

Financial Statements of Not-for-Profit Organisations

PART 1

Objective Questions

• Multiple Choice Questions

1. Choose Non-Profit Organisation (NPO) from the following.

- (a) Oscar Pvt. Ltd. (b) Rajesh exports (c) Infosys foundation (d) Private hospital

Ans. (c) Infosys foundation is a NPO established by Infosys in 1966 to support underprivileged sections of society.

2. Which of the following is not a revenue expenditure?

- (a) Insurance (b) Lecturer's honorarium (c) Municipal tax (d) Purchase of fixed asset

Ans. (d) The benefit of fixed assets is enduring in nature i.e. benefit extends beyond one accounting year.

3. There are 450 members in Cheema club, paying an annual subscription of ₹ 100 each. Subscription received during the year was ₹ 25,000 including ₹ 4,000 for next year. The amount to be shown as an outstanding subscription will be

- (a) ₹ 20,000 (b) ₹ 66,000 (c) ₹ 70,000 (d) ₹ 24,000

Ans. (d) Annual Subscription = $450 \times 100 = 45,000$
(-) Subscription received for current year (25,000 – 4,000) = (21,000)
Subscription outstanding = ₹ 24,000

4. If expenditure is ₹ 20,000 and surplus credited to capital fund ₹ 2,050, income is

- (a) ₹ 17,950 (b) ₹ 22,000 (c) None of these (d) Can't be determined

Ans. (c) Surplus = Income – Expenditure

$$2,050 = X - 20,000$$

$$\therefore X = 20,000 + 2,050 = ₹ 22,050$$

5. Sports Star Charitable Club has income of ₹16,000 and 'deficit' debited to capital fund of ₹4,300 for the year 2019-20, then expenditure for the year 2019-20 is

- (a) ₹ 11,700 (b) ₹ 4,300 (c) ₹ 20,300 (d) None of these

Ans. (c) Income of Sports Star Charitable Club 16,000
(+) Deficit Debited to capital fund for the Year 2019-20 4,300
Expenditure for the year 2019-20 20,300

6. Which of the following statements is not true for receipts and payments account? (CBSE 2020)

- (a) It is a summary of the cash book.
(b) It records receipts and payments of revenue nature only.
(c) The receipts and payments may relate to current, preceding or succeeding accounting periods.
(d) Depreciation is not shown in it.

Ans. (b) All cash receipts and cash payments whether of capital nature or revenue nature, are included.

7. Which of the following is not to be recorded in receipts and payments account of a club?

- (a) Sale of old newspaper (b) Loss on sale of fixed asset (c) Payment made to worker (d) None of these

Ans. (b) Only the amount that has been received on the sale of fixed assets would be recorded.

8. Life membership fees received by club is shown in the

- (a) income and expenditure account (b) balance sheet
(c) receipts and payment account (d) profit and loss account

Ans. (b) Life membership fee would be capitalised.

9. What amount of salary is to be transferred to income and expenditure account, if salary paid during the year was ₹ 80,000 and salary outstanding at the end of the year ₹10,500 and salary outstanding at the beginning of the year ₹ 6,545?

- (a) ₹ 76,045 (b) ₹ 83,955
(c) ₹ 97,045 (d) ₹ 62,955

Ans. (b) Salary paid during the year 80,000
(+) Salary outstanding at the end 10,500
(-) Salary outstanding at the beginning (6,545)
Salary amount transferred to income and expenditure account 83,955

10. Match fund of ₹1,500 exists in the books. Match expenses for the year amount to ₹ 2,000. will be shown in the income and expenditure account.

- (a) ₹ 3,500 (b) ₹ 500 (c) ₹ 2,000 (d) ₹ 1,500

Ans. (b) ₹ 500 shown on the debit side of income and expenditure account.

11. Calculate the amount of locker rent to be transferred to income and expenditure account.

Particulars	31st March, 2019 (₹)	31st March, 2020 (₹)
Outstanding locker rent	9,200	12,600
Advance locker rent	6,000	8,000

Locker rent received during the year 2019-20, ₹ 64,000.

- (a) ₹ 65,400 (b) ₹ 66,500 (c) ₹ 66,000 (d) ₹ 73,000

Ans. (a) Locker rent paid during the year = 64,000
(+) Locker rent outstanding at year end 2020 = 12,600
(+) Advance locker rent received in the year 2019 = 6,000
(-) Outstanding locker rent in the year 2019 = (9,200)
(-) Advance locker rent received in the year end 2020 = (8,000)
Locker rent to be shown in income and expenditure account = ₹ 65,400

12. Consider the following statements.

- (i) Income and expenditure records both capital and revenue items.
(ii) Receipts and payments account record revenue and capital items during the year.

Alternatives

- (a) Only (ii) correct (b) Only (i) correct
(c) Both are correct (d) Both are incorrect

Ans. (a) Income and expenditure records only revenue items.

13. Find incorrect combination.

- (a) Opening capital – opening balance sheet (b) Subscription – source of income
(c) Sports club – non-profit organisation (d) Receipts and payments account – nominal account

Ans. (d) Receipts and payments account is a real account in nature.

14. Match column I with the column II and select correct answer using the codes given below.

Column I	Column II
A. Endowment fund	(i) Posted to credit side of income and expenditure account
B. Entrance fees	(ii) Any income or loss adjusted in the income and expenditure account
C. Sale of old assets	(iii) Sometimes capitalised and sometimes treated as revenue receipt
D. Sale of old newspaper	(iv) Permanent means of support

Codes

A	B	C	D
(a) (iv)	(iii)	(ii)	(i)
(c) (iii)	(iv)	(i)	(ii)

A	B	C	D
(b) (i)	(ii)	(iii)	(iv)
(d) (iii)	(iv)	(ii)	(i)

Ans. (a) (iv) (iii) (ii) (i)

• Assertion-Reasoning MCQs

Directions (Q. Nos. 1 to 5) There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (d) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true, but Reason (R) is false
- (d) Assertion (A) is false, but Reason (R) is true

- 1. Assertion (A)** The main objective of non-profit organisation is to serve the society at free of cost or a nominal cost.

Reason (R) It is managed by the managing committee who is elected by its members.

Ans. (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

- 2. Assertion (A)** Opening and closing balances are recorded in income and expenditure account.

Reason (R) It is prepared at the end of accounting year.

Ans. (d) No opening and closing balances are recorded in income and expenditure account.

- 3. Assertion (A)** Income and expenditure account is prepared on accrual basis of accounting.

Reason (R) The transactions related to current year are added and those relate to previous or followed year are to be subtracted.

Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

- 4. Assertion (A)** Balance sheet shows the financial position of the company.

Reason (R) Receipts and payments records cash receipts and cash expenditures.

Ans. (b) Balance sheet is prepared at the end of accounting period to ascertain the financial position of the company.

- 5. Assertion (A)** NGOs are charitable trusts or societies and subscribers to such organisation are called members.

Reason (R) Profits are distributed among its members.

Ans. (c) Profit are not distributed among members.

• Case Based MCQs

- 1. Direction** Read the following case study and answer the question no. (i) to (iv) on the basis of the same. Following is the receipts and payments account of Sears Club, Noida as on 31st March, 2020.

Receipts and Payments Account of Sears Club			
for the year ended 31st March, 2020			
Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	20,000	By Stationery	23,400
To Subscriptions		By 12% Investments	8,000
2018-19	40,000	By Electricity Expenses	10,600
2019-20	94,000	By Expenses on Lectures	30,000
2020-21	7,200	By Sports Equipment	59,000
	1,41,200	By Books	40,000
To Donations for Building	40,000	By Balance c/d	50,000
To Interest on Investments	800		
To Government Grant	17,400		
To Sale of Old Furniture	1,600		
(Book value ₹ 4,000)			
	2,21,000		2,21,000

Additional Information

(a) The club has 200 members each paying an annual subscription of ₹1,000. ₹ 60,000 were in arrears for last year and 25 members paid in advance in the last year for the current year.

(b) Stock of stationery on 1st April, 2019 was ₹ 3,000 and 31st March, 2020 was ₹ 4,000.

(i) Loss on the sale of old furniture is

(a) ₹ 1,600

(b) ₹ 5,600

(c) ₹ 2,400

(d) Insufficient data

Ans. (c) $4,000 - 1,600 = ₹ 2,400$

(ii) Stationery consumed during the year was

(a) ₹ 30,400

(b) ₹ 16,400

(c) ₹ 22,400

(d) ₹ 26,400

Ans. (c) $3,000 + 23,400 - 4,000 = ₹ 22,400$

(iii) How much interest on investment should be received during the year?

(a) ₹ 960

(b) ₹ 160

(c) ₹ 800

(d) ₹ 1,080

Ans. (a) Total Interest on Investment = $8,000 \times 12/100 = ₹ 960$

(iv) The total annual subscription of the firm will be

(a) ₹ 25,000

(b) ₹ 2,00,000

(c) ₹ 50,000

(d) ₹ 1,00,000

Ans. (b) $200 \text{ members} \times ₹ 1,000 \text{ each} = ₹ 2,00,000$

2. Direction Read the following case study and answer the question no. (i) to (iv) on the basis of the same.

Namanjyot Society showed the following position

Balance Sheet

as at 31st March, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)
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, 2018

Dr		Cr	
Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d		By Computers (1st October, 2018)	1,00,000
Cash at Bank	30,000	By Office Expenses	29,000
Cash in Hand	24,000	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 1st December, 2017)	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	35,500
To Membership Subscriptions	98,000		
To Subscriptions for Relief Fund	17,000		
	3,28,500		3,28,500

Additional Information

(a) Computers were to be depreciated @ 60% p.a. and furniture @ 10% p.a.

(b) Membership subscription included ₹ 20,000 received in advance.

(c) Electric charges outstanding ₹ 10,000.

(i) How much depreciation is to be charged on computers?

- (a) ₹ 60,000 (b) ₹ 30,000 (c) ₹ 1,00,000 (d) None of these

Ans. (d) Computers have been purchased on 1st October, 2018 but concerned accounting year has been ended on 31st March, 2018.

(ii) Accrued interest on investment will be

- (a) ₹ 4,400 (b) ₹ 6,000 (c) ₹ 2,000 (d) ₹ 400

Ans. (d) Interest on investment = $60,000 \times 10/100 \times 4/12 = ₹ 2,000$
Accrued interest = $2,000 - 1,600 = ₹ 400$

(iii) Subscription for relief fund will be transferred to

- (a) income and expenditure account (b) balance sheet
(c) Both (a) and (b) (d) added in membership subscription

Ans. (b) This amount received is to satisfy specific purpose.

(iv) Out of the total subscription received, current year subscription will be

- (a) ₹ 84,000 (b) ₹ 1,01,000 (c) ₹ 72,000 (d) ₹ 1,24,000

Ans. (a) Current year subscription = Total subscription received – Subscription received in advance for the next year
+ Subscription received in last year for current year
= $98,000 - 20,000 + 6,000 = ₹ 84,000$

PART 2

Subjective Questions

• Short Answer (SA) Type Questions

1. State the meaning of non-profit organisation.

(NCERT)

Ans. Not-for-profit organisations are those organisations whose objective is not to earn profit but to provide services to its members and to the society. These organisations are set up for the welfare of the society as a whole, rather than for the benefit of any one individual and are set up for the purpose of promoting culture, art, religion, education etc. e.g., clubs, hospitals, libraries, schools, societies for promotion of sports, arts and culture, etc.

2. Explain the statement, 'receipts and payments account is a summarised version of cash book'.

(NCERT)

Ans. Receipts and payments account is a summary of the cash book. This account is generally prepared by non-profit organisations. All cash receipts are recorded on the receipts side (i.e. debit side) and all cash payments are recorded on the payments side (i.e. credit side) of receipts and payments account. It begins with the opening balance of cash and bank ends with the closing balances of cash and bank (balancing figure) at the end of the accounting period. It records all the cash and bank transactions, both of capital and revenue nature, which may relate not only to the current period but also to the previous or next accounting period. This account helps an NPO in ascertaining closing cash balance, it is referred to as summarised version of cash book.

3. "Income and expenditure account of a not-for-profit organisation is akin to profit and loss account of a business concern". Explain the statement.

(NCERT)

Ans. Income and expenditure account is prepared by a non-profit organisation and is a summary of income and expenditure of the accounting year.

Income and expenditure account is akin to profit and loss account because of the following similarities which are observed amongst these accounts

- (i) Both are nominal accounts.
- (ii) Both are prepared on accrual basis.
- (iii) Both record revenue items related to current accounting year only.
- (iv) In both the accounts, expenses and losses are recorded on the debit side and incomes and gains are recorded on the credit side.

4. What is the capital fund? How is it calculated?

(NCERT)

Ans. In case of not-for-profit organisation, capital fund can be considered as excess of its assets over its liabilities. Any surplus or deficit ascertained from income and expenditure account is added to (deducted from) the capital fund. This is also termed as accumulated fund.

Calculation of Capital Fund

Particulars	Amt (₹)
Capital Fund at the Beginning of the Year	...
(+) Surplus from Income and Expenditure Account	...
(+) Entrance Fee (capitalised amount)	...
(+) Life Membership Fee	...
(–) Deficit From Income and Expenditure Account (through balancing figure)	(...)
Capital Fund at the End of the Year	...

5. Distinguish between not-for-profit organisations and profit earning organisations.

Ans. The differences between not-for-profit organisations and profit earning organisations are

Basis	Not-for-Profit Organisations	Profit Earning Organisations
Motive	The main motive of such organisations is to provide services.	The main motive of such organisations is to earn profit.
Funds	The funds of such organisations are represented by the general fund comprising of donations, subscriptions, surplus, etc.	In profit earning organisations, fund is represented by capital contributions by proprietors and accumulated reserves.
Financial Statements	Financial statements of these organisations comprise of receipt and payment account, income and expenditure account and balance sheet.	Financial statements of these organisations include manufacturing account, trading account, profit and loss account and balance sheet.
Surplus/Profit	The balance of income and expenditure account is either surplus or deficit.	The balance of the profit and loss account is either net profit or net loss.
Distribution of Profit	Surplus or deficit is not distributed among its members. It is adjusted in capital fund.	Profit or loss is distributed among the owners of the business.
Capital vs Capital Fund	These organisations maintain a capital fund account instead of capital account.	These organisations maintain a capital account.

6. From the following information calculate the amount of subscriptions to be credited to the income and expenditure account for the year, 2020–21

	Amt (₹)
Subscriptions received during the year	80,000
Subscriptions outstanding on 31st March, 2020	26,000
Subscriptions outstanding on 31st March, 2021	6,000
Subscriptions received in advance on 31st March, 2020	15,000
Subscriptions received in advance on 31st March, 2021	10,000
Subscription of ₹ 2,000 are still in arrears for the year 2019–20	

Ans.

Particulars	Amt (₹)
Subscriptions Received During the Year 2020-21	80,000
(+) Received in Advance on 31st March, 2020	15,000
(+) Outstanding for 2020-21 (6,000 – 2,000)	4,000
	99,000
(–) Outstanding on 31st March, 2020 (26,000 – 2,000)	(24,000)
	75,000
(–) Received in Advance on 31st March, 2021	(10,000)
Income from Subscriptions for the Year, 2020-21	65,000

7. Find out the cost of medicines consumed during 2015-16 from the following information (NCERT)

Particulars	Amt (₹)
Payment for purchase of medicines	3,70,000
Creditors for medicines purchased	
On 1st April, 2015	25,000
On 31st March, 2016	17,000
Stock of medicines	
On 1st April, 2015	62,000
On 31st March, 2016	54,000
Advance to suppliers of medicines	
On 1st April, 2015	11,500
On 31st March, 2016	18,200

Ans.

Particulars	Amt (₹)
Payment for Purchases of Medicine	3,70,000
(+) Creditors for Medicines Purchases on 31st March, 2016	17,000
(+) Advance for Medicines Purchases on 1st April, 2015	11,500
	3,98,500
(-) Creditors for Medicines Purchases on 31st March, 2015	(25,000)
(-) Advance for Medicines Purchases on 1st April, 2016	(18,200)
Purchase of Medicine During the Year, 2016	3,55,300
(+) Opening Stock of Medicines on 1st April, 2015	62,000
(-) Closing Stock of Medicine as on 31st March, 2016	(54,000)
Medicine Consumed During the Year 2016	3,63,300

8. On the basis of the information given below, calculate the amount of stationery to be debited to the income and expenditure account of Good Health Sports Club for the year ended 31st March, 2021.

	1st April, 2020 (₹)	31st March, 2021 (₹)
Stock of stationery	8,000	6,000
Creditors for stationery	9,000	11,000

Stationery purchased during the year ended 31st March, 2021 was ₹ 47,000.

Ans.

Purchases of stationery during the year 2020-21	47,000
(+) Stock in the beginning	8,000
	55,000
(-) Stock at the end	(6,000)
Amount to be debited to income and expenditure account	49,000

Note Creditors for stationery will be ignored because stationery purchased (and not the amount paid for stationery) during the year is given in the question.

9. From the following particulars relating to Royals Club, New Delhi, prepare a receipts and payments account for the year ending 31st March, 2020.

Particulars	Amt (₹)
Cash in Hand as on 1st April, 2019	15,000
Cash at Bank as on 1st April, 2019	96,000
Subscriptions Collected for the year ending	
31st March, 2019	30,000
31st March, 2020	4,40,000
31st March, 2021	12,000

Particulars	Amt (₹)
Donations Received	50,000
Donation Received for Pavilion	4,00,000
8% Investments Purchased on 1st April, 2019	4,00,000
Purchase of Refreshments	24,000
Rent Paid	12,000
Entrance Fee Received	36,000
Honorarium to Secretary	20,000
Interest on 8% Investments	18,000
Furniture Purchased	40,000
Sale of Old Furniture (Cost ₹ 12,000)	8,000
Sports Materials Purchased	1,60,000
Sale of Refreshments	60,000
Salaries and Wages	1,48,000
Sports Expenses (including unpaid expenses ₹ 10,000)	50,000
Cash in Hand as on 31st March, 2020	12,400
Depreciate Furniture @ 10% per annum	

Ans.

Receipts and Payments Account			
for the year ending 31st March, 2020			
Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d (1st April, 2019)		By 8% Investments Purchased	4,00,000
Cash	15,000	By Purchase of Refreshments	24,000
Bank	96,000	By Rent Paid	12,000
To Subscriptions (See WN 1)		By Honorarium to Secretary	20,000
Year ending 31st March, 2019	30,000	By Furniture Purchased	40,000
Year ending 31st March, 2020	4,40,000	By Sports Materials Purchased	1,60,000
Year ending 31st March, 2021	12,000	By Salaries and Wages	1,48,000
To Donations Received	50,000	By Sports Expenses	40,000
To Donation Received for Pavilion	4,00,000	(50,000 – 10,000) (See WN 2)	
To Entrance Fee Received	36,000	By Balance c/d (31st March, 2020)	
To Interest on 8% Investments	18,000	Cash in Hand	12,400
To Sale of Old Furniture	8,000	Bank (Balancing figure)	3,08,600
To Sale of Refreshments	60,000		
	11,65,000		11,65,000

Working Notes

1. Actual cash received on account of subscription is recorded in receipts and payments account whether it is related to past year, current year or next year.
2. Unpaid expenses, etc. are not recorded in receipts and payments account.

10. From the following information, prepare income and expenditure account.

Particulars	Amt (₹)	Particulars	Amt (₹)
Fees Collected, including ₹ 8,00,000 on Account of the Previous Year	38,00,000	Meeting Expenses	1,80,000
Fees for the Year Outstanding	1,00,000	Travelling Expenses	60,000
		Purchase of Books and Periodicals, including ₹ 1,90,000 for purchase of Books	2,90,000
Salary paid, including ₹ 30,000 on Account of the Previous Year	2,80,000	Rent	1,00,000
Salary outstanding at the End of the Year	10,000	Postage and Telephones	1,50,000
Entertainment Expenses	30,000	Printing and Stationery	40,000
Tournament Expenses	1,20,000	Donations Received	2,00,000

Ans.

Income and Expenditure Account

Dr		for the year ended ...		Cr	
Expenditure	Amt (₹)	Income	Amt (₹)		
To Salaries	2,80,000	By Fees	38,00,000		
(+) Outstanding at the End	10,000	(+) Outstanding at the End	1,00,000		
	2,90,000		39,00,000		
(-) Outstanding in the Beginning	(30,000)	(-) Outstanding in the Beginning	(8,00,000)	31,00,000	
To Entertainment Expenses	30,000	By Donations		2,00,000	
To Tournament Expenses	1,20,000				
To Meeting Expenses	1,80,000				
To Rent	1,00,000				
To Travelling Expenses	60,000				
To Books and Periodicals	2,90,000				
(-) Books	(1,90,000)				
To Postage and Telephone	1,50,000				
To Printing and Stationery	40,000				
To Surplus (Excess of Income over Expenditure)	22,60,000				
	33,00,000				33,00,000

Note Amount spent on the purchase of books is a capital expenditure, hence it shall not be shown in income and expenditure account.

11. From the following balances prepare a balance sheet as on 31st March, 2021.

Particulars	Amt (₹)
Cash in Hand	12,000
Cash at Bank	8,000
Books	16,000
Billiard Table	24,000
Furniture	30,000
Investment	30,000
Prepaid Expense	20,000
Building	1,00,000
Outstanding Expense	40,000
Subscription Received in Advance	24,000
Subscription Accrued	20,000
Surplus (Income over Expenditure)	20,000

Ans.

Balance Sheet
as at 31st March, 2021

Liabilities		Amt (₹)	Assets		Amt (₹)
Subscription in Advance		24,000	Cash in Hand		12,000
Outstanding Expenses		40,000	Cash at Bank		8,000
Capital Fund (Balancing figure)	1,76,000		Books		16,000
(+) Surplus	20,000	1,96,000	Billiard Table		24,000
			Furniture		30,000
			Investment		30,000
			Prepaid Expenses		20,000
			Building		1,00,000
			Subscriptions Accrued		20,000
		2,60,000			2,60,000

12. From the following information, calculate the amount to be charged to income and expenditure account for 'sports material consumed' for the year 2019-20.

Particulars	Amt (₹)
Stock of Sports Material (1st April, 2019)	60,000
Amount Paid to Creditors (During 2019-20)	3,00,000
Creditors for Sports Materials (1st April, 2019)	1,00,000
Creditors for Sports Materials (31st March, 2020)	80,000
Sports Material Sold During the Year (Book Value ₹ 35,000)	15,000
Cash Purchases of Sports Material (During the Year 2019-20)	1,30,000

There was zero stock at the end of financial year 2019-20.

Ans. Dr Cr **Creditors for Sports Materials Account**

Particulars	Amt (₹)	Particulars	Amt (₹)
To Bank A/c (Payment for Sports Material)	3,00,000	By Balance b/d (Creditors in the Beginning)	1,00,000
To Balance c/d (Creditors at the End)	80,000	By Stock of Sports Material A/c (Balance figure being Credit Purchase of Sports Material)	2,80,000
	3,80,000		3,80,000

Dr Cr **Stock of Sports Material Account**

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	60,000	By Bank A/c	35,000
To Creditors for Sports Materials A/c (Purchases transferred from Creditors Account)	2,80,000	(Sports Material Sold During the Year)	
		By Income and Expenditure A/c (Balancing Figure, being Sports Material Consumed During the Year)	4,35,000
To Bank A/c (Cash Purchases of Sports Material)	1,30,000		
	4,70,000		4,70,000

13. Calculate the amount of subscription to be credited to income and expenditure account for the year 2019-20.

Particulars	Amt (₹)
Amount Received During the Year (including ₹ 20,000 for 2018-19, ₹ 30,000 for 2020-21 and ₹ 10,000 for 2021-22)	7,80,000
Subscription Received-in-advance as on 1st April, 2019 (including ₹ 15,000 for 2020-21)	35,000
Subscription in Arrear as on 1st April, 2019	40,000
Subscription in Arrear as on 31st March, 2020	50,000

Out of subscription in arrears on 1st April, 2019, ₹ 15,000 are no longer recoverable.

Ans. Dr		Subscription Account		Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Balance b/d (Arrears in Beginning)	40,000	By Balance b/d (Advance in Beginning)	35,000	
To Income and Expenditure (Balancing figure)	7,85,000	By Receipts and Payments A/c	7,80,000	
To Balance c/d (Advance at End)	55,000	By Income and Expenditure A/c	15,000	
		By Balance c/d (Arrears at End)	50,000	
	8,80,000		8,80,000	

14. Receipts and payments account of Friends Association disclosed that it has received ₹ 4,00,000 by way of subscriptions during the year ended on 31st March, 2020.

Additional Information

Particulars	Amt (₹)
Subscription Outstanding as on 1st April, 2019 (Out of which ₹ 7,000 were Received in 2019-20)	10,000
Subscription Received in Advance on 31st March 2019	6,000
Subscription Received in Advance on 31st March, 2020	8,200

Show the amount of subscription that will appear in income and expenditure account for the year ending 31st March, 2020 and the balance sheet as at that date in each of the following alternative cases.

- (i) If subscription outstanding for 2019-20 is ₹ 12,800.
(ii) If subscription outstanding as on 31st March, 2020 is ₹ 12,800.

Ans.

Particulars	Amt (₹)
Subscriptions Received During the Year 2019-20	4,00,000
(+) Received in Advance on 31st March, 2019	6,000
(+) Outstanding for 2019-20	12,800
	4,18,800
(-) Subscription Related to Previous Year, Received During the Year	(7,000)
(-) Received in Advance on 31st March, 2020	(8,200)
Income from Subscriptions for the Year, 2019-20	4,03,600

**An Extract of Balance Sheet
as at 31st March, 2020**

Liabilities	Amt (₹)	Assets	Amt (₹)
Subscription Received in Advance	8,200	Subscription Outstanding	
		For 2018-19	3,000
		For 2019-20	12,800
			15,800

Particulars	Amt (₹)
Subscriptions received during the year 2019-20	4,00,000
(+) Received in advance on 31st March, 2019	6,000
(+) Outstanding for 2019-20	9,800
	4,15,800
(-) Subscription related to previous year, received during the year	(7,000)
(-) Received in advance on 31st March, 2020	(8,200)
Income from subscriptions for the year	4,00,600

An Extract of Balance Sheet
as at 31st March, 2020

Liabilities	Amt (₹)	Assets	Amt (₹)
Subscription Received in Advance	8,200	Subscription Outstanding	
		For 2018-19	3,000
		For 2019-20	9,800
			12,800

Working Note

Subscriptions outstanding on 31st March, 2020 is ₹ 12,800. This includes ₹ 3,000 (i.e., 10,000 – 7,000) for subscriptions still outstanding for 2018-2019. Hence, the subscriptions outstanding for 2019-20- is ₹ 9,800 (i.e., 12,800 – 3,000).

15. Show, how the following items will be shown in financial statements of NPO?

- (i) Tournament fund ₹ 40,000, tournament expenses ₹ 14,000, receipts from tournament ₹ 16,000.
- (ii) Prize fund ₹ 22,000, interest on prize fund investment ₹ 3,000, prizes given ₹ 5,000, prize fund investment ₹ 18,000.
- (iii) Table tennis match expenses ₹ 4,000.
- (iv) Receipts from charity show tickets ₹ 7,000, expenses on charity show ₹ 3,000.

(NCERT)

Ans. (i) Dr

Tournament Fund Account						Cr
Particulars	JF	Amt (₹)	Particulars	JF	Amt (₹)	
To Tournament Expenses		14,000	By Balance b/d		40,000	
To Balance c/d		42,000	By Receipts During the Year		16,000	
		56,000			56,000	

Note In the balance sheet, tournament fund will be shown at ₹ 42,000.

(ii) Dr

Prize Fund Account						Cr
Particulars	JF	Amt (₹)	Particulars	JF	Amt (₹)	
To Prizes given		5,000	By Balance b/d		22,000	
To Balance c/d		20,000	By Interest on Prize Fund Investments		3,000	
		25,000			25,000	

Note In the balance sheet in the liabilities side, prize fund will be shown at ₹ 20,000.

Prize fund investments would appear on the assets side of the balance sheet at ₹ 18,000.

- (iii) There is no specific fund. Since there is no specific fund, ₹ 4,000 incurred as table tennis match expenses would be shown on the debit side of the income and expenditure account.
- (iv) There is no specific fund. Receipts from charity show tickets would be shown on the credit side of income and expenditure account and expenses on charity show would be shown on the debit side i.e. expenditure side of the income and expenditure account.

16. From the following receipts and payments account for the year ended 31st December, 2021 and additional information given, prepare the income and expenditure account of Bharat Sports Club for the year ended 31st December, 2021.

Receipts and Payments Account						Cr
for the year ended 31st December, 2021						
Receipts		Amt (₹)	Payments		Amt (₹)	
To Balance b/d			By Salaries		16,500	
Cash	890		By Billiards Table		17,500	
Bank	7,000	7,890	By Office Expenses		4,100	
To Subscriptions		22,200	By Stationery		2,300	
To Life Membership Fee		32,200	By Tournament Expenses		20,500	
To Tournament Fund		20,000	By Furniture Purchased		7,700	

Receipts	Amt (₹)	Payments	Amt (₹)
To Lockers Rent	1,500	By Sports Equipment Purchased	12,000
To Sale of Old Sports Material (costing ₹ 2,200)	2,500	By Fixed Deposit (on 1st October, 2021 at 10% per annum)	30,000
To Interest on Fixed Deposits	500	By Balance c/d	
To Legacy	37,500	Cash in Hand	690
To Entrance Fees	9,000	Cash at Bank	22,000
	1,33,290		22,690
			1,33,290

Additional Information

Subscriptions outstanding on 1st January, 2021 were ₹1,500 and on 31st December, 2021 were ₹ 2,000.
On 1st January, 2021 the club had building ₹ 40,000, furniture ₹ 15,000, sports equipment ₹ 16,000.
Charge depreciation on these items @ 10% including purchases during the year.

Ans.

Income and Expenditure Account

Dr			Cr
Expenditure	Amt (₹)	Income	Amt (₹)
To Salary	16,500	By Profit on Sale of Sports Material	300
To Office Expenses	4,100	By Subscription	22,200
To Stationery	2,300	(-) Outstanding (1st January, 2016)	(1,500)
To Tournament Expenses (20,500 – 20,000)	500		20,700
To Depreciation on Building (10 / 100 × 40,000)	4,000	(+) Outstanding (31st Decmber, 2016)	2,000
Furniture (10 / 100 × 22,700)	2,270		22,700
Sports Equipment (10 / 100 × 28,000)	2,800	By Locker Rent	1,500
To Surplus (Excess of Income over Expenditure)	1,780	By Interest on Fixed Deposit	500
		(+) Accured Interest	250*
		By Entrance Fees	9,000
	34,250		34,250

	Amt (₹)
*Interest accrued on fixed deposit = $30,000 \times 10 / 100 \times 3 / 12$	750
(-) Received during the year	(500)
Interest accrued but not received	250

Working Notes

- Opening and closing cash and bank balance will appear in the opening and closing balance sheet respectively.
- Expenses incurred on purchases of billiards table and furniture are capital expenditure, they will appear in the balance sheet.
- Entrance fees has been treated as a revenue item.
- If we include billiards table in sports equipment, depreciation on that will be ₹ 1,750. In that situation, surplus will be ₹ 30.

17. How will the following items be treated while preparing the financial statements of a not-for-profit-organisation for the year ended 31st March, 2019?

	As at 31st March, 2018	As at 31st March, 2019
	Amt (₹)	Amt (₹)
Creditors for medicines	33,000	67,000
Stock of medicines	27,000	43,000
During 2018-19, the payment made to the creditors was ₹ 4,25,000.		

(CBSE 2020)

Ans.

Income and Expenditure Account for the year ended 31st March, 2019			
Dr			Cr
Expenditure	Amt (₹)	Income	Amt (₹)
To Medicine Consumed (WN2)	4,43,000		

An Extract of Balance Sheet
as at 31st March, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors for Medicines	67,000	Stock of Medicine	43,000

Working Notes

1. Dr	Creditors Account			Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Bank A/c	4,25,000	By Balance b/d	33,000	
To Balance c/d	67,000	By Stock of Medicine (Balancing figure)	4,59,000	
	4,92,000		4,92,000	

2. Dr	Stock Account			Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Balance c/d	27,000	By Income and Expenditure A/c (Balancing figure)	4,43,000	
To Creditors (Purchase)	4,59,000	By Balance b/d	43,000	
	4,86,000		4,86,000	

• **Long Answer (LA) Type Questions**

- From the following receipts and payments account and additional information provided, prepare the income and expenditure account of Patel Education Society for the year ended 31st March, 2021.

Receipts and Payments Account for the ended 31st March, 2021			
Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	1,50,000	By Rent	9,500
To Interest on Investments	5,000	By Postage Expenses	1,500
To Subscriptions	1,80,000	By 10% Investment (1st July)	50,000
To Sale of Newspapers	3,000	By Payment to Creditors	3,500
To Sale of Computers	15,000	By Advertisement Expenses	11,000
To Donations	75,000	By Salaries	3,45,000
		By Balance c/d	7,500
	4,28,000		4,28,000

Additional Information

- Subscriptions due on 31st March, 2020 and 31st March, 2021 were ₹ 3,500 and ₹ 6,200 respectively.
- Subscriptions paid in advance as at 31st March, 2020 were ₹ 1,800 and on 31st March, 2021 were ₹ 1,500.
- The book value of computers on 1st April, 2020 was ₹ 50,000 of which half the computers were sold during the year.
- The book value of investments on 1st April, 2020 was ₹ 75,000 and the rate of interest was 10% per annum.
- Creditors on 31st March, 2020 were ₹ 7,500.
- Outstanding expenses for rent, postage and salaries for the current year were ₹ 900, ₹ 400 and ₹ 15,000 respectively.

Ans.

Income and Expenditure Account
for the year ended 31st March, 2021

Dr				Cr
Expenditure	Amt (₹)	Income	Amt (₹)	
To Rent	9,500	By Interest on Investments	5,000	
(+) Outstanding Rent	900	(+) Accrued interest but not		
To Postage Expenses	1,500	Received (WN 1)	6,250	11,250
(+) Outstanding Postage	400	By Subscription (WN 2)		1,83,000
To Salaries	3,45,000	By Sale of Newspapers		3,000
(+) Outstanding Salaries	15,000	By Donations (WN 4)		75,000
To Advertisement Expenses		By Deficit, i.e. (Excess of		
To Loss on Sale of Computer		Expenditure Over Income)		1,21,050
(25,000 – 15,000)				
	3,93,300			3,93,300

Working Notes

- Calculation of accrued interest on investment Amt (₹)

Interest (1st July, 2020) = $50,000 \times 10 / 100 \times 9 / 12$	3,750
Interest (1st April, 2020) = $75,000 \times 10 / 100$	7,500
Interest accrued during the year	11,250
(–) Interest received during the year	(5,000)
Interest accrued but not received	6,250
- Subscriptions received during 2020-21 1,80,000

(+) Subscription due (31st March, 2021)	6,200
Subscription received in advance (31st March, 2020)	1,800
	8,000
	1,88,000
(–) Subscription due (31st March, 2020)	(3,500)
Subscription received in advance (31st March 2021)	(1,500)
	(5,000)
Subscription to be credited to income and expenditure account	1,83,000
- Creditors on 31st March, 2020 were ₹ 7,500 out of which ₹ 3,500 paid during the year. Remaining creditors are ₹ 4,000. Payment to creditors will not be recorded in current year income and expenditure account.
- Donations have been treated as of revenue nature.

2. The following is the receipts and payments account of Queen's Club for the year ended 31st March, 2020.

Receipts and Payments Account

Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	1,82,000	By Salaries	1,66,000
To Subscriptions	1,80,000	By Stationery	32,000
To Tournament Fund	1,64,000	By Rent	48,000
To Interest (investment)	65,000	By Telephone Expenses	8,000
To Donations	1,12,000	By Sports Material and Expenses	78,000
To Sale of Concert Tickets	2,47,000	By 6% Investments	5,00,000
		By Miscellaneous Expenses	24,000
		By Concert Expenses	58,000
		By Balance c/d	36,000
	9,50,000		9,50,000

Additional Information

- (i) Subscriptions include ₹ 12,000 for 2018-19 and ₹ 18,000 for 2020-21.
- (ii) Stock of stationery on 31st March, 2019 and 2020 was ₹ 7,200 and ₹ 5,400 respectively.
- (iii) Stock of sports material at the beginning and end of the year was ₹ 12,000 and ₹ 21,000 respectively.
- (iv) Rent includes ₹ 4,000 paid for March, 2019. Rent for March, 2020 is outstanding.
- (v) Telephone expenses include ₹ 3,000 as quarterly rent up to 31st May, 2020.
- (vi) The value of building as on 31st March 2019, was ₹ 8,00,000 and you are required to write-off depreciation at 10%.
- (vii) The value of investments on 31st March, 2019 was ₹ 10,00,000 and the club made similar additional investments during the year on 1st October, 2019.

You are required to prepare the income and expenditure account of the club for the year ended 31st March, 2020.

Ans.		Income and Expenditure Account		
Dr		for the year ended 31st March, 2020		Cr
Expenditure	Amt (₹)	Income	Amt (₹)	
To Salaries	1,66,000	By Subscriptions	1,80,000	
To Stationery (consumed)		(-) Subscription for		
Opening Stock	7,200	2018-19 (12,000)		
(+) Purchases	32,000	2020 - 21 (18,000)	(30,000)	1,50,000
	39,200	By Interest on Investment	65,000	
(-) Closing Stock	(5,400)	(+) Accrued Interest (Note)	10,000	75,000
To Rent	48,000	By Sale of Concert Tickets	2,47,000	
(-) Paid for March, 2019	(4,000)	(-) Concert Expenses	(58,000)	1,89,000
	44,000	By Donations		1,12,000
(+) Outstanding for March, 2020	4,000			
To Telephone Expenses	8,000			
(-) Prepaid (3,000 × 2/3)	(2,000)			
To Sports Material				
Opening Stock	12,000			
(+) Purchases	78,000			
	90,000			
(-) Closing Stock	(21,000)			
To Miscellaneous Expenses	24,000			
To Depreciation on Building (8,00,000 × 10/100)	80,000			
To Surplus i.e., Excess of Income Over Expenditure	99,200			
	5,26,000			5,26,000

Working Note

	Amt (₹)
Accrued interest on investments	
10,00,000 × 6 / 100	60,000
5,00,000 × 6 / 100 × 6 / 12	15,000
	75,000
(-) Interest Received	(65,000)
Accrued Interest	10,000

3. From the following particulars relating to the Ramkrishna Mission Charitable Hospital, prepare the income and expenditure account for the year ended 31st March, 2020 and the balance sheet as at that date.

Receipts and Payments Account			
Dr		Cr	
for the year ended 31st March, 2020			
Receipts	Amt (₹)	Payments	Amt (₹)
To Cash in Hand on 1st April, 2019	7,130	By Medicines	30,590
To Subscriptions	47,996	By Doctor's Honorarium	9,000
To Donations	14,500	By Salaries	27,500
To Interest on Investments @ 7% for full year	7,000	By Petty Expenses	461
To Receipt from Charity Show	10,450	By Equipment	15,000
		By Expenses on Charity Show	750
		By Cash in Hand on 31st March, 2020	3,775
	87,076		87,076

Additional Information

	On 1st April, 2019 (₹)	On 31st March, 2020 (₹)
Subscriptions due	240	280
Subscriptions received in advance	64	100
Stock of medicines	8,810	9,740
Estimated value of equipment	21,200	31,600
Building (cost less depreciation)	40,000	38,000

Ans.

Income and Expenditure Account				
Dr		for the year ended 31st March, 2020		Cr
Expenditure		Amt (₹)	Income	Amt (₹)
To Medicines Consumed			By Subscription Received	47,996
Opening Stock	8,810		(+) Subscription Due at the End	280
(+) Purchase	30,590		(+) Subscription Received in	
	39,400		Advance in the Beginning	64
(–) Closing Stock	(9,740)	29,660		48,340
To Doctor’s Honorarium		9,000	(–) Due in the Beginning	(240)
To Salaries		27,500		48,100
To Petty Expenses		461	(–) Advance at the End	(100)
To Depreciation on Equipment				
Opening Balance	21,200		By Donations	14,500
(+) Purchases	15,000		By Interest on Investment	7,000
	36,200		By Charity Show	10,450
(–) Closing Balance	(31,600)	4,600		
To Expenses on Charity Show		750		
To Depreciation on Building		2,000		
To Surplus (Balancing figure)		5,979		
		79,950		79,950

Balance Sheet
as at 31st March, 2020

Liabilities	Amt (₹)	Assets	Amt (₹)
Subscription Received in Advance	100	Cash in Hand	3,775
Capital Fund		Subscription Due	280
Opening Balance (WN) 1,77,316		Stock of Medicine	9,740
(+) Surplus 5,979	1,83,295	Investments	1,00,000
		Equipment	31,600
		Building	38,000
	1,83,395		1,83,395

Working Note Calculation of opening capital fund

Balance Sheet
as at 1st April, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Subscription Received in Advance	64	Cash in Hand	7,130
Capital Fund (Balancing figure)	1,77,316	Subscription Due	240
		Stock of Medicine	8,810
		Investments* (7,000 × 100/7)	1,00,000
		Equipment	21,200
		Building	40,000
	1,77,380		1,77,380

4. The balance sheet of Mind Blowing Club on 1st April, 2019 and the receipts and payments account for the year ended 31st March, 2020 are

Balance Sheet
as at 1st April, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital Fund	2,10,000	Premises	2,00,000
Creditors for Stationery	5,000	Furniture	10,000
		Bank Balance	5,000
	2,15,000		2,15,000

Receipts and Payments Account
for the year ended 31st March, 2020

Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	5,000	By Electricity Charges	6,000
To Subscriptions	43,000	By Furniture	15,000
To Donations (Not to be capitalised)	16,500	By Salaries	30,000
To Sundry Receipts	13,750	By Creditors for Stationery	12,500
		By General Expenses	10,500
		By Balance c/d	4,250
	78,250		78,250

Additional Information

- (i) On 30th September, 2019 the old furniture was donated to the Red Cross and new furniture was purchased on 1st October, 2019. Depreciation @ 10% per annum is to be provided on the furniture.
- (ii) On 31st March, 2020 the creditors for stationery were ₹ 2,400 and the value of the unused stationery was ₹ 2,700.
- (iii) A payment of ₹ 2,500 for stationery by the club was to be debited to the general expenses.

You are required to prepare the income and expenditure account for the year ended 31st March, 2020 and the balance sheet as at that date.

Ans.

Income and Expenditure Account for the year ended 31st March, 2020			
Dr		Cr	
Expenditure	Amt (₹)	Income	Amt (₹)
To Electricity Charges	6,000	By Subscriptions	43,000
To Salaries	30,000	By Donations	16,500
To General Expenses 10,500		By Sundry Receipts	13,750
(+) Payment for Stationery 2,500	13,000		
To Stationery Consumed (WN 2)	4,700		
To Furniture (Donated to Red Cross)	10,000		
To Depreciation on Furniture	750		
(@ 10% per annum on ₹ 15,000 for 6 months)			
To Surplus (Excess of Income over Expenditure)	8,800		
	73,250		73,250

Balance Sheet
as at 31st March, 2020

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors for Stationery	2,400	Cash at Bank	4,250
Capital Fund 2,10,000		Stock of Stationery	2,700
(+) Surplus 8,800	2,18,800	Premises	2,00,000
		Furniture 15,000	
		(-) Depreciation (750)	14,250
	2,21,200		2,21,200

Working Notes

Creditors for Stationery Account					
Dr			Cr		
Date	Particulars	Amt (₹)	Date	Particulars	Amt (₹)
2020			2019		
Mar 31	To Bank A/c	12,500	April 1	By Balance b/d	5,000
Mar 31	To Balance c/d	2,400	2020		
			Mar 31	By Purchases of Stationery A/c (Balancing figure)	9,900
		14,900			14,900

2. **Consumption of Stationery**

Particulars	Amt (₹)
Purchases of Stationery (As above)	9,900
(–) Stationery to be Debited to General Expenses	(2,500)
Unused Stock on 31st March, 2020	(2,700)
Stationery Consumed	4,700

5. The Treasurer of India Tennis Club presented the following receipts and payments account for the year ended 31st March, 2021.

Receipts and Payments Account for the year ended 31st March, 2021			
Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Cash at Bank (Opening)	10,200	By Purchase of Tennis Balls	4,000
To Subscriptions	24,000	By Refreshments Creditors	22,000
To Sales of Refreshments	30,500	By Marking and Repairing Courts	3,800
To Court Hire	2,700	By Construction of New Court	25,000
To Sales of Tennis Balls	3,700	By General Expenses	3,100
		By Cash at Bank (Closing)	13,200
	71,100		71,100

Additional Information

Particulars	1st April, 2020 (₹)	31st March, 2021 (₹)
Tennis balls on hand (at cost)	400	900
Creditors for refreshments	4,000	3,000
Subscriptions outstanding	2,000	3,500
Club Courts	60,000	—

Prepare an income and expenditure account for the year ended 31st March, 2021 and show the balance sheet as on that date. Also prepare the relevant accounts for computation of various items.

Ans.

Income and Expenditure Account for the year ended 31st March, 2021			
Dr			Cr
Expenditure	Amt (₹)	Income	Amt (₹)
To Marking and Repairing Courts	3,800	By Profit on Sale of Tennis Balls (WN 1)	200
To General Expenses	3,100	By Subscriptions (WN 2)	25,500
To Surplus (Excess of Income over Expenditure)	31,000	By Profit on Refreshments	
		Sales of Refreshments	30,500
		(–) Purchase of Refreshments (WN 3)	(21,000)
		By Court Hire	2,700
	37,900		37,900

Balance Sheet
as at 31st March, 2021

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital Fund (WN 4)	68,600		Courts	60,000	
(+) Surplus	31,000	99,600	(+) New Courts	25,000	85,000
Creditors for Refreshments		3,000	Tennis Balls		900
			Cash at Bank		13,200
			Subscriptions Outstanding		3,500
		1,02,600			1,02,600

Working Notes

1. Dr **Tennis Balls Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Opening Stock	400	By Bank A/c (Sales)	3,700
To Bank A/c (Purchases)	4,000	By Closing Stock	900
To Profit on Sale of Tennis Balls (Balancing figure)	200		
	4,600		4,600

2. Dr **Subscriptions Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Subscriptions Outstanding	2,000	By Bank A/c	24,000
To Income and Expenditure A/c (Balancing figure)	25,500	By Subscriptions Outstanding	3,500
	27,500		27,500

3. Dr **Creditors for Refreshments Account** Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Bank A/c	22,000	By Balance b/d	4,000
To Balance c/d	3,000	By Purchases of Refreshment (Balancing figure)	21,000
	25,000		25,000

4. **Balance Sheet**
as at 1st April, 2020

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital Fund (Balancing figure)	68,600	Courts	60,000
Creditors for Refreshments	4,000	Tennis Balls	400
		Cash at Bank	10,200
		Subscriptions Outstanding	2,000
	72,600		72,600

6. From the following receipts and payments account of Jan Kalyan Club, prepare income and expenditure account and balance sheet for the year ending 31st March, 2020. (NCERT)

Receipts and Payments Account for the year ended 31st March, 2020			
Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Cash in Hand as at 1st April, 2019	6,800	By Salaries	24,000
To Subscriptions	60,200	By Travelling Expenses	6,000
To Donation	3,000	By Stationery	2,300
To Sale of Furniture (Book value ₹ 6,000)	4,000	By Rent	16,000
To Entrance Fee	800	By Repair	700
To Life Membership Fee	7,000	By Books Purchased	6,000
To Interest on Investment (@ 5% for full year)	5,000	By Building Purchased	30,000
		By Cash in Hand as at 31st March, 2020	1,800
	86,800		86,800

Additional Information

Items	As on 1st April, 2019 Amt (₹)	As on 31st March, 2020 Amt (₹)
Subscriptions received in advance	1,000	3,200
Outstanding subscriptions	2,000	3,700
Stock of stationery	1,200	800
Books	13,500	16,500
Furniture	16,000	8,000
Outstanding rent	1,000	2,000

Ans.

Income and Expenditure Account for the year ended 31st March, 2020			
Dr			Cr
Expenditure	Amt (₹)	Income	Amt (₹)
To Loss on Sale of Furniture (6,000 – 4,000)	2,000	By Subscriptions	60,200
To Salaries	24,000	(–) Outstanding for 2019	(2,000)
To Travelling Expenses	6,000		58,200
To Stationery	2,300	(+) Outstanding for 2020	3,700
(+) Opening Stock	1,200		61,900
	3,500	(+) Advance in 2019	1,000
(–) Closing Stock	(800)		62,900
To Repairs	700	(–) Advance in 2020	(3,200)
To Rent	16,000	By Donation	3,000
(–) Outstanding for 2019	(1,000)	By Entrance Fees	800
	15,000	By Interest on Investment	5,000
(+) Outstanding for 2020	2,000		
To Depreciation on Furniture	2,000		
To Depreciation on Books	3,000		
To Surplus (Excess of Income over Expenditure)	11,100		
	68,500		68,500

Balance Sheet
as at 1st April, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Outstanding Rent	1,000	Cash in Hand	6,800
Outstanding Subscriptions	1,000	Investments $\left(5,000 \times \frac{100}{5}\right)$	1,00,000
Capital Fund (Balancing figure)	1,37,500	Subscriptions Outstanding	2,000
		Books	13,500
		Furniture	16,000
		Stock of Stationery	1,200
	1,39,500		1,39,500

Balance Sheet
as at 31st March, 2020

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital Fund	1,37,500	Subscription Outstanding	3,700
(+) Life Membership Fees	7,000	Stock of Stationery	800
	1,44,500	Investment	1,00,000
(+) Surplus	11,100	Books	13,500
Advance Subscription	3,200	(+) Purchase	6,000
Outstanding Rent	2,000		19,500
		(-) Depreciation	(3,000)
		Building	30,000
		Cash in Hand	1,800
		Furniture	16,000
		(-) Sale	(6,000)
			10,000
		(-) Depreciation	(2,000)
	1,60,800		8,000
			1,60,800

Chapter Test

Multiple Choice Questions

- Which of the following is not a revenue receipt?
(a) Donations for tournament (b) Government grants (c) Subscriptions (d) Entrance fees
- On 1st April, 2018, Maitreyi Club had a Prize Fund of ₹ 8,00,000. It incurred expenses on prizes amounting to ₹ 8,70,000 during the year. The balance of prize fund in the balance sheet as at 31st March, 2019 will be
(a) ₹ 70,000 (b) ₹ 8,00,000 (c) ₹ 70,000 (d) Zero
- Which of the following statements is not true for income and expenditure account?
(a) It records items of revenue nature only (b) Items recorded in it relate only to the current period
(c) Depreciation is not recorded in this account (d) It does not have an opening balance
- In the absence of any information, entrance fees treated as
(a) revenue receipt (b) capital receipt (c) cash receipt (d) None of these
- If income is ₹ 10,550 and deficit debited to capital fund to ₹ 980, expenditure will be
(a) ₹ 9,570 (b) ₹ 11,530 (c) None of these (d) Can't be determined

Short Answer (SA) Type Questions

- Show the treatment of items of income and expenditure account when there is a specific fund for those items.
- Distinguish between income and expenditure account and profit and loss account.
- Show, how will you deal with the following items while preparing the final accounts, for the year ending on 31st March, 2021 in each of the following alternative cases
(i) Prize awarded ₹ 12,000.
(ii) Prize awarded ₹ 12,000, prize fund as at 31st March, 2020 ₹ 25,000.
(iii) Prize awarded ₹ 12,000, prize fund as at 31st March, 2020 ₹ 25,000, donation received for prizes during the year 2020-21 ₹ 10,000, 10% prize fund investment as at 31st March, 2020 ₹ 25,000, interest received on 10% prize fund investment ₹ 2,500.
- How will the following items be treated while preparing the income and expenditure account and balance sheet of a not-for-profit-organisation for the year ended 31st March, 2019?

As at 1st April, 2018

As at 31st March, 2019

	Amt (₹)	Amt (₹)
Creditors for sports materials	18,000	41,000
Stock of sports materials	27,000	38,000

During 2018-19, the payment made to creditors for sports material was ₹ 5,23,000.

- From the given receipts and payments account and additional information of Shine Club for the year ended 31st March, 2019, prepare income and expenditure account for the year ended 31st March, 2019.

Receipts and Payments Account of Shine Club

Dr		Cr	
Receipts		Payments	
	Amt (₹)		Amt (₹)
To Balance b/d	50,000	By Furniture and Equipments	1,22,000
To Donations	45,000	By Salaries	32,000
To Subscriptions		By Balance c/d	13,400
2017-18	1,600		
2018-19	60,000		
2019-20	5,000		
To Interest Received	5,800		
	1,67,400		1,67,400

Additional Information

- (i) Furniture and equipments were purchased on 1st October, 2018. Depreciation @ 10% p.a. was to be provided on furniture and equipments.
 (ii) Subscriptions in arrears for the year 2018-19 were ₹ 2,000. (iii) Outstanding salary ₹ 6,000.

Long Answer (LA) Type Questions

1. From the following receipts and payments account of Sonic Club and from the given additional information, prepare income and expenditure account for the year ending 31st December, 2020 and the balance sheet as on 31st December, 2019 and 31st December, 2020.

Receipts and Payments Account for the year ended 31st December, 2020			
Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	1,90,000	By Salaries	3,30,000
To Subscriptions	6,60,000	By Sports Equipment	4,00,000
To Interest on investments @ 8% per annum for full year	40,000	By Balance c/d	1,60,000
	8,90,000		8,90,000

Additional Information

- (i) The club had received ₹ 20,000 for subscription in 2019 for 2020.
 (ii) Salaries had been paid only for 11 months.
 (iii) Stock of sports equipment on 31st December, 2019 was ₹ 3,00,000 and on 31st December, 2020 ₹ 6,50,000.
2. Following is the receipts and payments account of Lions Club for the year ended 31st December, 2020.

Receipts and Payments Account for the year ended 31st December, 2020			
Dr			Cr
Receipts	Amt (₹)	Payments	Amt (₹)
To Cash in Hand (1st January, 2020)	4,500	By Bank Overdraft (1st January, 2020)	9,300
To Subscriptions		By Investment in Securities	9,000
2019 900		By Furniture	4,350
2020 48,600		By Salaries	18,600
2021 450	49,950	By Printing and Stationery	2,670
To Income from Entertainment	870	By Miscellaneous Expenses	4,260
To Entrance Fees	2,010	By Balance on (31st December, 2020)	
To Interest on Securities	1,800	Cash in Hand 1,650	
		Cash at Bank 9,300	10,950
	59,130		59,130

Prepare the income and expenditure account of the club for the year ended 31st December, 2020 and the balance sheet as at that date having due regard to the following additional information

- (i) The club has 5,400 members, each paying an annual subscription of ₹ 10. Subscriptions amounted to ₹ 270 are in arrears in respect of the year, 2019.
 (ii) Stock of stationery on 31st December, 2019 was ₹ 375 and on 31st December, 2020 was ₹ 261.
 (iii) Entrance fees are to be capitalised.
 (iv) Salary of ₹ 1,650 for December 2020 is outstanding. Expenses accruing on 31st December, 2019 amounted to ₹ 396. The club paid ₹ 1,000 in the year, 2019 towards telephone charges of which ₹ 375 relate to 2020.
 (v) As on 31st December, 2019 premises stand in the books at ₹ 73,500 and investments at ₹ 19,500, Depreciate premises and furniture by 10% per annum (Furniture was purchased on 1st January, 2020).

Answers**Multiple Choice Questions**

1. (a) 2. (d) 3. (c) 4. (a) 5. (b)