

*One Two academy***UNIT 2****ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION****I. Choose the correct answer:**

1. Receipts and payments account is a
 - (a) Nominal A/c
 - (b) Real A/c
 - (c) Personal A/c
 - (d) Representative personal account
2. Receipts and payments account records receipts and payments of
 - (a) Revenue nature only
 - (b) Capital nature only
 - (c) Both revenue and capital nature
 - (d) None of the above
3. Balance of receipts and payments account indicates the
 - (a) Loss incurred during the period
 - (b) Excess of income over expenditure of the period
 - (c) Total cash payments during the period
 - (d) Cash and bank balance as on the date
4. Income and expenditure account is a
 - (a) Nominal A/c
 - (b) Real A/c
 - (c) Personal A/c
 - (d) Representative personal account
5. Income and Expenditure Account is prepared to find out
 - (a) Profit or loss
 - (b) Cash and bank balance
 - (c) Surplus or deficit
 - (d) Financial position
6. Which of the following should not be recorded in the income and expenditure account?
 - (a) Sale of old news papers
 - (b) Loss on sale of asset
 - (c) Honorarium paid to the secretary
 - (d) Sale proceeds of furniture
7. Subscription due but not received for the current year is
 - (a) An asset
 - (b) A liability
 - (c) An expense
 - (d) An item to be ignored
8. Legacy is a
 - (a) Revenue expenditure
 - (b) Capital expenditure

(c) Revenue receipt (d) Capital receipt

9. Donations received for a specific purpose is

(a) Revenue receipt (b) Capital receipt

(c) Revenue expenditure (d) Capital expenditure

10. There are 500 members in a club each paying ₹ 100 as annual subscription. Subscription due but not received for the current year is ₹ 200; Subscription received in advance is ₹ 300. Find out the amount of subscription to be shown in the income and expenditure account.

(a) ₹ 50,000 (b) ₹ 50,200

(c) ₹ 49,900 (d) ₹ 49,800

Answers

1. (b) 2. (c) 3. (d) 4. (a) 5. (c) 6. (d) 7. (a) 8. (d) 9. (b) 10. (a)

II. Very short answer questions:

1. State the meaning of not-for-profit organisation.
 - i. Some organisations are established for the purpose of rendering services to the public without any profit motive. These organisations are called not-for-profit organisation
 - ii. Charitable institutions, educational institutions, cultural societies, sports and recreation clubs are some examples of not-for-profit organisations.
2. What is receipts and payments account?
 - i. Receipts and Payments account is a summary of cash and bank transactions of not-for-profit organisations prepared at the end of each financial year.
 - ii. It is a real account in nature. The receipts and payments account begins with the opening balances of cash and bank and ends with closing balances of cash and bank.
3. What is legacy ?
 - i. A gift made to a not-for-profit organisation by a will, is called legacy. It is a capital receipt.
 - ii. It is recorded on the receipts side of Receipts and Payments account and on the assets side of the Balance Sheet.
4. Write a short note on life membership fees.
 - i. Amount received towards life membership fee from members is a capital receipt as it is non-recurring in nature.

- ii. It is recorded on the receipts side of the Receipts and Payments account and on the assets side on the Balance Sheet.
5. Give four examples for capital receipts of not-for-profit organisation.
- i. Life membership fee
 - ii. Endowment fund
 - iii. Sale of fixed assets
 - iv. Specific donations
6. Give four examples of revenue receipts of not-for-profit organisation.
- i. Interest on investment
 - ii. Interest on fixed deposit
 - iii. Sale of (old) sports materials
 - iv. Sale of (old) newspapers

III.Short answer questions:

1. What is income and expenditure account ?
- i. Income and expenditure account is a summary of income and expenditure of a not-for-profit organisation prepared at the end of an accounting year.
 - ii. It is prepared to find out the surplus or deficit pertaining to a particular year.
 - iii. It is a nominal account in nature in which items of revenue receipts and revenue expenditure, relating to the current year alone are recorded.
 - iv. It is prepared following the accrual basis of accounting.
2. State the differences between Receipts and Payments account and Income and Expenditure account.

| Basis | Receipts and Payments account | Income and Expenditure account |
|---------------------|---|--|
| 1.Purpose | It is prepared to know the cash receipts and cash payments | It is prepared to know whether there is an excess of income over expenditure (surplus) or an excess of expenditure over income (deficit) during the current period |
| 2.Nature of account | It is a real account. It is a summary of cash account. Cash receipts are recorded on | It is a nominal account. It is similar to profit and loss account. Expenses are recorded on the |

| | | |
|-------------------------------|---|--|
| | the debit side and cash payments are recorded on the credit side | debit side and incomes are recorded on the credit side. |
| 3.Basis of accounting | It is based on cash system of accounting. Non-cash items are not recorded | It is based on accrual system of accounting. Non-cash items like outstanding expenses, depreciation, etc. are also recorded. |
| 4.Opening and closing balance | It commences with an opening balance of cash and bank and ends with closing balance of cash and bank | There is no opening balance. It ends with surplus or deficit. |
| 5.Nature of items | It contains actual receipts and payments irrespective of revenue or capital items in nature. | It contains only revenue items, that is, only revenue expenses and revenue incomes. |
| 6.Period | All cash receipts and payments made during the year pertaining to the past period, current period and subsequent period are recorded. | It contains only the items relating to the current period |

3. How annual subscription is dealt with in the final accounts of not-for-profit organisation ?

(A) **Treatment in Income and Expenditure Account** - shown on the credit side of Income and Expenditure Account

- When subscription received for the current year, previous years and subsequent period are given separately:
 - (i) Subscription outstanding for the current year is to be added.
 - (ii) Subscription received in advance in the previous year which is meant for the current year, is to be added.
- When subscription received for the current year includes the subscription for previous and subsequent year :

- (i) Subscription outstanding in the previous year which is received in the current year will be subtracted. Subscription outstanding for the current year is added.
- (ii) Subscriptions received in advance in the previous year which is meant for the current year, is added and subscriptions received in advance in the current year which is meant for the subsequent year must be subtracted

(B) Treatment in Balance Sheet

- (i) Subscriptions outstanding for the current year and still outstanding for the previous year will be shown on the assets side of the balance sheet.
 - (ii) Subscriptions received in advance in the current year will be shown on the liabilities side of the balance sheet.
4. How the following items are dealt with in the final accounts of not-for-profit organisation ?
- a) Sale of sports materials
 - b) Life membership
 - c) Tournament fund
- A) Sale of sports materials :
- (i) Consumable items such as sports materials, stationery, medicines, etc., consumed during the year will appear on the debit side of income and expenditure account.
 - (ii) $\text{Consumption} = \text{Opening stock} + \text{Purchases during the current year} - \text{Closing stock}$
 - (iii) Closing stock will appear on the assets side of the balance sheet as at the end of the year.
 - (iv) If there is any sale of old sports materials, etc., that will be shown on the credit side of income and expenditure account or can be subtracted from the respective items consumed on the debit side of income and expenditure account.
- B) Life membership fees : Amount received towards life membership fee from members is a capital receipt as it is non-recurring in nature. It is recorded on the assets side on the Balance Sheet.

- C) Tournament fund : Tournament fund should be shown on the liabilities side of the balance sheet separately.

IV. Exercises :

1. From the information given below, prepare Receipts and Payments account of Kurunji Sports Club for the year ended 31st December, 2018

| Particulars | ₹ | Particulars | ₹ |
|-------------------------------|--------|---------------------------|--------|
| Cash in hand (1.1.2018) | 4,000 | Paid for printing charges | 2,500 |
| Salaries | 3,000 | Lockers rent received | 1,000 |
| Life membership fees received | 10,000 | Tournament receipts | 14,000 |
| Subscription received | 15,000 | Tournament expenses | 10,500 |
| Rent received | 2,000 | Investments purchased | 25,000 |

Solution :

In the books of Kurunji sports club

Receipts and payments for the year ended 31st December 2018

Dr.

Cr.

| Receipts | ₹ | Payments | ₹ |
|-------------------------|--------|-------------------------|--------------|
| To balance b/d | | By salaries | 3,000 |
| Cash in hand | 4,000 | By printing charges | 2,500 |
| To life membership fees | 10,000 | By tournament expenses | 10,500 |
| To subscription | 15,000 | By investment purchased | 25,000 |
| To rent received | 2,000 | By balance c/d | |
| To lockers rent | 1,000 | Cash in hand | 5,000 |
| To tournament receipts | 14,000 | | |
| | 46,000 | | 46,000 |

2. From the information given below, prepare Receipts and Payments account of Coimbatore Cricket Club for the year ending 31st March, 2019.

| Particulars | ₹ | ₹ | Particulars | ₹ |
|---------------------------|---|-------|-------------------------------|-------|
| Bank overdraft (1.4.2018) | | 6,000 | Honorarium paid | 2,800 |
| Cash in hand (1.4.2018) | | 1,000 | Water and electricity charges | 700 |

| | | | | |
|-----------------------------------|------------|--------|--------------------------------|-------|
| Wages paid for ground maintenance | | 2,000 | Match expenses | 2,600 |
| Subscription received: | 500 | | Sports material purchased | 1,900 |
| Previous year | 9,600 | | Match fund receipts | 5,200 |
| Current year | <u>400</u> | 10,500 | Legacies received | 2,000 |
| Subsequent year | | 2,200 | Cash balance (31.03.2019) | 300 |
| Wages yet to be paid | | 2,000 | Donation received for pavilion | 2,00 |
| Interest on loan paid | | | | |

Solution :

In the books of Coimbatore Cricket Club

Receipts and payments account for the year ended 31st March 2019

Dr.

Cr.

| Receipts | ₹ | ₹ | Payments | ₹ |
|------------------------|------------|--------|----------------------------------|--------------|
| To balance b/d | | | By balance b/d | |
| Cash in hand | | 1,000 | Bank overdraft | 6,000 |
| To subscription: | | | By wages | 2,000 |
| Previous year | 500 | | By interest on loan | 2,000 |
| Current year | 9,600 | | By honorarium | 2,800 |
| Subsequent year | <u>400</u> | 10,500 | By water and electricity charges | 700 |
| To match fund receipts | | 5,200 | By match expenses | 2,600 |
| To legacies | | 2,000 | By sports material purchased | 1,900 |
| To donation | | 2,000 | By balance c/d | |
| | | | Cash in hand | 300 |
| | | | Cash at bank | 2,400 |
| | | 20,700 | | 20,700 |

Note: Wages yet to be paid is a non cash item. Hence it is excluded in receipts and payments account.

3. . From the information given below, prepare Receipts and Payments account of Madurai Mother Theresa Mahalir Mandram for the year ended 31st December, 2018

| Particulars | ₹ | Particulars | ₹ |
|-----------------------------|-------|-----------------------------|-------|
| Cash balance as on 1.1.2018 | 2,000 | Fire Insurance premium paid | 1,500 |

| | | | |
|-----------------------------|-------|-------------------------------|-------|
| Bank balance as on 1.1.2018 | 3,000 | Subscription received | 8,500 |
| Sale of old newspapers | 500 | Furniture purchased | 6,000 |
| Stationery purchased | 6,000 | Purchase of newspapers | 700 |
| Audit fees paid | 2,000 | Depreciation on furniture | 900 |
| Entrance fees received | 3,000 | Cash balance as on 31.12.2018 | 2,500 |
| Sundry charges | 6,000 | Conveyance paid | 1,000 |
| Scholarships given | 2,000 | Sale of furniture | 4,000 |
| Interest on investments | 2,000 | | |

Solution :

In the books of Madurai Mother Teresa Mahalir Mandram

Receipts and payments account for the year ended 31st December 2018

Dr.

Cr.

| Receipts | ₹ | ₹ | Payments | ₹ |
|------------------------------------|--------------|--------------|--------------------------------|--------|
| To balance b/d | | | By stationery purchased | 6,000 |
| Cash in hand | 2,000 | | By audit fees paid | 2,000 |
| Cash at bank | <u>3,000</u> | 5,000 | By scholarship given | 2,000 |
| To sale of old newspapers | | 500 | By sundry charges | 6,000 |
| To entrance fees | | 3,000 | By fire insurance premium | 1,500 |
| To subscription | | 8,500 | By furniture purchased | 6,000 |
| To sale of furniture | | 4,000 | By purchase of newspapers | 700 |
| To interest on investment | | 2,000 | By conveyance | 1,000 |
| To balance c/d (bank overdraft) | | 4,700 | By balance c/d Cash in hand | 2,500 |
| | | 27,700 | | 27,700 |

Note : As depreciation on furniture is a non cash item, it is excluded in receipts and payments account.

4. Mayiladuthurai Recreation Club gives you the following details. Prepare Receipts and Payments account for the year ended 31st March, 2019.

| Particulars | ₹ | Particulars | ₹ |
|----------------------|--------|--------------------|--------|
| Opening cash balance | 15,000 | Salary of watchman | 12,000 |

| | | | |
|------------------------------|--------|---------------------------|--------|
| Opening bank balance | 25,000 | Club annual day | |
| Donations received | 48,000 | expenses | 15,000 |
| Sale of old equipment | 26,000 | Lighting charges | 16,500 |
| Refreshment charges | 13,000 | Entertainment expenses | 13,500 |
| Club annual day collections | 18,000 | Billiards table purchased | 5,000 |
| Construction of tennis court | 7,000 | Expenses of charity show | 3,000 |
| Receipts from charity show | 4,000 | Sale of investments | 12,000 |
| Rent paid | 1,000 | Closing cash balance | 12,000 |

Solution :

In the books of Mayiladuthurai recreation club

Receipts and payments account for the year ended 31st March 2019

| Receipts | ₹ | ₹ | Payments | ₹ |
|--------------------------|---------------|----------|------------------------------|---------------|
| To balance b/d | | | By Refreshment charges | 13,000 |
| Cash in hand | 15,000 | | By Construction of tennis | 7,000 |
| Cash at bank | <u>25,000</u> | 40,000 | court | 1,000 |
| To donation | | 48,000 | By Rent paid | 12,000 |
| To sale of old equipment | | 26,000 | By Salary of watchman | 15,000 |
| To club annual day | | 18,000 | By Club annual day expenses | 16,500 |
| collections | | 4,000 | By Lighting charges | 13,500 |
| To receipts from charity | | 12,000 | By Entertainment expenses | 5,000 |
| show | | | By Billiards table purchased | 3,000 |
| To sale of investments | | | By Expenses of charity show | |
| | | | By balance c/d | 12,000 |
| | | | Cash in hand | 50,000 |
| | | | Cash at bank | |
| | | 1,48,000 | | 1,48,000 |

5. From the following information, prepare Receipts and Payments account of Cuddalore Kabaddi Association for the year ended 31st March, 2019

| Particulars | ₹ | Particulars | ₹ |
|-------------|---|-------------|---|
|-------------|---|-------------|---|

| | | | |
|--------------------------------------|--------|--------------------------------------|--------|
| Opening cash balance (1.4.2018) | 11,000 | Interest and bank charges | 500 |
| Bank overdraft balance (1.4.2018) | 20,000 | Miscellaneous income | 350 |
| Stationery purchased | | Upkeep of ground | 550 |
| Travelling expenses | 5,200 | Grant from Government | 12,000 |
| Dividend received | 1,800 | Telephone charges paid | 2,800 |
| General expenses | 3,000 | Endowment fund receipts | 10,000 |
| Admission fees | 500 | Insurance premium paid | 2,000 |
| Courier charges | 4,000 | Electricity charges paid | 5,000 |
| Municipal taxes paid | 2,000 | Closing cash balance (31.03.2019) | 1,750 |
| | 3,000 | | |

Solution :

In the books of Cuddalore Kabaddi Association

Receipts and payments account for the year ended 31st March 2019

Dr.

Cr.

| Receipts | ₹ | Payments | ₹ |
|-------------------------|---------------|------------------------------|---------------|
| To balance b/d | | By balance b/d | |
| Cash in hand | 11,000 | Bank overdraft | 20,000 |
| Dividend received | 3,000 | By Stationery purchased | 5,200 |
| Admission fees | 4,000 | By Travelling expenses | 1,800 |
| Grant from Government | 12,000 | By General expenses | 500 |
| Endowment fund receipts | 10,000 | By Courier charges | 2,000 |
| Miscellaneous income | 350 | By Municipal taxes | 3,000 |
| To balance c/d | 4,500 | By Interest and bank charges | 250 |
| (bank overdraft) | | By Upkeep of ground | 550 |
| | | By Telephone charges | 2,800 |
| | | By Insurance premium | 2,000 |
| | | By Electricity charges | 5,000 |
| | | By balance c/d | |
| | | Cash in hand | 1,750 |
| | 44,850 | | 44,850 |

6. From the following receipts and payments account of Tenkasi Thiruvalluvar Manram, prepare income and expenditure account for the year ended 31st March, 2019.

| Receipts | ₹ | Payments | ₹ |
|--|----------|-------------------------------|----------|
| To Balance b/d | | By salaries | 20,000 |
| Cash in hand | 14,000 | By rent | 24,000 |
| To Interest received | 5,000 | By travelling expenses | 2,000 |
| To Subscription | 55,000 | By printing and stationery | 6,000 |
| To Legacies | 48,000 | By investments made | 50,000 |
| To Entrance fees | 7,000 | By sports equipment purchases | 33,000 |
| To Sale of furniture (Book value: ₹ 17,000) | 16,000 | By Balance c/d | |
| | | Cash in hand | 10,000 |
| | 1,45,000 | | 1,45,000 |

Solution :

In the books of Tenkasi Thiruvallur Manram

Income and expenditure account for the year ended 31st March, 2019

Dr.

Cr.

| Expenditure | ₹ | Income | ₹ |
|---|--------|------------------|--------|
| To rent | 24,000 | By interest | 5,000 |
| To travelling expenses | 2,000 | By subscription | 55,000 |
| To salaries | 20,000 | By entrance fees | 7,000 |
| To printing and stationery | 6,000 | | |
| To loss on sale of furniture | 1,000 | | |
| To surplus (excess of income over expenditure) | 14,000 | | |
| | 67,000 | | 67,000 |

7. From the following receipts and payment account, prepare income and expenditure account of Kumbakonam Basket Ball Association for the year ended 31st March, 2018.

| Receipts | ₹ | ₹ | Payments | ₹ | ₹ |
|----------------|---|---|------------------------|---|--------|
| To Balance b/d | | | By Rent of ground paid | | 12,000 |

| | | | | | |
|--------------------------|---------------|--------|-------------------------------|--------|--------|
| Cash in hand | 23,000 | | By Printing charges | | 5,000 |
| Cash at bank | <u>12,000</u> | 35,000 | By Bank charges | | 1,000 |
| To Rent of hall received | | 6,000 | By Insurance for building | | 2,000 |
| To Subscription received | | 9,000 | By Tournament expenses | | 16,000 |
| To Life membership fees | | 7,000 | By Audit fees | | |
| To Locker rent received | | 2,000 | By Sports materials purchased | | 3,000 |
| | | | By Balance c/d | | 4,000 |
| | | | Cash in hand | | |
| | | | Cash at bank | 2,000 | |
| | | | | 14,000 | |
| | | | | | 16,000 |
| | | 59,000 | | | 59,000 |

Solution :

In the books of Kumbakonam Basket Ball Association

Income and expenditure account for the year ended 31st March, 2018

Dr.

Cr.

| Expenditure | ₹ | Income | ₹ |
|-------------------------------|--------|--|---------------|
| To rent of ground | 12,000 | By rent of hall | 6,000 |
| To printing charges | 5,000 | By subscription | 9,000 |
| To bank charges | 1,000 | By locker rent | 2,000 |
| To tournament expenses | 16,000 | By deficit (excess of expenditure over income) | 26,000 |
| To audit fees | 3,000 | | |
| To sports materials purchased | 4,000 | | |
| To insurance for building | 2,000 | | |
| | 43,000 | | 43,000 |

8. From the following receipts and payments account and the additional information given below, calculate the amount of subscription to be shown in Income and expenditure account for the year ending 31st December, 2018.

| Receipts | ₹ | ₹ | Payments | ₹ |
|-----------------|---------------|----------|----------|---|
| To Subscription | | | | |
| 2017 | 28,000 | | | |
| 2018 | 1,72,000 | | | |
| 2019 | <u>12,000</u> | 2,12,000 | | |

Additional information: Subscription outstanding for the year 2018 is ₹ 8,000.

Solution :

Income and expenditure account for the year ended 31st December 2018

Dr.

Cr.

| Expenditure | ₹ | Income | ₹ | ₹ |
|-------------|---|--|--------------|-----------------|
| | | By subscription | 1,72,000 | |
| | | Add: Outstanding subscription for 2018 | <u>8,000</u> | 1,80,000 |

9. How the following items will appear in the final accounts of a club for the year ending 31st March 2019?

Dr. Receipts and Payments Account for the year ended 31st March, 2019 Cr.

| Receipts | ₹ | ₹ | Payments | ₹ |
|-----------------|--------------|--------|----------|---|
| To subscription | | | | |
| 2017-2018 | 10,000 | | | |
| 2018-2019 | 50,000 | | | |
| 2019-2020 | <u>5,000</u> | 65,000 | | |

There are 200 members in the club each paying an annual subscription of ₹ 400 per annum. Subscription still outstanding for the year 2017- 2018 is ₹ 2,000.

Solution : Income and expenditure account for the year ended 31st March, 2019

Dr.

Cr.

| Expenditure | ₹ | Income | ₹ | ₹ |
|-------------|---|---|---------------|---------------|
| | | By subscription | 50,000 | |
| | | Add: Outstanding for the year 2017-2018 | <u>30,000</u> | 80,000 |

Notes :

₹

| | | |
|---|---|---------------|
| Total subscription due for the current year (2018-19) 200x400 | = | 80,000 |
| Less: Amount received for the current year (2018-19) | = | <u>50,000</u> |
| Outstanding subscription for the current year (2018-19) | = | <u>30,000</u> |

Balance sheet as on 31st March, 2019

| Liabilities | ₹ | Assets | ₹ | ₹ |
|---|-------|------------------------------------|---------------|--------|
| Subscription received in advance for the year 2019-20 | 5,000 | Outstanding subscription 2017-2018 | 2,000 | |
| | | 2018-2019 | <u>30,000</u> | 32,000 |

10. How will the following items appear in the final accounts of a club for the year ending 31st March 2017? Received subscription of ₹ 40,000 during the year 2016-17. This includes subscription of ₹ 5,000 for 2015-16 and ₹ 3,000 for the year 2017-18. Subscription of ₹ 1,000 is still outstanding for the year 2016-17.

Solution :

Dr. Income and expenditure account for the year ended 31st March, 2017 Cr.

| Expenditure | ₹ | Income | ₹ | ₹ |
|-------------|---|--|--------------|--------|
| | | By subscription | 40,000 | |
| | | Less: Subscription for the year 2015-16 | <u>5,000</u> | |
| | | | 35,000 | |
| | | Less: Subscription for the year 2017-18 | <u>3,000</u> | |
| | | | 32,000 | |
| | | Add: Outstanding subscription for the year 2016-17 | <u>1,000</u> | 33,000 |

Balance sheet as on 31st March, 2017

| Liabilities | ₹ | Assets | ₹ |
|---|-------|---|-------|
| Subscription received in advance for the year 2017-18 | 3,000 | Outstanding subscription for the year 2016-17 | 1,000 |

11. Compute income from subscription for the year 2018 from the following particulars relating to a club.

| Particulars | 1.1.2018 (₹) | 31.12.2018 (₹) |
|--------------------------|--------------|----------------|
| Outstanding subscription | 3,000 | 5,000 |

| | | |
|----------------------------------|-------|-------|
| Subscription received in advance | 4,000 | 7,000 |
|----------------------------------|-------|-------|

Subscription received during the year 2018: ₹ 45,000.

Solution :

Calculation of income from subscription for the year 2018

| Particulars | ₹ | ₹ |
|---|--------------|---------------|
| Subscription received during the year 2018 | | 45,000 |
| Add: Subscription received for 2018 in 2017 | 4,000 | |
| | <u>5,000</u> | <u>9,000</u> |
| | | 54,000 |
| Less: Subscription outstanding in 2017 | 3,000 | |
| Subscription received in advance | 7,000 | 10,000 |
| Income from subscription for the year 2018 | | 44,000 |

12. From the following particulars, show how the item 'subscription' will appear in the Income and Expenditure Account for the year ended 31-12-2018? Subscription received in 2018 is ₹ 50,000 which includes ₹ 5,000 for 2017 and ₹ 7,000 for 2019. Subscription outstanding for the year 2018 is ₹ 6,000. Subscription of ₹ 4,000 was received in advance for 2018 in the year 2017.

Solution :

Income and expenditure account for the year ended 31st December, 2018

Dr.

Cr.

| Expenditure | ₹ | Income | ₹ | ₹ |
|-------------|---|--|--------------|--------|
| | | By subscription received | 50,000 | |
| | | Less: Subscription received for 2017 | <u>5,000</u> | |
| | | | 45,000 | |
| | | Less: Subscription received for 2019 | <u>7,000</u> | |
| | | | 38,000 | |
| | | Add: Subscription due for 2018 | <u>6,000</u> | |
| | | | 44,000 | |
| | | Add: Advance subscription for 2018 in 2017 | 4,000 | 48,000 |

13. How the following items appear in the final accounts of Thoothukudi Young Pioneers Association? There are one hundred members in the association each paying ₹ 25 as

annual subscription. By the end of the year 10 members had not paid their subscription but four members had paid for the next year in advance.

Solution :

Dr. Income and expenditure account Cr.

| Expenditure | ₹ | Income | ₹ | ₹ |
|-------------|---|--------------------------|---|-------|
| | | By subscription (25x100) | | 2,500 |

Balance sheet

| Liabilities | ₹ | Assets | ₹ |
|--|-----|-------------------------------------|-----|
| Subscription received in advance (25x4) | 100 | Outstanding subscription (25x10) | 250 |

14. How will the following appear in the final accounts of Marthandam Women Cultural Association?

| | ₹ |
|--|--------|
| Stock of sports materials on 1.4.2018 | 16,000 |
| Sports materials purchased during the year | 84,000 |
| Stock of sports materials on 31.3.2019 | 10,000 |

Solution :

Income and Expenditure Account for the year ended 31st March, 2019

Dr. Cr.

| Expenditure | ₹ | ₹ | Income | ₹ |
|--------------------------------|----------|--------|--------|---|
| To sports materials consumed: | | | | |
| Opening stock | 16,000 | | | |
| Add: Purchased in current year | 84,000 | | | |
| | 1,00,000 | | | |
| Less: Closing stock | 10,000 | 90,000 | | |

Balance sheet as on 31st March, 2019

| Liabilities | ₹ | Assets | ₹ |
|-------------|---|---------------------------|--------|
| | | Stock of sports materials | 10,000 |

15. How will the following appear in the final accounts of Vedaranyam Sports club?

| | ₹ |
|---------------------------------|-------|
| Opening stock of bats and balls | 3,000 |

| | |
|--|--------|
| Purchase of bats and balls during the year | 17,000 |
| Sale of old bats and balls | 2,000 |
| Closing stock of bats and balls | 4,000 |

Solution :

Income and expenditure account of Vedaranyam sports club

Dr.

Cr.

| Expenditure | ₹ | ₹ | Income | ₹ |
|---------------------------------------|---------------|--------|--------|---|
| To stationery consumed (bat and ball) | | | | |
| Opening stock | 3,000 | | | |
| Add: Purchases | <u>17,000</u> | | | |
| | 20,000 | | | |
| Less: Closing stock | 4,000 | 16,000 | | |

Balance sheet of Vedaranyam sports club

| Liabilities | ₹ | Assets | ₹ |
|-------------|---|-------------------------|-------|
| | | Stock of bats and balls | 4,000 |

16. Show how the following items appear in the income and expenditure account of Sirkazhi Singers Association?

| | |
|--|-------|
| | ₹ |
| Stock of stationery on 1.4.2018 | 2,600 |
| Purchase of stationery during the year | 6,500 |
| Stock of stationery on 31.3.2019 | 2,200 |

Solution :

Income and expenditure account of Sirkazhi singers association

Dr.

Cr.

| Expenditure | ₹ | ₹ | Income | ₹ |
|-------------------------|--------------|-------|--------|---|
| To stationery consumed: | | | | |
| Opening stock | 2,600 | | | |
| Add: Purchases | <u>6,500</u> | | | |
| | 9,100 | | | |
| Less: Closing stock | 2,200 | 6,900 | | |

17. Chennai tennis club had Match fund showing credit balance of ₹ 24,000 on 1st April, 2018. Receipt to the fund during the year was ₹ 26,000. Match expenses incurred during the year was ₹ 33,000. How these items will appear in the final accounts of the club for the year ended 31st March, 2019?

Solution :

Balance sheet of Chennai tennis club as on 31st March, 2019

| Liabilities | ₹ | ₹ | Assets | ₹ |
|--------------------------|---------------|--------|--------|---|
| Match fund | 24,000 | | | |
| Add: Receipt to the fund | <u>26,000</u> | | | |
| | 50,000 | | | |
| Less: Match expenses | 33,000 | 17,000 | | |

18. How will the following appear in the final accounts of Karaikudi sports club for the year ending 31st March, 2019

| Particulars | ₹ |
|--|--------|
| Tournament fund on 1 st April 2018 | 90,000 |
| Tournament fund investment on 1 st April 2018 | 90,000 |
| Interest received on tournament fund investment | 9,000 |
| Donation to tournament fund | 10,000 |
| Tournament expenses | 60,000 |

Solution :

Balance sheet of Karaikudi sports club as on 31st March, 2019

| Liabilities | ₹ | ₹ | Assets | ₹ |
|---|---------------|--------|-----------------|--------|
| Tournament fund | 90,000 | | Tournament fund | 90,000 |
| Add: Interest received on tournament fund | 9,000 | | Investment | |
| Add: Donation to Tournament fund | <u>10,000</u> | | | |
| | 1,09,000 | | | |
| Less: Tournament expenses | 60,000 | 49,000 | | |

19. Compute capital fund of Salem Sports Club as on 1.4.2019.

| Particulars | ₹ | Particulars | ₹ |
|--|--------|------------------------|--------|
| Sports equipment | 30,000 | Prize fund | 10,000 |
| Computer | 25,000 | Prize fund investments | 10,000 |
| Subscription outstanding for 2018-19 | 5,000 | Cash in hand | 7,000 |
| Subscription received in advance for 2019-20 | 8,000 | Cash at bank | 21,000 |

Solution :Balance sheet as on 31st March, 2019

| Liabilities | ₹ | Assets | ₹ |
|----------------------------------|---------------|--------------------------|---------------|
| Capital fund (balancing figure) | 80,000 | Sports equipment | 30,000 |
| Subscription received in advance | 8,000 | Computer | 25,000 |
| Prize fund | 10,000 | Subscription outstanding | 5,000 |
| | | Prize fund investments | 10,000 |
| | | Cash in hand | 7,000 |
| | | Cash at bank | 21,000 |
| | 98,000 | | 98,000 |

20. From the following Receipts and Payment account and from the information given below of Ramanathapuram Sports Club, prepare Income and Expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

| Receipts | ₹ | ₹ | Payments | ₹ | ₹ |
|-----------------------|---------------|--------|---------------------|-------|--------|
| To balance b/d | | | By rent | | 11,000 |
| Cash in hand | 5,000 | | By entertainment | | |
| Cash at bank | <u>10,000</u> | 15,000 | expenses | | 11,200 |
| To subscription | | | By furniture | | 10,000 |
| 2017 | 12,000 | | By sports materials | | |
| 2018 | 33,000 | | purchased | | 13,000 |
| 2019 | <u>16,000</u> | 61,000 | By match expenses | | 12,000 |
| To entrance fees | | 6,000 | By investments made | | 28,000 |
| To general donations | | 7,000 | By balance c/d | | |
| To sale of old sports | | | Cash in hand | 1,300 | |

| | | | | | |
|---------------------------|--|--------|--------------|-------|--------|
| materials | | 1,000 | Cash at bank | 4,000 | 5,300 |
| To miscellaneous receipts | | 500 | | | |
| | | 90,500 | | | 90,500 |

Additional information:

- (i) Capital fund as on 1st January 2018 ₹ 30,000.
- (ii) Opening stock of sports material ₹ 3,000 and closing stock of sports material ₹ 5,000

Solution :

In the books of Ramanathapuram sports club

Income and expenditure account for the year 31st December, 2018

Dr.

Cr.

| Expenditure | ₹ | ₹ | Income | ₹ |
|---|---------------|--------------|---------------------------------|--------|
| To rent | | 11,000 | By subscription | 33,000 |
| To entertainment expenses | | 11,200 | By entrance fees | 6,000 |
| To match expenses | | 12,000 | By general donations | 7,000 |
| To sports materials (opening) | 3,000 | | By sale of old sports materials | 1,000 |
| Add: Purchases | <u>13,000</u> | | By miscellaneous receipts | 500 |
| | 16,000 | | | |
| Less: Closing stock | <u>5,000</u> | | | |
| To surplus (excess income over expenditure) | | 11,000 | | |
| | | 2,300 | | |
| | | 47,500 | | 47,500 |

Balance sheet as on 31st December, 2018

| Liabilities | ₹ | ₹ | Assets | ₹ | ₹ |
|----------------------------|--------------|--------|--------------|--------------|--------|
| Capital fund | 30,000 | | Cash in hand | 1,300 | |
| Add: Excess of income over | <u>2,300</u> | 32,300 | Cash at bank | <u>4,000</u> | 5,300 |
| | | | Furniture | | 10,000 |

| | | | | | |
|-----------------------|--|--------|---------------------|--|--------|
| Expenditure (surplus) | | 16,000 | Investments | | 28,000 |
| Subscription advance | | | Stock of stationery | | 5,000 |
| | | 48,800 | | | 48,800 |

21. From the following Receipts and Payment account of Yercaud Youth Association, prepare Income and expenditure account for the year ended 31st March, 2019 and the balance sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31st March, 2019 Cr.

| Receipts | ₹ | Payments | ₹ |
|------------------------|--------|-------------------------|--------|
| To Balance b/d | | By Salary | 14,000 |
| Cash in hand | 9,600 | By Office expenses | 7,200 |
| To Government grants | | By Books purchased | 15,000 |
| for purchase of books | 10,000 | By Stationery purchased | 1,800 |
| To Subscription | 24,800 | By Newspaper purchased | 2,100 |
| To Admission fees | 2,000 | By Prizes awarded | 5,000 |
| To Prize fund receipts | 6,000 | By Balance c/d | |
| To Bank interest | 1,500 | Cash in hand | 9,900 |
| To Sale of newspapers | 1,100 | | |
| | 55,000 | | 55,000 |

Additional information:

- Opening capital fund ₹ 20,000
- Stock of books on 1.4.2018 ₹ 9,200.
- Subscription due but not received ₹ 1,700.
- Stock of stationery on 1.4.2018 ₹ 1,200 and stock of stationery on 31.3.2019, ₹ 2,000

Solution :

Income and expenditure account for the year ended 31st March, 2019

Dr. Cr.

| Expenditure | ₹ | ₹ | Income | ₹ | ₹ |
|--------------------|---|--------|-------------------|--------------|--------|
| To salary | | 14,000 | By subscription | 24,000 | |
| To office expenses | | 7,200 | Add: subscription | | |
| To stationery | | | Outstanding | <u>1,700</u> | 26,500 |
| Add: Opening stock | | | By admission fees | | 2,000 |

| | | | |
|--|--------|-----------------------|--------|
| Less: Closing stock | 1,000 | By bank interest | 1,500 |
| To newspaper purchased | 2,100 | By sale of newspapers | 1,100 |
| To surplus (excess of income over expenditure) | 6,800 | | |
| | 31,100 | | 31,100 |

Balance sheet as on 31st March, 2018

| Liabilities | ₹ | ₹ | Assets | ₹ | ₹ |
|--|--------------|--------|--------------------------|--------------|--------|
| Capital fund | 20,000 | | Books Purchased | 15,000 | |
| Add: Excess of income over expenditure (Surplus) | <u>6,800</u> | 26,800 | Add: Opening stock | <u>9,200</u> | 26,500 |
| Prize fund receipts | 6,000 | 1,000 | Cash in hand | | 9,900 |
| Less: Prizes awarded | <u>5,000</u> | 10,000 | Stock of stationery | | 2,000 |
| Government grants | | | Subscription outstanding | | 1,700 |
| | | 37,800 | | | 37,800 |

Note: Books is an asset here as the NPO is going to use it for a long period of time (like library) – Capital item

22. Following is the Receipts and Payments account of Neyveli Science Club for the year ended 31st December, 2018.

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

| Receipts | ₹ | Payments | ₹ | ₹ |
|--|-------|---------------------------------|---|--------|
| To Balance b/d | | By Balance b/d | | |
| Cash in hand | 2,400 | Bank overdraft | | 1,000 |
| To Subscription | 8,700 | By Postage expenses | | 200 |
| To Life membership fees | 5,000 | By Science equipments purchased | | 10,000 |
| To Exhibition fund receipts | 7,000 | By Laboratory expenses | | 2,400 |
| To Sale of science equipments (Book value ₹ 5,000) | 6,000 | By Secretary's honorarium | | 5,000 |
| To Miscellaneous income | 500 | By Audit fees | | 3,600 |
| | | By General charges | | 1,800 |

| | | | | |
|--|--------|------------------------|-----|--------|
| | | By Exhibition expenses | | 5,000 |
| | | By Balance c/d | | |
| | | Cash in hand | 200 | |
| | | Cash at bank | 400 | 600 |
| | 29,600 | | | 29,600 |

Additional information:

- (i) Opening capital fund ₹ 6,400
- (ii) Subscription includes ₹ 600 for the year 2019
- (iii) Science equipment as on 1.1.2018 ₹ 5,000
- (iv) Surplus on account of exhibition should be kept in reserve for new auditorium.

Prepare income and expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

Solution:

In the books of Neyveli science club

Income and expenditure account for the year ended 31st December, 2018

Dr.

Cr.

| Expenditure | ₹ | Income | ₹ | ₹ |
|---------------------------|--------|--|-------|--------------|
| To postage expenses | 200 | By subscription | 8,700 | |
| To laboratory expenses | 2,400 | Less: Subscription advance | 600 | 8,100 |
| To secretary's honorarium | 5,000 | By profit on sale of science equipment | | 1,000 |
| To audit fees | 3,600 | By miscellaneous income | | 500 |
| To general charges | 1,800 | By excess of expenditure over income (deficit) | | 3,400 |
| | 13,000 | | | 13,000 |

Balance sheet an on 31st December 2018

| Liabilities | ₹ | ₹ | Assets | ₹ | ₹ |
|-----------------|-------|---|--------------|-----|---|
| Opening capital | 6,400 | | Cash in hand | 200 | |

| | | | | | |
|---|--------------|--------|---------------------------------|--------------|--------|
| Less: Excess of expenditure over income (deficit) | <u>3,400</u> | 3,000 | Cash at bank | <u>400</u> | 600 |
| Life membership fees | | 5,000 | Science equipment | 10,000 | |
| Subscription advance | | 600 | Add: Opening stock | <u>5,000</u> | |
| Exhibition fund receipt | | | Less: Sale of science equipment | 15,000 | |
| Less: Exhibition expenses | 7,000 | | | <u>5,000</u> | 10,000 |
| | 5,000 | 2,000 | | | |
| | | 10,600 | | | 10,600 |

23. From the following Receipts and Payments account of Sivakasi Pensioner's Recreation Club, prepare income and expenditure account for the year ended 31st March, 2018 and the balance sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31st March, 2018 Cr

| Receipts | ₹ | ₹ | Payments | ₹ |
|----------------------------------|---------------|----------|------------------------------|----------|
| To balance b/d | | | By rent and rates | 18,000 |
| Cash in hand | 10,000 | | By electricity charges | 17,000 |
| Cash at bank | <u>20,000</u> | 30,000 | By furniture purchased | 12,000 |
| To subscription | | | By billiards table purchased | 70,000 |
| 2016-2017 | 5,000 | | By repairs and renewals | 16,000 |
| 2017-2018 | 25,000 | | By special dinner expenses | 4,000 |
| 2018-2019 | <u>6,000</u> | 36,000 | By sundry expenses | 2,000 |
| To legacies | | 40,000 | By balance c/d | |
| To rent from hall | | 14,000 | Cash in hand | 1,000 |
| To lockers rent | | 5,000 | | |
| To collection for special dinner | | 12,000 | | |
| To balance c/d | | | | |
| Bank overdraft | | 3,000 | | |
| | | 1,40,000 | | 1,40,000 |

Additional information:

- (i) The club had 300 members each paying ₹ 100 as annual subscription.

- (ii) The club had furniture ₹ 10,000 on 1.4.2017.
- (iii) The subscription still due but not received for the year 2016 – 2017 is ₹ 1,000.

Solution:

In the books of Sivakasi pensioner's recreation club

Balance sheet as on 31st December 2018

| Liabilities | ₹ | Assets | ₹ | ₹ |
|---------------------------------|---------------|---------------|---------------|--------|
| Capital fund (balancing figure) | 46,000 | Subscriptions | | 6,000 |
| | | Cash in hand | 10,000 | |
| | | Cash at bank | <u>20,000</u> | 30,000 |
| | | Furniture | | 10,000 |
| | 46,000 | | | 46,000 |

Dr. Income and expenditure account for the year ended 31st March 2018 Cr.

| Expenditure | ₹ | Income | ₹ | ₹ |
|---|--------------|----------------------------------|--------------|--------|
| To rent and rates | 18,000 | By rent from hall | | 14,000 |
| To electricity charges | 17,000 | By lockers rent | | 5,000 |
| To repairs and renewals | 16,000 | By subscription | 25,000 | |
| To sundry expenses | 2,000 | Add: Outstanding | <u>5,000</u> | 30,000 |
| To special dinner expenses | 4,000 | By collection for special dinner | | 12,000 |
| To excess of income over expenses (surplus) | 4,000 | | | |
| | 61,000 | | | 61,000 |

Balance sheet as on 31st December 2018

| Liabilities | ₹ | ₹ | Assets | ₹ | ₹ |
|-----------------------|--------------|--------|-------------------------------|---------------|--------|
| Capital fund | 46,000 | | Cash in hand | | 1,000 |
| Add: Surplus | <u>4,000</u> | 50,000 | Billiards table purchased | | 70,000 |
| Legacies | | 40,000 | Furniture purchased | 12,000 | |
| Subscription received | | 6,000 | Add: Stock | <u>10,000</u> | 22,000 |
| Bank overdraft | | 3,000 | Subscription in arrear (2017) | | 5,000 |
| | | | Subscription prepaid | | 1,000 |
| | | 99,000 | | | 99,000 |

24. Following is the Receipts and payments account of Virudhunagar Volleyball

Association for the year ended 31st December, 2018

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

| Receipts | ₹ | ₹ | Payments | ₹ | ₹ |
|------------------------------|--------------|----------|-----------------------------|-------|----------|
| To balance b/d | | | By match expenses | | 25,000 |
| Cash in hand | | 5,000 | By upkeep of pavilion | | 17,000 |
| To subscription | | | By secretary's honorarium | | 18,000 |
| 2017 | 10,000 | | By bats and balls purchased | | 22,000 |
| 2018 | 55,000 | | By grass seeds | | 2,000 |
| 2019 | <u>5,000</u> | 70,000 | By fixed deposit | | 58,000 |
| To donations | | 40,000 | By sundry expenses | | 3,000 |
| To match fund receipts | | 30,000 | By balance c/d | | |
| To interest on fixed deposit | | 8,000 | Cash in hand | 7,000 | |
| To miscellaneous receipts | | 5,000 | Cash at bank | 6,000 | 13,000 |
| | | 1,58,000 | | | 1,58,000 |

Additional information:

- On 1.1.2018, the association owned investments ₹ 10,000, premises and grounds ₹ 40,000, stock of bats and balls ₹ 5,000.
 - Subscription ₹ 5,000 related to 2017 is still due.
 - Subscription due for the year 2018, ₹ 6,000.
- Prepare income and expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

Solution:

In the books of Virudhunagar volleyball Association

Balance sheet as on 31st December 2017

| Liabilities | ₹ | Assets | ₹ |
|---------------------------------|---------------|------------|--------|
| Capital fund (balancing figure) | 75,000 | Investment | 10,000 |

| | | | |
|--|--------|---|--------|
| | | Subscriptions outstanding (10,000+5,000) | 15,000 |
| | | Cash in hand | 5,000 |
| | | Premises and grounds | 40,000 |
| | | Stock of bats and balls | 5,000 |
| | 75,000 | | 75,000 |

Dr. Income and expenditure account for the year ended 31st December 2018 Cr.

| Expenditure | ₹ | ₹ | Income | ₹ | ₹ |
|--|--------------|---------------|---------------------------------|--------------|----------|
| To upkeep of pavilion | | 17,000 | By subscription | 55,000 | |
| To secretary's honorarium | | 18,000 | Add: outstanding | <u>6,000</u> | 61,000 |
| To bats and balls | 22,000 | | By donations | | 40,000 |
| Add: Opening stock | <u>5,000</u> | 27,000 | By interest on fixed deposit | | 8,000 |
| To grass seeds | | 2,000 | By miscellaneous receipts | | 5,000 |
| To sundry expenses | | 3,000 | | | |
| To excess of income over expenditure (surplus) | | 47,000 | | | |
| | | 1,14,000 | | | 1,14,000 |

Balance sheet as on 31st December 2018

| Liabilities | ₹ | ₹ | Assets | ₹ | ₹ |
|-----------------------|---------------|----------|---------------------------|--------------|----------|
| Capital fund | 75,000 | | Fixed deposit | | 58,000 |
| Add: Surplus | <u>47,000</u> | 1,22,000 | Cash in hand | 7,000 | |
| Subscriptions advance | | 5,000 | Cash at bank | <u>6,000</u> | 13,000 |
| Match fund receipts | 30,000 | | Investments | | 10,000 |
| Less: Match expenses | 25,000 | 5,000 | Premises and Grounds | | 40,000 |
| | | | Subscriptions outstanding | | 5,000 |
| | | 1,32,000 | | | 1,32,000 |