

CBSE Test Paper 04
Ch-1 FS of Non profit Organisation

1. Specific donations are:
 - a. Treated as revenue unless the amount is big
 - b. Revenue
 - c. Shown in balance sheet
 - d. Shown in income and expenditure account
2. Wages paid in advance, if given in Trial Balance will be shown in :
 - a. Trading Account only
 - b. Profit & Loss account only
 - c. None of these
 - d. Balance Sheet only
3. Life Membership is a capital receipt and will be added to capital fund in _____
 - a. Balance sheet
 - b. None of these
 - c. Profit and loss account
 - d. Income expenditure account
4. Nature of all outstanding expenses is:
 - a. Real
 - b. Nominal
 - c. Personal
 - d. None of these
5. Expenditure on construction of Pavilion is Rs.600000. The construction work is in progress and has not yet completed. Pavilion fund as at 31st March 2011 is Rs. 1000000 and Capital fund as at 31st March 2011 is Rs. 2000000. Amount to be shown on income and expenditure account
 - a. Rs.1600000
 - b. No amount to be charged to I/E Account.
 - c. Rs.400000
 - d. Rs.200000
6. What is meant by Fund Based Accounting?

7. Unrestricted funds raised by non-profit organisations through various sources are credited to which account?
8. Name the account which is similar to profit and loss account in case of a not-for-profit organisation.
9. State the nature of Income and Expenditure Account prepared by Not- for Profit Organization.
10. Distinguish between **Receipts and Payments Account** and **Income and Expenditure Account** on the basis of **Depreciation**.
11. State the meaning of Non-Profit organization.
12. From the following information, calculate the amount of subscriptions outstanding as at 31st March, 2009.

A club has 250 members each paying an annual subscription of Rs. 1,000. The receipts and payments account for the year showed a sum of Rs. 2,05,000 received as subscriptions. The following additional information is provided

	Amt (Rs.)
Subscription outstanding on 31st March, 2008	30,000
Subscription received in advance on 31st March, 2009	40,000
Subscription received in advance on 31st March, 2008	14,000

13. Explain the basic features of Income and Expenditure Account and of Receipt and Payment Account.
14. Define income and expenditure account.
15. The following is the account of cash transactions of the Nari Kalayan Samittee for the year ended December 31, 2017:

Receipts	Amount Rs	Payments	Amount Rs
	2,270	Rent	6,600

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

	48,870		48,870

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

- 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%.

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Answer

1. c. Shown in balance sheet, **Explanation:** Specific donation are provided with restriction for which they can be use like doantion for building to construct building etc. They are in capital nature and to be shown in the balance sheet on the liability side.
2. d. Balance Sheet only, **Explanation:** At the end of accounting year, there may be some expense which are yet not due but have been paid which is called paid in advance which are to be shown on the assets side of balance sheet. So, wages paid in advance is same like assets if it is given in trial balance and shown in balance sheet.
3. a. Balance sheet, **Explanation:** Capital Fund is a liability in the balance sheet hence life membership fee is to be added in capital fund on the liabilty side of a balance sheet.
4. c. Personal, **Explanation:** Outstanding expenses account are those personal account to whom, we have to pay expenses, we have already taken services from them. But still we have not paid them. This is also called liability account because its balance will be shown in liability side of organization's balance sheet.
5. b. No amount to be charged to I/E Account. **Explanation:** Since, Expenditure on construction of pavilion is a capital expenditure it is to be deducted from Pavilion fund. The amount deducted will be added to capital fund too and with that there is work in progress which increase the assets of the balance sheet with Rs. 6,00,000.
Hence, No amount is to be charged to income and expenditure account. There will be Increase in asset one side with Rs. 6,00,000 as work in progress as pavilion construction and On liabilitiy side this will be deduct from pavilion fund and added to capital fund.
6. Fund based accounting is used in Not-for-Profit Organization. In fund-based accounting separate accounts are maintained for specific activities of the organization

such as sports fund, price fund etc. All items related the specific funds are recorded fund wise and consolidation of these statements or accounts are presented in the financial results. Each fund is treated as separate fiscal and financial accounting entity.

7. Those various funds are credited to 'Capital Fund' or 'General Fund'.
8. Income and expenditure account is as similar as profit and loss account of profit-organisations.
9. It is a Nominal Account. It is in the form of Profit and Loss Account. It is concerned with only revenue items.
- 10.

Base	Receipts and Payment account	Income and Expenditure account
Depreciation	Doesn't include depreciation as depreciation is a non-cash expense.	Includes depreciation as an expenditure.

11. Not-for-Profit organizations are those organizations whose objective is not to earn profit but to provide services to its members and to the society. These organizations are set up for the welfare of the society as a whole, rather than for the benefit of anyone individual and are set up for the purpose of promoting culture, art, religion, education etc. These are non-business entity. Non-Profit Organization are tax-exempt or charitable. It uses its surplus of revenues to further achieve its ultimate objectives. E.g.- Clubs, Hospitals, Libraries, Schools, Societies for promotion of sports, arts and culture etc.
- 12.

Particulars	Amt (Rs)
Total amount of subscriptions to be shown in income and expenditure account (250 members \times 1,000)	2,50,000
(-) Subscriptions received during the year 2008-2009	(2,05,000)
	45,000
(+) Outstanding on 31st March, 2008	30,000
	75,000

(-) Received in advance on 31st March, 2008	(14,000)
	61,000
(+) Received in advance on 31st March, 2009	40,000
= Outstanding as on 31st March, 2009	1,01,000

13. ◦ **Features of Income and Expenditure Account:-**

- i. **Nature:** It is a Nominal Account. The debit side of I&E records all expenses and losses and the credit side records all incomes and gains related to the current accounting period.
- ii. **Basis:** It is prepared on the basis of Receipt and Payment Account (R&P). All the revenues items whether incomes or expenditures are transferred from R&P.
- iii. **Excludes Capital Transactions:** The transactions those are capital in nature are excluded from this account. For example, only profit or loss on sale of fixed assets is recorded but the total amount of sales is not recorded since sale of fixed asset is considered as a capital receipt.
- iv. **Akin to Profit and Loss Account:** Income and Expenditure Account (I&E) is similar to the Profit and Loss Account in the sense that while the former is prepared to ascertain surplus or deficit during an accounting period the latter is prepared to ascertain net profit or net loss incurred during an accounting period.
- v. **Records only Current Year's items:** This account records only those transactions that are related to current accounting year. In other words, transactions related to the preceding or succeeding accounting period are excluded even if these transactions are realised in the current period.
- vi. **Adjustments:** Various cash and non-cash items like, outstanding expenses, prepaid expenses, income received in advance, income due but not received, depreciation, bad debts, etc. can be adjusted in this account.
- vii. **Balancing Figure:** The balancing figure of this account is expressed in terms of either surplus (if incomes > expenses) or deficit (if expenses > incomes). The surplus balance, if any, is added to the Capital Fund, whereas, the deficit balance, if any, is deducted from the Capital Fund.

◦ **Features of Receipt and Payment Account:-**

- i. **Nature:** It is a Real Account. It is a summarised version of the Cash Book.
- ii. **Nature of Transactions:** It records only cash and bank transactions. Transactions

other than cash and bank like depreciation, loss/ profit on sale of assets, etc. are not recorded in this account.

- iii. **No distinction between Capital and Revenue items:** It records all cash and bank receipts and payments of both capital and revenue nature.
 - iv. **Opening and closing balance:** It begins with the opening balance of cash and bank and ends with the closing balance of the cash and bank (balancing figure) at the end of the accounting period.
 - v. **Purpose:** It reveals the cash position of an organisation. It helps to ascertain the total amount paid and received during an accounting period.
14. i. The income and expenditure account is **equivalent** to the profit loss account of a business enterprise.
- ii. It is an account which is widely adopted by not for profit making concerns and is prepared by following the **accrual principle**.
- iii. Only items of **revenue nature** pertaining to the period of account are included therein.
- iv. Unlike the Receipts and Payments Account, it does not start with an opening balance and ends with a closing balance.
- v. The preparation of account requires adjustment in relevant accounts of income & expenditure and also the exclusion of amount paid in advance.
- vi. It determines the **surplus or deficit** of income over expenditures.
- vii. The surplus or deficit of this account is **transferred to the capital fund** account.
- viii. The concern prepares this account by strictly following the **Double Entry System**.
- 15.

Books of Nari Kalyan Samittee Income and Expenditure Account for the year ending on Dec. 31, 2017					
Dr.					Cr.
Expenditure		Amount Rs.	Income		Amount Rs.
Rent		6,600	Subscription	32,500	...
Electric Charges		3,200	Add: Outstanding for 2017	750	...

Lecturer's fee		730	33,250		...
Office Expenses		1,480	Less: Advance for 2018	(500)	32,750
Printing and Stationery		1,050	Donation		2,500
Legal Fee		1,870	Profit from Entertainment		7,250
Depreciation on:		...	Interest		350
Books	750	...			...
Furniture	580	...			...
Building	1,000	2,330			...
Expenses on Nukar Drama		1,300			...
Loss on Sale of Books		250			...
Surplus		24,040			...
	
		42,850			42,850

Working Notes : Calculation of Depreciation : 1. Books : Opening Balance = 2,000 Add : Purchases = 6,500 less : Books sold = (1,000) = Rs.7,500 Thus, Dep. @ 10% = Rs. 750 2. Furniture : Opening Balance + Purchases = 3,000 + 8,600 = 11,600 dep. @ 5% =Rs. 580 3. Building = 5% @ Rs. 20,000 = Rs. 1,000