	Electricity charges	6,000
2017	83,000	Purchase of furniture	20,000
2018	<u>3,000</u>	Books	3,000
Sale of investment	90,000	Defence Bonds	1,50,000
Interest on investment	2,000	Help to needy students	22,000
Sale of furniture	3,200	Cash in hand	10,900
(book value Rs.3,000)		Cash at bank	30,000
	<b>2,60,200</b>		<b>2,60,200</b>



Prepare Income and expenditure account for the year ended December 31, 2017, and a balance sheet as on that date after the following adjustments: Subscription for 2017, still owing were Rs. 7,000. Interest due on defence bonds was Rs.7,000, Rent still owing was Rs. 1,000. The Book value of investment sold was Rs. 80,000, Rs. 30,000 of the investment were still in hand. Subscription received in 2017 included Rs. 400 from a life member. The total furniture on January 1, 2017 was worth Rs.12,000. Salary paid for the year 2018 is Rs.2,000.

**(Ans : Surplus Rs. 63,500, Total of Closing Balance Sheet Rs. 2,68,900)**

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

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

Receipts	Amount (Rs.)	Payment	Amount (Rs.)
Balance b/d		Charity	11,500
Cash in hand	11,500	Rent and taxes	3,200
Cash at bank	12,600	Salary	6,000
Donation	9,000	Printing	600
Subscription:	42,800	Postage	300
Legacies	18,000	Advertisements	4,500
Interest on investment	4,500	Insurances	2,000
Sale of old newspapers	200	Furniture	21,600
		Investment	23,000
		Balance c/d:	
		Cash in hand	9,900
		Cash at bank	16,000
	<b>98,600</b>		<b>98,600</b>

Prepare Income and expenditure account for the year ended December 31, 2017, 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 Rs.1,100 accrued was not received.
- Rent Rs.600: salary Rs.900 and advertisement expenses Rs.1,000 outstanding as on December 31, 2018.

**(Ans : Surplus Rs.21,400, Total of Closing Balance Sheet Rs.72,000)**

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

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d	3,500	General expenses	900
Subscription:		Salary	16,000
2015-16	2,000	Postage	1,300
2016-17	70,000	Electricity charges	7,800
2017-18	<u>3,000</u>	Furniture	26,500
Sale of old Books	2,000	Books	13,000
(costing Rs.3,200)		Newspapers	600
Rent from use of hall	17,000	Meeting expenses	7,200
Sale of newspapers	400	T.V. set	16,000
Profit from entertainment	7,300	Balance c/d	15,900
	<b>1,05,200</b>		<b>1,05,200</b>

*Additional Information:*

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

**(Ans :** Surplus Rs.79,700, Total of Closing Balance Sheet Rs.1,23,600)

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

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

<i>Receipts</i>	<i>Amount (Rs.)</i>	<i>Payments</i>	<i>Amount (Rs.)</i>
Balance b/d	7,250	Salary	12,500
Subscriptions	81,750	Stationery	1,700
Donations	3,000	Electricity charges	9,550
Grant from Government	15,000	Insurance	7,500
Sale of newspapers	300	Equipments	30,000
Proceeds of charity show	16,500	Petty expenses	500
Interest on investments	7,000	Expenses on charity show	12,900
@ 10% for full year		Newspapers	1,000
Sundries income	400	Lectures fee	16,500
		Honorary to Secretary	12,000
		Balance c/d	27,050
	<b>1,31,200</b>		<b>1,31,200</b>

*Additional Information:*

	01.01.2017 Rs.	31.12.2017 Rs.
Outstanding salaries	1,200	1,800
Insurance prepaid	700	300
Subscription outstanding	3,750	2,500
Subscription received in advanced	1,750	1,000
Electricity charges outstanding	—	1,250
Stock of stationery	2,250	700
Equipments	25,600	50,200
Building	1,20,000	1,14,000

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

**(Ans : Surplus Rs.34,100, Total of Closing Balance Sheet Rs.2,64,750)**

19. As at March 31, 2015 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 resturant and dining room and (2) Income and Expenditure Account for the year ended March 31, 2017 (3) and a Balance Sheet as at that date.

<i>Debit Balances</i>		<i>Credit Balances</i>	
	Rs.		Rs.
Stock-in-hand	1170	Receipts Dining Room	87,660
Purchases	24,660	Subscriptions	9,450
Dining Room	32,370	Billiard's Receipts	7,300
Rent	10,470	Sunday Receipts	410
Wages	18,690	Interest on Fixed Deposit	270
Repairs and Renewals	5,400	Sundry Credtiors	5370
Fuel and Light	5,280	Grant from Institute	42,000
Misc. Expenses	4,050	(permanent)	
Cash in hand	560	Income and Exp. A/c	1,380
Cash at bank	2,760	(2016)	
Fixed Deposit	8,500		
Sundry Debtors	2,250		
China glass, cutlery & linen	600		
Billiard Table	2,070		
Fixtures and Fittings	870		
Furniture	4,140		
Club Premises	30,000		
	<b>1,53,840</b>		<b>1,53,840</b>

On March 31,2016 stock of restaurant consisted of Rs. 900 and Rs. 60 respectively. Provide depreciations Rs. 60 on fixtures and fittings, Rs. 390 on billiard table and Rs. 560 on furniture.

**(Ans: Excess of income over expenditure– Rs. 2,950: Total of Balance Sheet Rs. 51,700)**

### **Check-list to Test your Understanding**

#### *Test your Understanding – I*

Ans. TRUE: (iii) (vi) (vii) (x); FALSE: (i) (ii) (iv).(v).(viii).(ix).

#### *Test your Understanding – II*

1. There is a specific tournament fund. The accounting treatment is as under:

<i>Liabilities side of the Balance Sheet</i>	<i>Amount (Rs.)</i>
Tournament fund	40,000
<i>Add:</i> Receipts from tournament	<u>16,000</u>
	56,000
<i>Less:</i> Tournament Expenses	<u>14,000</u>
Balance to remain on the Liabilities side of the Balance Sheet	<b><u>42,000</u></b>

2. There is no specific fund. So the amount incurred on Table Tennis match expenses Rs. 4,000 would be shown on the debit side of Income and Expenditure Account. It is the case of expenses independent of any specific fund.

3. There is a specific fund. The accounting treatment is as under:

<i>Liabilities side of the Balance Sheet</i>	<i>Amount (Rs.)</i>
Prize Fund	22,000
<i>Add:</i> Interest	<u>3,000</u>
	25,000
<i>Less:</i> Prizes Paid	<u>5,000</u>
Balance to remain on the Liabilities side of the Balance Sheet	<u>20,000</u>
Prize fund Investments would appear on the Assets Side of the Balance Sheet	<b>18,000</b>

4. There is no specific fund. Receipts from Charity Show would be shown on the credit side and expenses on charity show are deducted from the receipts and the net amount would be shown on the credit side of Income and Expenditure Account.