

Accounts of 'Not for Profit' Concerns

EXERCISE - 2 [PAGES 111 - 112]

Exercise - 2 | Q 1 | Page 111

Select the most appropriate alternative from those given below.

Not for Profit Concern renders _____ services to public at large.

1. Commercial
2. **Social**
3. Individual
4. Group

Solution: Not for Profit Concern renders **Social** services to public at large.

Exercise - 2 | Q 2 | Page 111

Select the most appropriate alternative from those given below.

Donation for Scholarship Fund is _____ .

1. **Capital Receipt**
2. Revenue Receipt
3. Capital Expenditure
4. Revenue Expenditure

Solution: Donation for Scholarship Fund is **Capital Receipt**.

Exercise - 2 | Q 3 | Page 111

Select the most appropriate alternative from those given below.

Income and Expenditure Account is a _____ Account

1. Capital
2. Real
3. Personal
4. **Nominal**

Solution: Income and Expenditure Account is a **Nominal** Account.

Exercise - 2 | Q 4 | Page 111

Select the most appropriate alternative from those given below.

Outstanding subscription at the end of the Accounting Year represents _____ .

1. Liability
2. An Expenditure
3. **An Asset**
4. Capital Fund

Solution: Outstanding subscription at the end of the Accounting Year represents **An Asset**.

Exercise - 2 | Q 5 | Page 112

Select the most appropriate alternative from those given below.

Subscription received in advance during the accounting year is _____.

1. An income
2. An expenditure
3. An asset

4. A liability

Solution: Subscription received in advance during the accounting year is **a liability**.

Explanation:

Subscription income which is not related to the current year but received during the year is known as income received in advance. It is also known as unearned income and therefore, these are shown on the Liabilities side of the Balance Sheet.

Exercise - 2 | Q 6 | Page 112

Select the most appropriate alternative from those given below.

Excess of Income over Expenditure is termed as _____ .

1. Deficit
2. Profit

3. Surplus

4. Loss

Solution: Excess of Income over Expenditure is termed as **Surplus**.

Exercise - 2 | Q 7 | Page 112

Select the most appropriate alternative from those given below.

Not for Profit Concerns prepares _____ account instead of Profit and Loss account to know the result.

1. Trading

2. Income and Expenditure

3. Cash

4. Receipt and Payments

Solution: Not for Profit Concerns prepares **Income and Expenditure** account instead of Profit and Loss account to know the result.

Exercise - 2 | Q 8 | Page 112

Select the most appropriate alternatives from those given below.

The closing balance of Receipts and Payments account usually represent _____.

1. Closing Stock

2. Cash and Bank Balance

3. Surplus

4. Deficit

Solution: The closing balance of Receipts and Payments account usually represents **Cash and Bank Balance**.

Exercise - 2 | Q 9 | Page 112

Select the most appropriate alternative from those given below.

Not for Profit Organization is also called _____ organization.

1. **Service**
2. Trading
3. Profit Making
4. Commercial

Solution: Not for Profit Organization is also called **Service** organization.

Exercise - 2 | Q 10 | Page 112

Select the most appropriate alternative from those given below.

Expenditure on Purchase of Building is a _____ Expenditure.

1. **Capital**
2. Revenue
3. General
4. Recurring

Solution: Expenditure on Purchase of Building is a **Capital** Expenditure.

EXERCISE - 2 [PAGE 112]

Exercise - 2 | Q 1 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

The Form of Organization providing services to the society only.

Solution: The Form of Organization providing services to society only. - **Not for profit concern**

Exercise - 2 | Q 2 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

An account which is prepared by Not for Profit concern instead of Profit and Loss Account.

Solution: An account which is prepared by Not for Profit concern instead of Profit and Loss Account. - **Income and Expenditure Account.**

Exercise - 2 | Q 3 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

Donation received for a specific purpose.

Solution: Donation received for a specific purpose. - **Specific donation / Capital receipt.**

Exercise - 2 | Q 4 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

The receipts which are not recurring in nature.

Solution: The receipts which are not recurring in nature. - **Capital Receipt**

Exercise - 2 | Q 5 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

An Account which records only revenue items in case of Not for profit concern.

Solution: An Account which records only revenue items in case of Not for profit concern. - **Income and Expenditure Account.**

Exercise - 2 | Q 6 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

Accounts which records only cash transactions in case of Not for Profit Concern.

Solution: Accounts which records only cash transactions in case of Not for Profit Concern. -**Receipts and Payments Account.**

Exercise - 2 | Q 7 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

The income which is earned during the year but not received during the year.

Solution: The income which is earned during the year but not received during the year.
- **Outstanding income.**

Exercise - 2 | Q 8 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

The credit balance of Income and Expenditure Account.

Solution: The credit balance of Income and Expenditure Account. - **Surplus**

Exercise - 2 | Q 9 | Page 112

Write the Word/ Term/ Phrase which can substitute the following statement:

To excess of total assets over total liabilities of a Not for Profit concern.

Solution: To excess of total assets over total liabilities of a Not for Profit concern.

- **Capital Fund.**

Exercise - 2 | Q 10 | Page 112

Write the word/phrase/term, which can substitute the following sentence.

All such receipts which are non-recurring in nature and not forming a part a regular flow of income.

Solution: All such receipts which are non-recurring in nature and not forming a part a regular flow of income. - **Capital receipts**

EXERCISE - 2 [PAGE 112]

Exercise - 2 | Q 1 | Page 112

State whether the following statement is True or False with reasons.

Not for Profit Concerns do not have profit motive.

1. **True**
2. False

Solution: Not for Profit Concerns do not have profit motive. - **True.**

Explanation:

Not for profit concerns', main aim is to give services to its members or to the society at large. They do not carry any Trading activity or Manufacturing activity so there is no question of having profit motive for 'Not for Profit' concerns.

Exercise - 2 | Q 2 | Page 112

State whether the following statement is True or False with reasons.

Charitable Institutions prepare Profit and Loss Account, at the end of every financial year.

1. True
2. **False**

Solution: Charitable Institutions prepare Profit and Loss Accounts at the end of every financial year. - **False.**

Explanation:

Charitable Institutions, Not for Profit concerns, do not undertake any trading activities and hence instead of a Profit and Loss Account prepare an Income-Expenditure Account to record all revenue expenses/losses and revenue incomes/gains of current year.

Exercise - 2 | Q 3 | Page 112

State whether the following statement is True or False with reasons.

There is no difference between Receipts and Payments Account and Income and Expenditure Account.

1. True
2. **False**

Solution: There is no difference between Receipts and Payments Account and Income and Expenditure Account. - **False.**

Explanation:

In the receipts and Payments Account, all receipts and payments transactions in cash or through bank are recorded irrespective of the current year, previous year or next year while in IncomeExpenditure Account, only current year's incomes and expenses (revenue) are recorded.

Exercise - 2 | Q 4 | Page 112

State whether the following statement is True or False with reasons.

Income and Expenditure Account represents either surplus or deficit.

1. **True**
2. False

Solution: Income and Expenditure Account represents either surplus or deficit. - **True.**

Explanation:

In Income and Expenditure Account, all revenue incomes and expenses are recorded and at the end of the specified period, the difference is found out which is known as 'Surplus' (revenue incomes are more than revenue expenses) or 'Deficit' (revenue expenses are more than revenue incomes).

Exercise - 2 | Q 5 | Page 112

State whether the following statement is True or False with reasons.

Receipts and Payments Accounts do not have any opening balance.

1. True
2. **False**

Solution: Receipts and Payments Accounts do not have any opening balance. - **False.**

Explanation:

Receipts and Payments Account is just like a cash book of trading concern and opening balance (Cash or Bank or Cash and Bank) must be there to start a recording of transactions.

Exercise - 2 | Q 6 | Page 112

State whether the following statement is True or False with reasons.

Not for Profit concerns do not prepare Balance Sheet.

1. True
2. **False**

Solution: Not for Profit concerns do not prepare Balance Sheet. - **False.**

Explanation:

To know the financial position of the organisation, at the end of the particular period, Not for Profit concerns prepare Balance Sheet.

Exercise - 2 | Q 7 | Page 112

State whether the following statement is True or False with reasons.

Purchases of Sports Equipments is a Capital Expenditure.

1. **True**
2. False

Solution: Purchases of Sports Equipments is a Capital Expenditure. - **True.**

Explanation:

Generally, life span of sports equipments is more than one year, so purchase of sports equipment is considered as capital expenditure.

Exercise - 2 | Q 8 | Page 112

State whether the following statement is True or False with reasons.

Income and Expenditure Account is Real Account.

1. True
2. **False**

Solution: Income and Expenditure Account is Real Account. - **False.**

Explanation:

In Income and Expenditure Account, all the revenue incomes and revenue expenses are recorded and therefore it is a Nominal Account and not a real Account.

Exercise - 2 | Q 9 | Page 112

State whether the following statement is True or False with reasons.

Receipts and Payments Account contains only the transactions relating to the current year.

1. True
2. **False**

Solution: Receipts and Payments Account contains only the transactions relating to the current year. - **False**

Explanation:

In receipts and Payments Account, transactions of the not only the current year but of the previous year or of next year are also recorded.

Exercise - 2 | Q 10 | Page 112

State whether the following statement is True or False with reasons.

Excess of Assets over liabilities is called Capital Fund.

1. **True**
2. False

Solution: Excess of Assets over liabilities is called Capital Fund. - **True.**

Explanation:

For 'Not for Profit' concerns in the Balance Sheet, when total of Assets is more than the total of Liabilities, the difference of amount is considered as 'Capital Fund'.

EXERCISE - 2 [PAGE 113]

Exercise - 2 | Q 1 | Page 113

Fill in the blank:

Not for Profit Organization never is engaged in _____ activities.

Solution: Not for Profit Organization never is engaged in **trading** activities.

Exercise - 2 | Q 2 | Page 113

Fill in the blank:

Not for Profit organization is called _____ organization.

Solution: Not for Profit organization is called service organization.

Exercise - 2 | Q 3 | Page 113

Fill In the blank:

Receipts and Payments Account falls under the category of _____ Account.

Solution: Receipts and Payments Account falls under the category of Real Account.

Exercise - 2 | Q 4 | Page 113

Fill in the blank:

In Receipts and Payments Account the summary of _____ transactions are recorded.

Solution: In Receipts and Payments Account the summary of Cash transactions are recorded.

Exercise - 2 | Q 5 | Page 113

Fill in the blank:

Income and Expenditure Account is similar to the _____ account of Trading Concern.

Solution: Income and Expenditure Account is similar to the Profit and loss account of Trading Concern.

Exercise - 2 | Q 6 | Page 113

Fill in the blank :

Credit side of Receipts and Payments Account shows cash _____.

Solution: Credit side of Receipts and Payments Account shows cash payments.

Exercise - 2 | Q 7 | Page 113

Fill in the blank:

Income and Expenditure Account is a _____ Account.

Solution: Income and Expenditure Account is a Nominal Account

Exercise - 2 | Q 8 | Page 113

Fill in the blank:

Mumbai University prepares _____ Account instead of a Profit and Loss account.

Solution: Mumbai University prepares Income and expenditure account instead of a Profit and Loss account.

Exercise - 2 | Q 9 | Page 113

Fill in the blank:

Subscription received from the members is considered as _____ receipts.

Solution: Subscription received from the members is considered as revenue receipts.

Exercise - 2 | Q 10 | Page 113

Fill in the blank:

The transactions recorded in Income and Expenditure Account are related only to the _____ year.

Solution: The transactions recorded in Income and Expenditure Account are related only to the Current year.

EXERCISE - 2 [PAGES 112 - 113]

Exercise - 2 | Q 1 | Page 113

Answer in one sentence only.

What do you mean by 'Not for Profit' Concern?

Solution: A concern or organisation which is formed and established to serve its members and society or general public by undertaking various activities without any profit motive is called a 'Not for Profit' concern.

Exercise - 2 | Q 2 | Page 113

Answer in one sentence only.

Which organisations prepare Income and Expenditure Account?

Solution: 'Not for profit' concern prepares Income and Expenditure Account.

Exercise - 2 | Q 3 | Page 113

Answer in one sentence only.

What is Receipts and Payments Account?

Solution: An account which is prepared by a 'Not for Profit Concern' to record a summary of all types of cash receipts and cash payments inclusive of bank transactions is called receipts and Payments Account.

Exercise - 2 | Q 4 | Page 113

Answer in one sentence only.

Why Income and Expenditure Account is prepared?

Solution: Income and Expenditure Account is prepared to ascertain, whether the concern has sufficient incomes to meet its expenses, or not.

Exercise - 2 | Q 5 | Page 113

Answer in one sentence only.

What is Capital Fund?

Solution 1:

In the case of not-for-profit organizations, excess of assets over liabilities is called a capital fund. It is similar to the capital account in the case of profit-making entities. Any surplus/ deficit shown by the Income and Expenditure Account will be added/ deducted from the opening capital and the net capital fund will be shown on the Liabilities side.

Solution 2:

Excess of assets over liabilities in case of not for profit concern is known as capital fund.

Solution 3:

Capital fund consists of contributions, entrance fees, surplus income, legacies, and donations specifically received for capital fund.

Exercise - 2 | Q 6 | Page 113

Answer in one sentence only.

What is a Subscription?

Solution: Subscription is the periodical payment made by the members to the 'Not for Profit' concern for maintaining his membership.

Exercise - 2 | Q 7 | Page 112

Answer in one sentence only.

What is 'Legacy'?

Solution: Any asset, property or amount of cash which 'Not for Profit' concern receives as per the provisions made in the will of the donor after his death is called Legacy.

Exercise - 2 | Q 8 | Page 113

Answer in one sentence only.

What is Surplus?

Solution 1: Excess of income over expenditure in case of not for profit concern is known as surplus.

Solution 2: Excess of income over expenditure shown by Income and Expenditure Account represents Surplus for the financial year.

Exercise - 2 | Q 9 | Page 113

Answer in one sentence only.

What do you mean by Non-recurring Expenses ?

Solution: Non-recurring expenses are the expenses which is made for acquisition of fixed assets which gives benefits for a long period.

Exercise - 2 | Q 10 | Page 113

Answer in one sentence only.

To which account 'Surplus' or 'Deficit' is transferred?

Solution: 'Surplus' or 'Deficit' is transferred to Balance Sheet by adding it or subtracting it from Capital Fund.

EXERCISE - 2 [PAGES 113 - 114]

Exercise - 2 | Q 1 | Page 113

Complete the Table:

Sr. No.	Income (₹)	Expenditure (₹)	Surplus/Deficit (₹)
1.	10,000	_____ ?	5,000 (Deficit)
2.	8,000	_____ ?	4,000 (Surplus)
3.	_____ ?	15,000	8,000 (Surplus)
4.	7,500	9,000	_____ ?
5.	15,000	11,300	_____ ?

Solution:

Sr. No.	Income ₹	Expenditure ₹	Surplus/Deficit ₹
1	10,000	<u>15,000</u>	5,000 (Deficit)
2	8,000	<u>4,000</u>	4,000 (Surplus)
3	<u>23,000</u>	15,000	8,000 (Surplus)
4	7,500	9,000	<u>1,500 (Deficit)</u>
5	15,000	11,300	<u>3,700 (Surplus)</u>

Exercise - 2 | Q 2 | Page 113

Complete the Table:

Salaries paid during the year

Sr. No	Total ₹	Prepaid/Outstanding	₹	Expenditure for the year
1	1,100	Prepaid	100	_____ ?
2	2,700	Prepaid	_____ ?	2,000
3	8,250	Prepaid	_____ ?	6,650
4	1,200	Outstanding	200	_____ ?
5	_____ ?	Outstanding	600	5,100
6	1,800	Outstanding	_____ ?	2,200

Solution:

Salaries paid during the Year

Sr. No.	Total ₹	Prepaid/Outstanding	₹	Expenditure for the year
1	1,100	Prepaid	100	<u>1,000</u>
2	2,700	Prepaid	<u>700</u>	2,000
3	8,250	Prepaid	<u>1,600</u>	6,650
4	1,200	Outstanding	200	<u>1,400</u>
5	<u>4,500</u>	Outstanding	600	5,100
6	1,800	Outstanding	<u>400</u>	2,200

Exercise - 2 | Q 3 | Page 114**Complete the Table:**

Rent received during the year

Sr.No	Total Received ₹	Rent received in Advance/Accrued	₹	Income for the year ₹
1	1,300	Received in Advance	200	_____ ?
2	_____ ?	Received in Advance	400	1,400
3	2,650	Received in Advance	_____ ?	2,000
4	_____ ?	Accrued	290	3,190
5	1,700	Accrued	_____ ?	2,150
6	2,600	Accrued	500	_____ ?

Solution:

Rent received during the year

Sr.No	Total Received ₹	Rent received in Advance/Accrued	₹	Income for the year ₹
1	1,300	Received in Advance	200	<u>1,100</u>
2	<u>1,800</u>	Received in Advance	400	1,400
3	2,650	Received in Advance	<u>650</u>	2,000
4	<u>2,900</u>	Accrued	290	3,190
5	1,700	Accrued	<u>450</u>	2,150
6	2,600	Accrued	500	<u>3100</u>

EXERCISE - 2 [PAGE 114]**Exercise - 2 | Q 1 | Page 114****Calculate the following:**

10 % p.a. Depreciation on Furniture ₹ 50,000 (for three months)

Solution:

10 % p.a. Depreciation on Furniture ₹ 50,000 (for three months)

Depreciation = Cost of Asset × Rate × Period

$$= 50,000 \times 10/100 \times 3/12$$

$$= ₹ 1250 \text{ Depr. for 3 months}$$

Thus, Depreciation on furniture @10% on ₹ 50,000 for 3 months = ₹ 1250.

Exercise - 2 | Q 2 | Page 114**Calculate the following:**

12% p.a. Interest on Bank loan ₹ 80,000 for 1 year.

Solution:

12 % p.a. Interest on Bank loan ₹ 80,000 for 1 year.

$$I = \frac{PRN}{100} = \frac{80,000 \times 12}{100} \times 1 = ₹9600$$

Thus, interest on Bank loan ₹ 80,000 for 1 year = ₹ 9600.

Exercise - 2 | Q 3 | Page 114

Calculate the following:

Opening stock of stationery ₹ 5,000, purchases of stationery ₹ 7000, outstanding stationery bill ₹ 12,000, closing stock ₹ 1000. What is the amount of stationery consumed?

Solution:

To consumption of stationary	₹
Opening stock	5,000
Add: Purchases	7,000
Add: Outstanding stationary bill	12,000
	24,000
Less: Closing Stock	1,000
Consumption of stationary	23,000

Exercise - 2 | Q 4 | Page 114

Calculate the following:

Salary ₹ 10,000, outstanding salary ₹ 5,000. Calculate the salary to be debited to Income and Expenditure Account.

Solution:

Dr.	Income and expenditure Account	Cr.
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Particulars	Amt ₹	Amt ₹	Particulars	Amt ₹	Amt ₹
To Salary	10,000				
Add: Outstanding Salary	5,000	5,000			

Exercise - 2 | Q 5 | Page 114

Calculate the following

Library Books ₹ _____ ? Less 10 % Depreciation ₹ 5,000 = ₹ 45,000

Solution:

Library Books ₹ 50,000

Less 10 % Depreciation ₹ 5,000 = ₹ 45,000

%	Depreciation (₹)	
10	5000	= 50,000
100	? (Cost)	

EXERCISE - 2 [PAGE 114]

Exercise - 2 | Q 1 | Page 114

Find odd one:

1. Trading Account
2. Profit and Loss Account
3. **Receipts and Payments Account,**
4. Balance Sheet.

Solution: Trading Account, Profit and Loss Account, Receipts and Payments Account, Balance Sheet. - **Receipts and Payments Account.**

Exercise - 2 | Q 2 | Page 114

Find odd one:

1. Machinery

2. Furniture
3. Computers
4. **Salaries.**

Solution: Machinery, Furniture, Computers, Salaries. - **Salaries**

Exercise - 2 | Q 3 | Page 114

Find odd one :

1. Subscription
2. **Stationery**
3. Interest Received
4. Locker Rent received

Solution: Subscription, Stationery, Interest Received, Locker Rent received,
- **Stationery.**

Exercise - 2 | Q 4 | Page 114

Find odd one :

1. **Reliance Industries**
2. Venna Vidya Mandir
3. Laxmi Hospital
4. Manoj Sports club

Solution: Reliance Industries, Venna Vidya Mandir, Laxmi Hospital, Manoj Sports club.
- **Reliance Industries.**

Exercise - 2 | Q 5 | Page 114

Find odd one:

1. Surplus
2. Deficit
3. **Net Profit**
4. Capital fund

Solution: Surplus, Deficit, Net Profit, Capital fund. - **Net Profit.**

PRACTICAL PROBLEMS [PAGES 114 - 124]

Practical Problems | Q 1 | Page 114

(Calculation of stationery consumed during the year)					
Liabilities	Amt. ₹	Amt. ₹	Assets	Amt. ₹	Amt. ₹
			Stock of Stationery		400

Dr	Receipts and Payments Account for the year ending 31.03.2019				Cr
Receipts	Amt. ₹	Amt. ₹	Payments	Amt. ₹	Amt. ₹
			By Stationery Purchased		6,300

Adjustments :

1. ₹ 1,000 Outstanding for Stationery bill.
2. Stock of Stationery as on 31.03.2019 was valued at ₹1,800

With the above information, calculate the amount of Stationery consumed during the year and show its presentation in final Accounts of a concern.

Solution:

In the books of _____

Dr	Income and Expenditure Account for the year ended 31st March, 2019				Cr
Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Stationery Consumed during the Year					
Opening Stock	400				

Add: Stationery Purchased during the Year	6,300				
Add: Credit Purchase of Stationery (Outstanding bill)	1,000				
	7700				
Less: Closing Stock of Stationery	1800	5,900			

Practical Problems | Q 2 | Page 115

Balance Sheet as on 01.04.2018					
Liabilities	Amt. ₹	Amt. ₹	Assets	Amt. ₹	Amt. ₹
Subscription received in Advance for 2018 - 19	20,000		Outstanding Subscription		
			2016 - 17	26,000	
			2017 - 18	35,000	61,000

Dr	Receipts and Payments Account for the year ending 31.03.2019.				Cr
Receipts	Amt. ₹	Amt. ₹	Payments	Amt. ₹	Amt. ₹
To Subscriptions					
2016 - 17	23,000				
2017 - 18	30,000				
2018 - 19	4,10,000				
2019 - 20	21,000	4,84,000			

Adjustments :

Outstanding Subscription for 2018 - 19 is ₹ 32,000

With the above information present the item Subscription in Income and Expenditure Account for the year ended 31.03.2019 Balance Sheet as on the date.

Solution:

In the books of _____

Dr		Income and Expenditure Account for the year ended 31st March 2019				Cr
Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)	
			By Subscription	4,10,000		
			Add: Outstanding Subscription for Current Year 2018–19	32,000		
				4,42,000		
			Add: Subscription of Current Year received in Advance in the Previous Year 2017–18	20,000	4,62,000	

Balance Sheet as on 31st March 2019					
Liabilities	Amt (₹)	Amt (₹)	Assets	Amt (₹)	Amt (₹)
Subscription received in Advance for the Year 2019 – 20		21,000	Outstanding Subscription for		
			Add: Year 2018–19 (Current year)	32,000	
			Add : Year 2016–17 (26,000 – 23,000)	3,000	
			Add : Year 2017–18 (35,000 – 30,000)	5,000	40,000

Working Note :

Outstanding subs. given in the balance sheet as on 01 – 04 – 2018 are ₹ 26,000 (for 2016–17) and ₹ 35,000 (for 2017 – 18). Against that as shown in receipt – Payment A/c ₹ 23,000 and ₹ 30,000 are received respectively. Means ₹ 3,000 and ₹ 5,000 are still outstanding which are known in the current year balance sheet.

Practical Problems | Q 3 | Page 115

Dr	Receipts and Payments Account for the year ending 31.03.2018.					Cr
	Receipts	Amt. ₹	Amt. ₹	Payments	Amt. ₹	Amt. ₹
	To Subscriptions					
	2016 - 17	2,000				
	2017 - 18	60,000				
	2018 - 19	4,500	66,500			

Adjustments :

Subscription Outstanding for the year 2017 - 18 is ₹ 6,000.

During previous year Subscription received in advance for 2017 - 18 is ₹ 2,000.

Outstanding subscription of 2016 - 2017 is ₹ 2,500

With the help of the above information present the item Subscription in Income and Expenditure Account for the year ending 31.03.2018 and Balance Sheet as on that date.

Solution:

In the books of _____

Dr	Income and Expenditure Account for the year ended 31st March, 2018					Cr
	Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
				By Subscription (Year 2017-18)	60,000	
				Add: Outstanding Subscription of Current Year 2017-18	6,000	
				Add: Subscription received in Advance of Current Year in Previous Year	2,000	68,000

Balance Sheet as on 31st March, 2018					
Liabilities	Amt (₹)	Amt (₹)	Assets	Amt (₹)	Amt (₹)
Subscription received in Advance in the Current Year for the Year 2018 – 19		4,500	Outstanding Subscription for Current Year (2017–18)		6,000
			Outstanding Subscription for the Year 2016 – 17 (2,500 – 2,000)		500

Practical Problems | Q 4 | Page 116

Following is the Receipts and Payments Account of “Satara Sports Club” Satara
Prepare Income and Expenditure Account for the year ending 31.03.2019.

Dr	Receipts and Payments Account for the year ending 31.03.2019.				Cr
Receipts	Amt ₹	Amt ₹	Payments	Amt ₹	Amt ₹
To Balance b/d			By Salaries		5,000
Cash in hand	4,500		By Rent (Including ₹ 2,000 for 2017 - 18)		5,000
Cash at Bank	12,000	16,500	By Electricity Charges		1,450
To Subscription			By Fixed Deposit		60,000
2017 - 18	4,000		By Printing and Stationery		750
2018 - 19	44,500		By General Expenses (Including ₹ 500 paid for next year)		5,500

2019 - 20	3,500	52,000	By Sports Material Purchased		40,000
To Entrance fees		8,000	By Balance c/d		
To Donation for Building fund		70,000	Cash in Hand	8,900	
To Interest		600	Cash at Bank	25,000	33,900
To Sale of furniture (Book Value ₹ 8000)		4,500			
		1,51,600			1,51,600

Adjustments:

- 1) Outstanding Subscription for Current Year is ₹ 4,500
- 2) Outstanding Rent for Current Year amounted to ₹ 1,000
- 3) Entrance Fees are to be treated as Revenue Income
- 4) Stock of Sports Material as on 01.04.2018 ₹ 6,000 and on 31.03.2019 ₹ 14,000

Solution:

In the books of ' Satara Sports Club' Satara

Dr		Income and Expenditure Account for the year ended on 31st March 2019				Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹	
To Salaries		5,000	By Subscription received for 2018 – 19	44,500		
To rent	5,000		Add: Outstanding Subscription for Current Year	4,500	49,000	
Add: Outstanding rent of Current Year	1,000		By Entrance Fees		8,000	

Less: rent received for the Year 2017 – 18	2,000	4,000	By Interest		600
To Electricity Charges		1,450			
To Printing and Stationery		750			
To General Expense	5,500				
Less: Amount Paid for Next Year	500	5,000			
To Sports Material Consumed					
Opening Stock	6,000				
Add: Sports Material Purchased in Current Year	40,000				
	46,000				
Less: Closing Stock of Sports Material	14,000	32,000			
To Loss due to Sale of Furniture (8,000 – 4,500)		3,500			
To Surplus (Excess of income over expenditure)		5,900			
		57600			57600

Working Notes :

(1) Entrance fees are to be treated as revenue income. Therefore the entire amount is recorded on the income side.

(2) Since the selling price of Furniture ₹ 4,500 is lower than its cost price of ₹ 8,000, there is Loss on sale of furniture.

It is calculated as follows :

Loss on sale of furniture = Book value (cost) – Selling price

= 8,000 – 4,500

= ₹ 3,500

It is debited to Income and Expenditure A/c.

Practical Problems | Q 5 | Page 117

“Bhartiya Kala Kendra”, Solapur gives you the following information, for the year ended on 31.03.2018 Prepare Income and Expenditure Account for the year ending

31.03.2018

Dr	Receipts and payments Account for the year ending 31.03.2018.		Cr
Receipts	Amount ₹	Payments	Amount ₹
To Balance b/d		By Stationery	600
Cash in Hand	200	By Furniture Purchased	7,000
Cash at Bank	12,500	By Investments in govt securities	14,000
To Locker Rent	400	By Expenses of Drama	3,000
To Entrance fees	2,900	By Postage	450
To Sale of old newspapers	250	By Magazine and newspaper	600
To Receipts from Drama	9,000	By Salaries	4,400
To Legacies	12,000	By Balance c/d	
To Interest of Govt. Securities	400	Cash in Hand	700

To Miscellaneous Receipts	400	Cash at Bank	7,300
	38050		38050

Additional Information :

- 1) Legacies are to be capitalized
- 2) Outstanding Salary ₹ 200
- 3) 50 % of Entrance Fees are to be Capitalised

Solution:

In the books of Bhartiya Kala Kendra, Solapur

Dr	Income and Expenditure Account for the year ended 31st March 2018				Cr
Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Stationery		600	By Locker rent		400
To Expenses of Drama		3,000	By Entrance Fees	2,900	
To Postage		450	Less: 50 % Capitalised	1,450	1,450
To Magazine and Newspaper		600	By Sale of Old Newspapers		250
To Salaries	4,400		By receipts from Drama		9,000
Add: Outstanding Salaries	200	4,600	By Interest on Govt. Securities		400

To Surplus (Excess of income over expenditure)		2,650	By Miscellaneous receipts		400
		11900			11900

Practical Problems | Q 6 | Page 117

From the following particulars relating to “Radha-Krishna Charitable Hospital” Pune.
Prepare Income and Expenditure Account for the year ending 31.03.2020 and Balance
Sheet as on that date.

Dr	Receipts and payments Account for the year ending 31.03.2020.			Cr
Receipts	Amount ₹	Payments		Amount ₹
To Balance b/d		By Medicines Purchased		41,000
Cash	8,230	By General Expenses		1,050
To Subscriptions	52,000	By Salaries		23,500
To Donations (General)	17,500	By Stationery		2,000
To Interest in Investments	10,000	By Expenses on Charity Show		550
To Proceeds from Charity Show	8,530	By Surgery and Dispensary Exp		4,200
		By Equipments		10,000
		By Balance c/d		
		Cash in Hand	960	
		Cash at Bank	13,000	13,960
	96,260			96,260

Additional Information :

Particulars	01.04.2019 ₹	31.03.2020 ₹

1. Subscription Due	310	350
2. Subscription Received in Advance	600	150
3. Stock of Medicine	8,000	11,000
4. Estimated Value of Equipment	15,000	?
5. Building	40,000	?
6. Capital Fund	1,70,940	?
7. 10 % Investment	1,00,000	?

Provide Depreciation on Equipments ₹ 1,900 and on Building ₹ 1,500

Solution:

In the books of Radha-Krishna Charitable Hospital, Pune

Dr		Income and Expenditure Account for the year ended 31st March 2020				Cr
Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)	
To Medicines Consumed			By Subscriptions	52,000		
Opening Stock	8,000		Add: Outstanding of Current Year	350		
Add: Purchases	41,000		Add: received in Advance in Previous Year	600		
	49,000			52,950		
Less: Closing Stock	11,000	38,000	Less: received in Current Year of the Previous Year	150		

To General Expenses		1,050	Less: Subscription due of Previous Year	310	52,490
To Salaries		23,500	By Donations (General)		17,500
To Stationery		2,000	By Interest on Investments		10,000
To Expenses on charity show		550	By Proceeds from Charity Show		8,530
To Surgery and Dispensary Expense		4,200			
To Depreciation					
Equipments	1,900				
Building	1,500	3,400			
To Surplus (Excess of income over expenditure)		15,820			
		88,520			88,520

Balance Sheet as on 31st March 2020					
Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund	1,70,940		Outstanding Subscription		350
Add : Surplus	15,820	1,86,760	Closing Stock of Medicines		11,000

Subscription received in Advance		150	Equipments opening Balance	15,000	
			Add: Purchases	10,000	
				25,000	
			Less: Depreciation	1,900	23,100
			Buildings	40,000	
			Less: Depreciation	1,500	38,500
			10% Investments		1,00,000
			Cash in Hand		960
			Cash at Bank		13,000
		1,86,910			1,86,910

Working Notes :

- (1) To find medicines consumed, here in the opening stock, purchases is added and the closing stock of medicine is subtracted.
- (2) For equipment, in opening balance, add equipment purchased during the year and subtract depreciation to get the closing balance of equipment.
- (3) Interest ₹ 10,000 is received on 10 % investments means there is no outstanding interest.

Practical Problems | Q 7 | Page 118

From the following transactions of Receipts and Payments Account of “Pavan - Putra Hanuma Vyayamshala” Parbhani, and the adjustments given, you are required to prepare Income and Expenditure Account and Balance Sheet as on 31st March 2019.

Dr		Receipts and Payments Account for the year ending 31.03.2019.		Cr	
Receipts		Amount ₹	Payments	Amount ₹	
To Balance b/d			By Salaries	6,000	
Cash in Hand		5,000	By Entertainment Expenses	2,480	
To Subscriptions			By Sundry Expenses	1,300	
2018 - 19	18,000		By Electricity Charges	1,200	
2019 - 20	410	18,410	By Rent	700	

To Donations	6,000	By Investment	15,000
To Receipts from Entertainment	5,400	By Printing and Stationery	800
To Interest	400	By Postage	3,200
To Entrance fees	6,200	By Fixed Deposit	3,900
		By Balance c/d	
		Cash in Hand	830
		Cash at Bank	6,000
	41,410		41,410

Adjustments:

- 1) There are 500 members paying an annual Subscription of ₹ 50 each
- 2) Outstanding Salary was ₹ 1,200
- 3) The Assets on 01.04.2018 were as follows: Building ₹ 50,000, Furniture ₹ 15,000
- 4) Provide depreciation on Building and Furniture at 5% and 10% respectively.
- 5) 50% Entrance Fee is to be capitalized.
- 6) Interest on Investment at 5% p. a. has accrued for 6 months.
- 7) Capital Fund ₹ 70,000 on 01.04.2018

Solution:

In the books of Pavan-putra Hanuman Vyayamshala, Parbhani

Dr	Income and Expenditure Account for the year ended on 31st March, 2019				Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salaries	6,000		By Subscription	18,000	
Add*: Outstanding	1,200	7,200	Add: Outstanding Subscription for Current Year	7,000	25,000
To Entertainment Expenses		2,480	By Donations		6,000
To Sundry Expenses		1,300	By receipts from Entertainment		5,400
To Electricity Charges		1,200	By Interest		400

To Rent		700	By Outstanding Interest on Investments (6 Months)		375
To Printing and Stationery		800	By Entrance Fees	6,200	
To Postage		3,200	Less : 50 % capitalised	3,100	3,100
To Depreciation					
Building	2,500				
Furniture	1,500	4,000			
To Surplus (Excess of income over expenditure)		19,395			
		40,275			40,275

Balance Sheet as on 31st March, 2019					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	70,000		Building	50,000	
Add: Surplus	19,395		Less: Depreciation	2,500	47,500
Add: 50 % Entrance Fees	3,100	92,495	Furniture	15,000	
Outstanding Salary		1,200	Less: Depreciation	1,500	13,500
Subscription received in Advance		410	Investments		15,000
			Outstanding Interest on Investments		375
			Fixed Deposit		3,900
			Cash in Hand		830
			Cash at Bank		6,000
			Outstanding Subscription of Current Year		7,000

		94,105			94,105
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Working Notes :

(1) Interest on investment is receivable for 6 months

$\text{₹I} = \text{PRN}/100 = 15,000 \times 5/100 \times 6/12 = \text{₹} 375$ (outstanding interest on investment)

(2) 50% of entrance fees (i.e. $6200/2 = \text{₹} 3100$) is to be capitalised means add it to capital fund.

(3) Total subscription of current year = 500 members \times ₹ 50 = ₹ 25,000

But actual subscription received = ₹ 18,000

means difference (25,000 – 18,000) of ₹ 7,000 is outstanding subscription.

Practical Problems | Q 8 | Page 119

“Jeevan Jyoti Art Circle” a newly established concern has presented the following information.

Dr	Receipts and Payments Account for the year ending 31.03.2018.				Cr
Receipts	Amount ₹	Amount ₹	Payments	Amount ₹	Amount ₹
To Admission fees		22,000	By Furniture		12,000
To Subscriptions		40,000	By Stationery		4,000
To Donations		18,000	By Office Rent		2,600
			By Newspapers & Periodicals		300
			By Telephone Expenses		560

			By Investments		23,000
			By Balance c/d		
			Cash in Hand	7,540	
			Cash at Bank	30,000	37,540
		80,000			80,000

Adjustments:

- 1) Subscription Outstanding for the year was ₹ 5,000
- 2) Depreciate Furniture @ 10 % p.a
- 3) Full amount of Admission Fees and 50*% Donations are to be capitalized.

You are required to prepare Income and Expenditure Account for the year ending 31.03.2018 and Balance Sheet as on that date.

Solution:

In the books of Jeevan Jyoti Art Circle

Dr		Income and Expenditure Account for the year ended 31st March 2018				Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹	
To Stationery		4,000	By Donations	18,000		
To Office rent		2,600	Less: 50 % Capitalised	9,000	9,000	
To Newspapers and Periodicals		300	By Subscription	40,000		
To Telephone Expenses		560	Add: Outstanding of Current Year	5,000	45,000	
To Depreciation Furniture		1,200				
To Surplus (Excess of income over expenditure)		45,340				
		54000			54000	

Balance Sheet as on 31st March, 2018					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	-		Furniture	12,000	
Add: Surplus	45,340		Less: Depreciation	1,200	10,800
Add: Admission Fees (Capitalised)	22,000		Investments		23,000
Add: Donations (50 % Capitalised)	9,000	76,340	Cash in Hand		7,540
			Cash at Bank		30,000
			Outstanding Subscription		5,000
		76,340			76,340

Working Notes:

The full amount of admission fees and 50% of donations are added to the surplus amount to get the capital funds. (Opening balance of the capital fund is not given.)

Practical Problems | Q 9 | Page 119

Given below is the Receipts and Payments Account of "Vithai Mahila Mandal" Pandharpur for the year ending 31.03.2018. Prepare an Income and Expenditure Account for the year ended 31.03.2018 and Balance Sheet as on that date.

Dr	Receipts and Payments Account for the year ending 31.03.2018.				Cr
Receipts	Amount ₹	Amount ₹	Payments	Amount ₹	Amount ₹
To Balance b/d			By Stationery		6000
Cash in Hand	3,000		By Repairs to Furniture		950
Cash at Bank	20,000	23,000	By Rent		8,300

To Entrance Fees		3,500	By Salaries		15,000
To Subscription		19,000	By Miscellaneous Expenses		450
To Miscellaneous Receipts		850	By Balance c/d		
			Cash in Hand	1,650	
			Cash at Bank	14,000	15,650
		46,350			46,350

Adjustments :

- 1) Capital Fund on 01.04.2017 was ₹ 90,000
- 2) Outstanding Subscription ₹ 4,000
- 3) Entrance Fees are to be capitalized
- 4) Rent paid includes ₹ 800 paid for April 2018
- 5) They have the following Assets and Liabilities 01.04.2017

Furniture ₹ 9,000,

Building ₹ 70,000,

Outstanding Expenses ₹ 12,000

Solution:

In the books of Vithai Mahila Mandal, Pandharpur

Dr	Income and Expenditure Account for the year ended 31st March 2018				Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Stationery		6,000	By Subscription	19,000	
To Repairs to Furniture		950	Add: Outstanding Subscription	4,000	23,000
To Rent	8,300		By Miscellaneous receipts		850
Less: Prepaid Rent	800	7,500	By Deficit (Excess of expenses over incomes)		6,050
To Salaries		15,000			

To Miscellaneous Expense		450			
		29,900			29,900

Balance Sheet as on 31st March 2018					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	90,000		Furniture		9,000
Add: Entrance Fees (Capitalised)	3,500		Building		70,000
Less: Deficit	6,050	87,450	Outstanding Subscription		4,000
Outstanding Expenses		12,000	Cash in Hand		1,650
			Cash at Bank		14,000
			Prepaid rent		800
		99,450			99,450

Working Notes :

- (1) Outstanding subscription of ₹ 4,000 is first added to subscription received on the credit side of Income and Expenditure A/c and then it is shown on the Assets side of the Balance Sheet.
- (2) The entire amount of the entrance fees ₹ 3,500 is added to the capital fund.
- (3) Prepaid ₹ 800 is first deducted from rent paid on the debit side of Income & Expenditure A/c and then shown on the Assets side of the Balance Sheet.
- (4) Outstanding expenses ₹ 12,000 is directly shown on the Liabilities side of the Balance Sheet.

Practical Problems | Q 10 | Page 120

From the following Receipts and Payments Account "K.B.P. Engineering College" Nashik for the year ending on 31.03.2019 and additional information, prepare Income and Expenditure Account for the year ending 31.03.2019 and Balance Sheet as on that date.

Dr	Receipts and payments Account for the year ending 31.03.2019.	Cr
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Receipts	Amount ₹	Payments	Amount ₹
To Balance b/d		By Salaries to Teaching Staff	11,70,000
Cash in Hand	18,000	By Electricity Charges	55,000
Cash at Bank	1,00,400	By Books	61,000
To Interest	55,000	By Furniture	51,000
To Subscriptions	28,300	By Stationery	21,850
To Life Membership fees	25,000	By Fixed Deposit (31.03.2019)	8,50,000
To Donation	7,00,000	By Balance c/d	
To Tuition Fees	12,30,000	Cash in Hand	16,650
To Term Fees	2,00,800	Cash at Bank	2,00,000
To Sundry Receipts	8,000		
To Admission Fees (Revenue)	60,000		
	24,25,500		24,25,500

Additional Information :

Particulars	01.04.2018 ₹	31.03.2019 ₹
Books	6,00,000	6,00,000
Furniture	3,19,000	3,00,000
Building Fund	10,00,000	?
Fixed Deposit	9,10,000	?
Capital Fund	9,47,400	?

- 1) 50% of Donation are for Building Fund and the balance is to be treated Revenue Income.
- 2) Outstanding subscription ₹ 5,300
- 3) Life membership fees are to capitalised

Solution:

In the books of K.B.P. Engineering College, Nashik

Dr	Income and Expenditure Account for the year ended on 31st March, 2019				Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹

To Salaries to Teaching Staff		11,70,000	By Interest		55,000
To Electricity Charges		55,000	By Subscription	28,300	
To Stationery		21,850	Add: Outstanding Subscription	5,300	33,600
To Depreciation			By Donations	7,00,000	
Furniture	70,000		Less: 50 % for Building Fund	3,50,000	3,50,000
Books	61,000	1,31,000	By Tuition Fees		12,30,000
To Surplus (Excess of income over expenditure)		5,59,550	By Term Fees		2,00,800
			By Sundry receipts		8,000
			By Admission Fees		60,000
		19,37,400			19,37,400

Balance Sheet as on 31st March, 2019					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	9,47,400		Outstanding Subscription		5300
Add: Surplus	5,59,550		Books	6,00,000	
Add: Life Membership Fees (Capitalised)	25,000	15,31,950	Add: Purchases	61,000	
Building Fund	10,00,000			6,61,000	
Add: 50% of Donations	3,50,000	13,50,000	Less: Depreciation	61,000	6,00,000
			Furniture	3,19,000	
			Add: Purchase	51,000	
				3,70,000	
			Less: Depreciation	70,000	3,00,000

			Fixed Deposits (Old)		8,50,000
			Cash in Hand		16,650
			Cash in Bank		2,00,000
			Fixed Deposits (New)		9,10,000
		28,81,950			28,81,950

Working Notes :

(1) Life membership fees are to be capitalised, means add entire amount in capital fund.

(2) 50% of Donations of ₹ 7,00,000 i.e., ₹ 3,50,000 is to be added to the Building Fund, and the remaining amount of donation i.e., ₹ 3,50,000 is credited to Income and Expenditure A/c.

(3) The depreciation on Fixed assets is calculated by using following formula:

Depreciation = Opening balance + Purchases – Closing value

∴ Depreciation on Books = 6,00,000 + 61,000 – 6,00,000

= 6,61,000 – 6,00,000

= ₹ 61,000

∴ Depreciation on Furniture = 3,19,000 + 51,000 – 3,00,000

= 3,70,000 – 3,00,000

= ₹ 70,000

(4)

Fixed deposit :	
Opening balance given	= ₹ 9,10,000
Fixed deposit (31 – 03 – 2019) (Newly purchased)	= ₹ 8,50,000
∴ Total fixed deposits	= ₹ 17,60,00

(5) Admission Fees ₹ 60,000 is recorded on the credit side of Income and Expenditure A/c because it is taken as revenue income.

From the following Balance Sheet and Receipts and Payments Account of “New English School”, Barshi, Prepare Income and Expenditure Account for the year ending 31.03.2020 and a Balance Sheet as on that date.

Balance Sheet as on 01.04.2019			
Liabilities	Amount ₹	Assets	Amount ₹
Capital Fund	6,43,000	Cash in Hand	6,000
		Cash at Bank	10,000
		Building	4,50,000
		Furniture	72,000
		Library Books	45,000
		Computer Laboratory	60,000
	6,43,000		6,43,000

Dr	Receipts and Payments Account for the year ending 31.03.2020					Cr
Receipts	Amount ₹	Amount ₹	Payments	Amount ₹	Amount ₹	
To Balance b/d			By Salary		90,000	
Cash in Hand	6,000		By Library Books		14,000	
Cash at Bank	10,000	16,000	By Office Rent		10,000	
To Tuition Fees		90,000	By Printing and Stationery		22,000	
To Term Fees		3,000	By Sundry Expenses		12,000	
To Admission Fees		12,000	By Insurance		10,200	
To Donation (Capital)		61,000	By Sport Expenses		8,000	
To Interest Received		2,000	By Annual Gathering Exp		9,000	
To Government Grant (Revenue)		1,20,000	By Furniture		50,000	
To Sundry Receipts		11,000	By Repairs		15,000	
			By Balance c/d			
			Cash in Hand	4,800		
			Cash at Bank	70,000	74,800	

		315000			315000
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Additional Information :

- 1) Outstanding Salary of ₹ 9,000
- 2) Outstanding Tuition Fees ₹ 15,000
- 3) Depreciate Library Books by ₹ 9,000 and Furniture by ₹ 10,000

Solution:

In the books of New English School, Barshi

Dr	Income and Expenditure Account for the year ended 31st March, 2020					Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹	
To Salary	90,000		By Tuition Fees	90,000		
Add: Outstanding Salary	9,000	99,000	Add: Outstanding tuition Fees	15,000	1,05,000	
To Office rent		10,000	By Term Fees		3,000	
To Printing and Stationery		22,000	By Admission Fees		12,000	
To Sundry Expenses		12,000	By Interest Received		2,000	
To Insurance		10,200	By Government Grant		1,20,000	
To Sport Expenses		8,000	By Sundry Receipts		11,000	
To Annual Gathering Expenses		9,000				
To Repairs		15,000				
To Depreciation						
Library Books	9,000					
Furniture	10,000	19,000				
To Surplus (Excess of income over expenditure)		48,800				
		2,53,000			2,53,000	

Balance Sheet as on 31st March, 2020					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	6,43,000		Building		4,50,000
Add: Surplus	48,800		Furniture	72,000	
Add: Donation	61,000	7,52,800	Add: Purchases	50,000	
Outstanding Salary		9,000		1,22,000	
			Less: Depreciation	10,000	1,12,000
			Library Books	45,000	
			Add: Purchases	14,000	
				59,000	
			Less: Depreciation	9,000	50,000
			Computer Laboratory		60,000
			Cash in Hand		4,800
			Cash at Bank		70,000
			Outstanding Tuition Fees		15,000
		7,61,800			7,61,800

Working Notes :

(1) Donation (Capital) is added in Capital fund.

(2) Government Grant ₹ 1,20,000 is recorded on the credit side of Income & Expenditure A/c because it is revenue income of the organisation.

(3) Outstanding tuition fees ₹ 15,000 and outstanding salary ₹ 9,000 are added to respective head of Account and then they are shown separately on the Assets side and Liabilities side of Balance Sheet respectively.

Practical Problems | Q 12 | Page 122

Following is the Receipts Payments Account of “Dhananjay Library, Mumbai” for the year ending 31.03.2020

Receipts and Payments Account for the year ending 31.03.2020.			
Dr			Cr
Receipts	Amount ₹	Payments	Amount ₹
To Balance b/d	5,000	By Salaries	9,000
To Admission Fees	4,500	By Rent	7,500
To Subscriptions	20,000	By Investments	6,000
To Lecture Hall Hire Charges	4,200	By Stationery	1,350
To Miscellaneous Income	250	By Electricity Charges	850
To Interest on Investment	900	By Books	5,000
		By Outstanding Expenses (2018 - 19)	500
		By Balance c/d	4,650
	34850		34850

You are required to prepare an Income and Expenditure Account for the year ended 31.03.2020 and Balance Sheet as on that day.

The following information is also made available to you.

- 1) On 31.03.2019, the Library had the following Assets also; Books at ₹ 50,000, Furniture ₹ 6,500, and Machinery of ₹ 30,000
- 2) Subscription received in advance amounted to ₹ 500
- 3) Outstanding Salaries ₹ 1300 and for Rent ₹ 950
- 4) 50% of the Admission Fees should be capitalized.
- 5) Furniture to be depreciated at 10% p.a.
- 6) Library Books were purchased on 1st April 2019 charge Depreciation at 10% p. a.
- 7) The Investments were purchased on 01.04.2019 and they carry interest at 20*% p.a

Solution:

In the books of Dhananjay Library, Mumbai

Dr	Income and Expenditure Account for the year ended 31st March 2020				Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salaries	9,000		By Subscription	20,000	
Add: Outstanding Salary	1,300	10,300	Less: Subscription Received in Advance	500	19,500
To Rent	7,500		By Admission Fees	4,500	
Add: Outstanding Rent	950	8,450	Less: 50% Capitalised	2,250	2,250
To Stationery		1,350	By Lecture Hall Hire Charges		4,200
To Electricity Charges		850	By Miscellaneous Income		250
To Depreciation			By Interest on Investments	900	
Furniture	650		Add: Outstanding Interest	300	1,200
Library Books (5000 + 500)	5,500	6,150			
To Surplus (Excess of Income over expenditure)		300			
		27400			27400

Balance Sheet as on 31st March 2020					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	91,000		Machinery		30,000
Add : 50 % Admission	2,250		Books	50,000	

Add: Surplus	300	93,550	Add: Purchases	5,000	
Outstanding Salaries		1,300		55,000	
Outstanding Rent		950	Less: Depreciation (5000 + 500)	5,500	49,500
Subscription Received in Advance		500	Furniture	6,500	
			Less: Depreciation	650	5,850
			Investments	6,000	
			Add: Outstanding Interest	300	6,300
			Cash in Hand		4,650
		96300			96300

Working Notes :

(1) Opening Balance Sheet is prepared to find out opening capital fund :

Balance Sheet as on 31st March 2019			
Liabilities	Amount ₹	Assets	Amount ₹
Outstanding Expenses	500	Books	50,000
Capital Fund (Balancing figure)	91,000	Furniture	6,500

		Machinery	30,000
		Cash in Hand (Opening balance of Receipt – Payment A/c)	5,000
	91500		91500

(2) Outstanding expenses of the previous year, paid in the current year so no entry for outstanding expenses (2018 – 19)

(3)

Interest on Investment @ 20 % on ₹ 6,000	= ₹ 1,200
Interest on Investment received	<u>= ₹ 900</u>
Outstanding interest on investment	= ₹ 300

(4)

Depreciation on library books at 10 % p.a. on opening balance of ₹ 50,000 (for whole year)	= ₹ 5,000
On purchases on 01 – 04 – 2019 (for whole year)	<u>= ₹ 1,500</u>
Total Depreciation	= ₹ 5,500

(5) Subscriptions received in advance ₹ 500 is deducted from subscription received on credit side of Income and Expenditure A/c and then subscription received in advance is shown separately on the Liabilities side of the Balance Sheet.

(6) Outstanding salaries and outstanding rent are added to the respective head of Account on the debit side of the Income & Expenditure Account and both the outstanding items are recorded on the Liabilities side of the Balance Sheet.

Practical Problems | Q 13 | Page 123

From the following information supplied to you, prepare Income and Expenditure Account for the year ending on 31.03.2020 and Balance Sheet as on that date for "Morya Sports Club" Thane.

Balance Sheet as on 01.04.2019.			
Liabilities	Amount ₹	Assets	Amount ₹
Capital Fund	64,500	Machinery	69,000
Bank overdraft	38,000	Outstanding Subscriptions	8,000
Outstanding Salary	4,000	Prepaid Insurance Premium	2,000
		Furniture	15,000
		Cash in Hand	12,000
		Outstanding Locker's Rent	500
	1,06,500		1,06,500

Dr	Receipts and Payments Account for the year ended 31.03.2020		Cr
Liabilities	Amount ₹	Payments	Amount ₹
To Balance b/d	12,000	By Balance b/d (Bank Overdraft)	38,000
To Subscription	1,05,000	By Salary	17,500
To Entrance Fees (Capitalized)	9,300	By Insurance Premium	11,000
To Locker Rent	1,500	By Interest	1,400
To Donations (Capitalized)	800	By Refreshment Expenses	4,200
		By Furniture	30,000
		By Balance c/d	
		Cash in Hand	6,500
		Cash at Bank	20,000
	1,28,600		1,28,600

Adjustments :

- 1) Subscription received includes ₹ 3,000 for 2018 - 19 and Outstanding Subscription for 2019 - 20 was ₹ 14,000.
- 2) On 31.03.2020, Prepaid Insurance Premium was ₹ 2,500.

- 3) Depreciate Furniture by ₹ 3,000.
 4) Locker Rent Outstanding for 2019 - 20 is ₹ 400

Solution:

In the books of 'Morya Sports Club' Thane

Dr	Income and Expenditure Account for the year ended 31st March, 2020				Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salary	17,500		By Subscription	1,05,000	
Less: Outstanding salary of 2018 – 19	4,000	13,500	Add: Outstanding Subscription for Current Year	14,000	
To Insurance Premium	11,000			1,19,000	
Less: Prepared Insurance Premium	2,500		Less: Subscription Received of 2018 – 19	3,000	1,16,000
	8,500		By Locker Rent	1,500	
Add: Prepaid Insurance premium of current year Paid in previous year	2,000	10,500	Add: Outstanding Locker Rent	400	
To Depreciation				1,900	

Furniture		3,000	Less: Outstanding Locker Rent of Previous Year	500	1,400
To Interest		1,400			
To Refreshment Expenses		4,200			
To Surplus (Excess of income over Expenditure)		84,800			
		1,17,400			1,17,400

Balance Sheet as on 31st March, 2020					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	64,500		Machinery		69,000
Add: Surplus	84,800		Outstanding Subscription (2018 – 19) (8,000 – 3,000)		5,000
Add: Entrance fees (Capitalised)	9,300		Outstanding Subscription (2019–20)		14,000
Add: Donations (Capitalised)	800	1,59,400	Prepaid Insurance Premium		2,500
			Furniture	15,000	

			Add: Purchases	30,000	
				45,000	
			Less: Depreciation	3,000	42,000
			Outstanding Locker Rent (2019 – 20)		400
			Cash in Hand		6,500
			Cash at Bank		20,000
		1,59,400			1,59,400

Working Notes :

(1) Outstanding subscription (2018–19) ₹ 8,000 given in b/s against that ₹ 3,000 received in 2019–20.

Means still receivable subscription = ₹ 5,000 (8,000 – 3,000).

(2) Prepaid insurance premium (2018 – 19) ₹ 2,000 is for the current year. Therefore, in current year's insurance premium, ₹ 2,000 is to be added and then subtract current year's prepaid insurance premium.

(3) Outstanding salary of (2018 – 19), ₹ 4,000 of the previous year is to be subtracted from the current year's salary.

(4) The total amount of donations and entrance fees are to be capitalised so add the entire amount of both the items to the Capital fund.

(5) Outstanding locker's rent (2018 – 19) ₹ 500 is given in Balance Sheet. It is to be subtracted from current year's locker's rent and then add current year's outstanding locker rent.

Practical Problems | Q 14 | Page 124

Following information has been provided by "Vivekanand Charitable Hospital" Latur. You are required to prepare Income and Expenditure Account for the year ending on 31.03.2019 and Balance Sheet as on that date.

Balance Sheet as on 01.04.2018.			
Liabilities	Amount ₹	Assets	Amount ₹
Capital Fund	11,00,000	Building	10,50,000
Bank Loan	6,50,000	Ambulance	4,00,000
Outstanding Bill for Drugs	50,000	Stock of Drugs	42,000
		Hospital Equipments	3,04,000
		Cash in Hand	4,000
	1800000		1800000

Dr	Receipts and Payments Account for the year ended 31.03.2019		Cr
Receipts	Amount ₹	Payments	Amount ₹
To Balance b/d	4,000	By Purchase of Drugs (Includes 40,000 for 2017 - 18)	2,00,000
To Subscription	2,22,000	By Salary to Staff	85,000
To Life Membership Fees	30,000	By Honorarium to Doctors	4,00,000
To Hospital Receipts (Revenue)	5,10,400	By Repairs and Maintenance	18,000
		By Furniture	45,000
		By General Expenses	16,000
		By Balance c/d	2,400
	7,66,400		7,66,400

Adjustments :

- 1) On 31.03.2019 Stock of Drugs was valued at ₹ 22,000.
- 2) Depreciation on Building at 5*% p.a. and on Ambulance ₹ 30,000.
- 3) Life Membership Fees are to be capitalized.

Solution:

In the books of Vivekanand Charitable Hospital, Latur

Dr	Income and Expenditure Account for the year ended 31st March, 2019				Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salary to Staff		85,000	By Subscription		2,22,000
To Honorarium to Doctors		4,00,000	By Hospital Receipts		5,10,400
To Repairs and Maintenance		18,000	By Deficit (Excess of expenditure over income)		49,100
To General Expenses		16,000			
To Depreciation					
Building	52,500				
Ambulance	30,000	82,500			
To Drugs Consumed					
Opening Stock	42,000				
Add : Purchases (2,00,000 – 40,000)	1,60,000				
	2,02,000				
Less : Closing stock	22,000	1,80,000			
		7,81,500			7,81,500

Balance Sheet as on 31st March, 2019					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	11,00,000		Building	10,50,000	
Add: Life Membership Fees (Capitalised)	30,000		Less: Depreciation	52,500	9,97,500
	11,30,000		Ambulance	4,00,000	
Less: Deficit	49,100	10,80,900	Less: Depreciation	30,000	3,70,000
Outstanding Bill for Drugs (50,000 – 40,000)		10,000	Hospital Equipment		3,04,000
Bank Loan		6,50,000	Closing stock of Drugs		22,000
			Furniture		45,000

			Cash in Hand		2,400
		17,40,900			17,40,900

Working Notes :

(1) Purchase of drugs ₹ 2,00,000 includes ₹ 40,000 of 2017–18 and in the Balance Sheet of 2017–18, the outstanding bill of drugs is ₹ 50,000 given. So, ₹ 10,000 is still outstanding

(2) Consumption of drugs :

Opening stock (2017 – 18)	42,000
Add: Purchase of drugs	<u>1,60,000</u>
	2,02,000
Less: Closing stock of drugs	<u>22,000</u>
Consumption of drugs	1,80,000