

CBSE Test Paper 02
Ch-1 FS of Non-profit Organisation

1. Normally the principal portion of an endowment will be classified as _____ net assets.
 - a. Unrestricted
 - b. None
 - c. Permanently restricted
 - d. Temporarily restricted
2. Stock of stationery in the beginning 1,000 and at end 600. Amount paid for stationery during the year 1500. What amount will be shown in income and expenditure account.
 - a. None of these
 - b. 1900
 - c. 1100
 - d. 3100
3. Balance on tournament fund as on 01/04/2011 was Rs.80000. During the year 2011-2012 Tournament expenses- Rs.28000, and receipt from tournament were Rs.18500. State the amount to be shown on liability side
 - a. Rs.90500
 - b. Rs.65000
 - c. Rs.70500
 - d. Rs.85000
4. Income and expenditure account is based on
 - a. Accrual accounting
 - b. Government accounting
 - c. Management accounting
 - d. Cash accounting
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. Calculate the amount to be shown on liability side as Pavilion fund
 - a. Rs.400000

- b. Rs.200000
- c. Rs.4000000
- d. d) Rs.600000

6. How are Specific donations treated while preparing final accounts of a **Not-For-Profit Organisation**?
7. Every receipt and payment, whether capital or revenue and irrespective of the period is recorded in receipts and payments account. Why? Give reason.
8. What is the term given to excess of expenditure over income in case of Non-Profit organizations?
9. Name the term used for denoting 'Excess of Income over Expenditure' in case of Non-Profit organizations?
10. Honorarium is a kind of remuneration paid to a person who is not the employee of a non-profit organisation. What kind of expenditure is it?
11. Calculate interest on drawings of Mr. X @ 10% p.a. if he withdrawn Rs. 1000 per month
 - i. in the beginning of each Month
 - ii. In the middle each of month
 - iii. at end of each month.
12. Explain the term donation.
13. The receipts and payments for the Swaraj Club for the year ended March 31, 2016, were :

Heads	Amount (Rs.)
Entrance Fee	300
Membership Fee	3000
Donation for club Pavilion	10,000
Foodstuff sales	1,200

Salaries & Wages		1200
Purchase of Food Stuff		800
Construction of club Pavilion		11000
General Expenses		600
Rent & Taxes		400
Bank Charges		160
	April 1	March 31
Cash in hand	200	350
Cash in bank	400	590

Prepare Receipts and Payments account.

14. What is the nature of Receipt & payment account? Explain its features.

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
Subscriptions:		.....	Postage	300
2016	5,000	.....	Electricity charges	6,000
2017	83,000	.....	Purchase of furniture	20,000
2018	3,000	91,000	Books	3,000
Sale of Investment	.....	90,000	Defence Bonds	1,50,000

Interest on investment	.....	2,000	Help to needy students	22,000
		.....	Cash in hand	10,900
Sale of furniture (book value Rs 3,000)		3,200	Cash at bank	30,000
	.....	2,60,200		2,60,200

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.

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Answer

1. c. Permanently restricted, **Explanation:** Permanently Restricted Assets are Assets of a not-for-profit organization that come with certain restrictions. Permanently restricted assets are any assets that are given to a not-for-profit by an outside individual or agency with restrictions on their use or purpose and the principal portion of endowment fund is classified as Permanently restricted net assets.
2. b. 1900, **Explanation:** Amount to be debited to income and expenditure = amount paid + opening stock - closing stock
Amount to be debited to income and expenditure = $1500 + 1000 - 600$
Amount to be debited to income and expenditure = Rs. 1900
3. c. Rs.70500, **Explanation:** Balance of Tournament fund = $80000 + \text{Receipt of tournament} = 18500 - \text{Tournament expense} = 28000$
Net Amount of tournament fund = 70500
This amount is to be shown in balance sheet on liability side.
4. a. Accrual accounting, **Explanation:** Accrual basis of accounting says that record an entry whether cash or not. So, Income and Expenditure account consider all transaction whether they are in cash or not.
5. a. Rs.400000, **Explanation:** Pavilion fund is a specific fund which is for construction for pavilion hence it is a liability. Any expenditure to construct will be deducted from this fund.
So, Expenditure on construction is deducted from pavilion fund and added to capital fund and it is also shown on assets side as work in progress.
Amount to be shown on liability side of balance sheet as Pavilion fund =
Balance in pavilion fund - Expenditure on construction of pavilion.
Amount to be shown on liability side of balance sheet as pavilion fund =
 $10,00,000 - 6,00,000 = \text{Rs. } 4,00,000$
6. Specific donations are shown on the **liabilities side** of the Balance Sheet.
7. All cash transactions are recorded in receipt and payment account irrespective of nature because receipts and payments account is prepared on cash basis of

accounting.

8. When expenses are more than the revenue earned during the financial year is known as Deficit.
9. When revenue is more than the expenses during the year it is known as Surplus.
10. Honorarium is a revenue expenditure for N. P. O.
11. **Interest on Drawing** = $Amount \times \frac{Rate}{100} \times \frac{months.as.per.Average.Method}{12}$ Case (i)
 $Interest\ on\ Drawing = Amount \times \frac{Rate}{100} \times \frac{6.5}{12}$
 $1,000 \times 12 \times \frac{10}{100} \times \frac{6.5}{12} = Rs. 650$ Case (ii) Interest on drawing =
 $Amount \times \frac{Rate}{100} \times \frac{6}{12}$
 $1,000 \times 12 \times \frac{10}{100} \times \frac{6}{12} = Rs. 600$ Case (iii) Interest on drawing =
 $Amount \times \frac{Rate}{100} \times \frac{5.5}{12}$ $1,000 \times 12 \times \frac{Rate}{100} \times \frac{5.5}{12} = Rs. 550$
12. Donation is the amount received by non profit organisation from some person or any other body by way of gift. It appears on the debit side of the receipt and payment account.

Donation is of two types:

- i. Specific Donation
- ii. General donation

Specific donation is always capitalised and general donation treated as revenue.

13. **Swaraj club Receipts and Payments Account**

Receipts		Amount	Payments		Amount
To Balance b/d			By Salaries & Wages		1200
Cash	200		By Purchase of Foodstuff		800
Bank	400	600	By Exp. on Club Pavilion		11,000
To Donation for Club Pavilion		10000	By Bank Charge		160
To Entrance Fee		300	By General Expense		600
To Membership Fee		3000	By Rent& Taxes		400
To Sales of Foodstuff		1200	By Balance c/d		
			Cash	350	
			Bank	590	940

	15,100		15100
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14. A receipt & payment account is a summary of the cash book without date column. It is an elementary form of account adopted by not for profit organization such as hospitals, clubs, temples, etc for presenting periodically the result of their working. The receipts are entered on the left-hand side and payment on the right-hand side.

Features :

- This account is usually not a part of the double entry system.
- It includes all revenue and capital items.
- It excludes all non cash items.
- It starts with an opening balance of cash and bank and also ends with their closing balances.
- Surplus or deficit for an accounting period can not be ascertained from this account.
- It includes all cash and bank receipts and payments, whether they are related to current, past or future.

15.

Books of Rohatgi Trust Income and Expenditure Account For the year ending on December 31, 2017					
Dr.					Cr.
Expenditure		Amount(₹)	Income		Amount (₹)
Rent	6,000	.....	Subscription Received during the ye	83,000	...
Add: Outstanding	1,000	7,000	Add: Outstanding for 2017	7,000	...
.	
Salary	12,000	.....	Less: Life Membership Fees(note 1)	(400)	89,600
Less: Advance for	(2,000)	10,000			...

2018				
		.....	Interest Accrued on Defence Bonds	7,000
Postage		300	Profit on Sale of Investment (₹90,000 – ₹80,000)	10,000
Electricity Charges		6,000	Profit on Sale of Furniture (₹3,200 – ₹3,000)	200
Help to Needy Students		22,000	Interest on Investments	2,000
Surplus (Balancing Figure)		63,500	.	...
.		1,08,800	.	1,08,800

Balance Sheet as on December 31, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital fund (Balancing Figure)	2,01,000	Subscription Outstanding	5,000
	...	Investment (₹80,000 + ₹30,000)	1,10,000
	...	Furniture	12,000
	...	Cash in hand	14,000
	...	Cash at bank	60,000
	2,01,000	.	2,01,000

Balance Sheet as on December 31, 2017

Liabilities		Amount (₹)	Assets		Amount (₹)

Advance Subscription		3,000	Subscription Outstanding	.....	7,000
Rent Outstanding		1,000	Defence Bonds	1,50,000	...
Capital Fund	2,01,000	...	Add: Accrued Interest on Defence Bonds	7,000	1,57,000
Add: Surplus.	63,500	...	.	.....	...
Add: Life Membership Fees	400	2,64,900	Investment		30,000
		...	Advance Salaries		2,000
		...	Furniture	12,000	...
		...	Add: Purchases	20,000	...
		...	32,000		...
		...	Less: Sales	(3,000)	29,000
		...	Books		3,000
		...	Cash in Hand		10,900
		...	Cash at Bank		30,000
		2,68,900	.		2,68,900

Notes : Some members of the organisation pay their subscription (to become the member) in lump sum for the entire life. This amount is called Life Membership Fees. So, Life Membership Fees is a receipt of Capital nature or non-recurring amount since the members will not be required to pay the fee annually. Hence it is not credited to the Income and Expenditure account but added to the Capital Fund.