

**CBSE Test Paper 05**  
**Ch-1 FS of Non-profit Organisation**

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1. Which form of financing is allowed for a nonprofit organization?
  - a. None
  - b. Sale of equity securities
  - c. Both
  - d. Debt
2. During the current year, the Finn Foundation, a nongovernmental not-for-profit organization, received a Rs.1,000,000 permanent endowment from Chris. Chris stipulated that the income must be used to provide recreational activities for the elderly. The endowment reported income of Rs.80,000 in the current year. What amount of permanently restricted contribution revenue should Finn report at the end of the current year?
  - a. Rs.1000000
  - b. Rs.80000
  - c. Rs.1080000
  - d. Rs.0
3. Income and expenditure accounts show
  - a. Closing capital of an organization
  - b. Cash available to an organization
  - c. Sufficient or deficit for the current accounting period
  - d. Cash available in the bank account
4. Second hand furniture worth Rs.6000 was purchased. It was repaired for Rs.600 and installed by the workers to whom Rs.200 were paid as wages. For what amount should the furniture be capitalized
  - a. Rs.6850
  - b. Rs.5200
  - c. Rs.6000
  - d. Rs.6800
5. When subscription is received in advance by a Non-profit organisation it is shown in\_\_\_\_
  - a. None of these

- b. Receipt and payment account
  - c. Income and Expenditure account
  - d. Balance sheet
6. Where will you record the life membership fees while preparing the final accounts of non-profit organisation?
  7. Give some examples of non profit organisation.
  8. Receipts and Payments account and Income and Expenditure account have a similarity between them. State the similarity.
  9. State the basis of accounting, on which a receipts and payments account is prepared in case of not-for-profit organisation.
  10. All the revenue items relating to the current accounting period are shown in income and expenditure account. Why?
  11. Name any two items that are shown under the head 'other current liabilities' and any two items that are shown under the head 'other current assets' in the balance sheet of a company as per Schedule III of the Companies Act, 2013.
  12. There were 450 members in a club each paying annual subscription of 50. Rs. 500 were in arrears as on dec. 31, 1998. Subscription received during 1999 were Rs. 22300 including Rs. 450 for 1998 and Rs. 750 fro the year 2000.

Calculate amount of subscription in arrears on dec. 31 1999.

13. From the following information of a not-for-profit organisation, show the 'sports material' items in the 'income and expenditure account' for the year ending 31st March, 2009 and the balance sheets as at 31st March, 2008 and 31st March, 2009.

	31-3-2008	31-3-2009
	Amt (Rs)	Amt (Rs)
Stock of sports material	2,200	5,800
Creditors for sports material	7,800	9,200

Advance to suppliers for sports material	15,000	25,000
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14. Namanjyot Society showed the following position:

**Balance Sheet as at 31st March, 2018**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund	72,000	Furniture	40,000
Subscriptions received in advance	6,000	Cash at Bank	30,000
		Cash in Hand	8,000
	78,000		78,000

**Receipts and Payments Account  
For the year ending 31st March, 2019**

Receipts		Amount (Rs.)	Payments		Amount (Rs.)
To Balance b/d			By Computers (1.10.2018)		1,00,000
Cash at Bank	30,000		By Office Expenses		29,000
Cash in Hand	<u>8,000</u>	38,000	By Electric Charges		15,000
To Sale proceeds of old newspapers		900	By Postage and Stationery		9,000
To Locker's Rent		7,000	By 10% Investments (on 1.12.2018)		60,000
To Interest on Investments		1,600	By Balance c/d		
To Entrance Fees		50,000	Cash at Bank	80,000	
To Life Membership Fees		1,00,000	Cash in Hand	<u>19,500</u>	1,15,500

To Membership Subscriptions		98,000			
To Subscriptions for relief fund		17,000			
		3,12,500			3,12,500

Additional Information: Prepare Income and Expenditure Account for the year ending 31<sup>st</sup> March, 2019.

- i. Computers were to be depreciated @ 60% p.a. and furniture @ 10% p.a.
- ii. Membership subscription included Rs.20,000 received in advance.
- iii. Electric charges outstanding Rs.10,000.

15. 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.

<b>Receipt and Payment Account for the year ending March 31, 2017</b>			
<b>Receipts</b>	<b>Amount Rs</b>	<b>Payments</b>	<b>Amount Rs</b>
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	1,800

		31.3.2017	
	86,800		86,800

**Additional Information:**

.		As on 1.04.2016	As on 31.03.2017
(i)	Subscription received in advance	1,000	3,200
(ii)	Outstanding subscription	2,000	3,700
(iii)	Stock of stationery	1,200	800
(iv)	Books	13,500	16,500
(v)	Furniture	16,000	8,000
(vi)	Outstanding rent	1,000	2,000

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**Answer**

1. d. Debt, **Explanation:** NPO are allowed to take debt for meeting their capital expenditure.
2. a. Rs.1000000, **Explanation:** Endowment fund is a gift received by NPO as specify by donor or trustee to use this fund to specific purpose thus it is capital receipt which is to be shown on liability side of balance sheet because it provide permanent income to institution.  
Now, in this case, Amount of endowment fund is having specific condition to use for recreational activity Which amounting to Rs.10,00,000 And this will be the permanently restricted contribution for the current year.
3. c. Sufficient or deficit for the current accounting period  
**Explanation:** income and expenditure account shows the income received and expenditure incurred during a year through which result is surplus or deficit.If there is excess of Revenue over expenditure there will be surplus and if there is excess of expenditure over revenue there will be Deficit.
4. d. Rs.6800, **Explanation:** Any amount spent on Fixed assets purchased and till the time of its installation every expense is to be capitalized to that assets. Hence, Total of Rs. 6800 Will be capitalized to furniture account.
5. d. Balance sheet, **Explanation:** It is a primary source of income of a non-profit organisation. It is usually collected every month from all the ordinary members. Subscription is the amount paid by the members to keep their membership alive. But if it is received in advance it creates liability. hence, Subscription received in advance is a liability for NPO which is to be shown in balance sheet.
6. Life membership fee is a capital receipt so will be shown on the liabilities side of balance sheet.
7.     ◦ Clubs

- Public Hospitals
- Public Educational Institutions
- Temple etc.

8. Both are prepared by Non-Profit organizations. Both accounts follows the principle of Double Entry and are summarized Financial Statements.
9. Receipt and payment account of an N. P. O. is prepared on cash basis of accounting.
10. All the revenue items related to current accounting period are shown in income and expenditure account because of the accrual basis of accounting.
11. The two items shown under the head 'other current Liabilities' are
  - i. Call in Advance
  - ii. Outstanding Expense

The two items shown under the head 'other current assets' are

- i. Accrued Income
- ii. Prepaid expenses

12. **Subscription Account**

Date	Particulars	Amount	Date	Particulars	Amount
01.01.1999	To Balance b/d (outstanding)	5005		By Bank	22300
31.12.1999	To Income & Exp.	22500	31.12.1999	By Balance c/d (Outstanding)	50
31.12.1999	To Balance c/d (Advance)	750			
		<b>23750</b>			<b>23750</b>

13. **Income and Expenditure Account**  
For the year ending 31st March, 2009

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<b>Expenditure</b>	<b>Amt. (Rs.)</b>	<b>Income</b>	<b>Amt. (Rs.)</b>
To sports Material Consumed (W.N.)	1,07,800		

**Balance Sheet**  
**as at 31st March, 2008**

<b>Liabilities</b>	<b>Amt. (Rs.)</b>	<b>Assets</b>	<b>Amt. (Rs.)</b>
<b>Creditors for sports Material</b>	<b>7,800</b>	<b>Stock of sports Material</b>	<b>2,200</b>
		<b>Advance to Suppliers</b>	<b>15,000</b>

**Balance Sheet**  
**as at 31st March, 2009**

<b>Liabilities</b>	<b>Amt. (Rs.)</b>	<b>Assets</b>	<b>Amt. (Rs)</b>
Creditors for sports Material	9,200	Stock of Sports Material	5,800
		Advance to suppliers	25,000

**Working Note**

<b>Particulars</b>		<b>Amt. (Rs.)</b>
Payment made for purchase of sports material		1,20,000
(-) Creditors in the beginning	(7,800)	
(-) Advance to suppliers of sports material on 31st March, 2009	(25,000)	(32,800)
		87,200
(+) Creditors at the end	9,200	
(+) Advance to suppliers of sports material on 31st March,2008	15,000	24,200
Purchases of sports material during the year 2008-09		1,11,400
(+) Stock in the beginning		2,200
		1,13,600



(-) Stock at the end		(5,800)
Sports material consumed during 2008-09		1,07,800

14.

### Income and Expenditure A/c

For the year ended 31st March,2018.

Expenditure		(Rs.)	Income		(Rs.)
To Office Expenses		29,000	By Sale of old Newspapers		900
To Electrical Charges	15,000		By Locker Rent		7,000
Add: Outstanding	<u>10,000</u>	25,000	By Interest on Investment	1,600	
To Postage and Stationary		9,000	Add: Accrued Interest	<u>400</u>	2,000
To Depreciation on Furniture		4,000	By Entrance fees		50,000
To Depreciation on Computer		30,000	By Membership Subscriptions	98,000	
To Surplus		<b>46,900</b>	Add: Advance Subscriptions (beg.)	6,000	
			Less: Advance Subscriptions (end)	<u>(20,000)</u>	84,000
		<b><u>1,43,900</u></b>			<b><u>1,43,900</u></b>

15.

### Books of Jan Kalyan Club

### Income and Expenditure Account

as on 31 March 2017

<b>Dr.</b>				<b>Cr.</b>

<b>Expenditure</b>		<b>Amount Rs</b>	<b>Income</b>		<b>Amount Rs</b>
Loss on Sale of Furniture( Note 4 )		2,000	Subscription	60,200	...
Salaries		24,000	Less: Outstanding for 2016	(2,000)	...
Traveling Expenses		6,000		58,200	...
Stationery purchased	2,300	...	Add: Outstanding for 2017	3,700	...
Add: Opening Stock	1,200	...		61,900	...
Less : closing stock	(800)	...	Add: Advance in 2016	1,000	...
Stationary Consumed		2,700		62,900	...
		...	Less: Advance in 2017	(3,200)	59,700
Repairs		700			...
Rent	16,000	...	Donation		3,000
Less: Outstanding for 2016	(1,000)	...	Entrance Fees (Note 2)		800
	15,000	...	Interest on Investments		5,000
Add: Outstanding for 2017	2,000	17,000			...
Depreciation on Books		3,000			...
Depreciation on Furniture		2,000			...
Surplus (excess of income over expenditure )		11,100			...
		...			...

		68,500		68,500
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**Balance Sheet as on April 01, 2016**

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

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

<b>Liabilities</b>		<b>Amount Rs</b>	<b>Assets</b>		<b>Amount Rs</b>
Advance Subscription		3,200	Subscription Outstanding		3,700
Outstanding Rent		2,000	Stock of Stationery		800
Capital Fund	1,37,500	...	Investments		1,00,000
Add: Life Membership Fees (Note 3 )	7,000	...			...
Add: Surplus	11,100	1,55,600	Books	13,500	...
	.....	...	Add: Purchases	6,000	...
		...		19,500	...

		...	Less: Depreciation	(3,000)	16,500
		...	Building		30,000
		...	Cash in Hand		1,800
		...	Furniture	16,000	...
		...	Less: Sales	6,000	...
		...		10,000	...
		...	Less: Depreciation	(2,000)	8,000
		1,60,800			1,60,800

#### Working Notes :

1. Since interest on Investments is received for the full year, therefore, Investments will be shown in the opening balance sheet as well.
2. As nothing is mentioned about the treatment of Entrance Fees, it is considered as Revenue Receipt.
3. Life membership fee is a Capital Receipt, hence shown in the Liability side of balance sheet and added in Capital fund.
4. Loss on sale of Furniyure = Rs6,000 - Rs. 4,000 = Rs. 2,000