

# NCERT Solutions for Class 11 Accountancy Financial Accounting Part-2 Chapter 4

## Accounting for Not-for-Profit Organisation Class 11

Chapter 4 Accounting for Not-for-Profit Organisation Exercise Solutions

Short answers : Solutions of Questions on Page Number : 474

Q1 :

**State the meaning of 'Not-for-Profit' Organisations.**

**Answer :**

Not-for-Profit Organisations (NPO) are set up with the prime objective of providing services and not to earn profit thereby enhancing the welfare of society. Such organisations include schools, hospitals, trade unions, religious organisations, etc. The person/s or the groups of individuals who govern and manage the working of an NPO are known as trustees. NPO's main sources of income are donations, subscriptions, life membership fees, grants etc. As these organisations are not set up with profit motive, they do not prepare Trading and Profit and Loss Account. Instead, they maintain Receipt and Payments Account, Income and Expenditure Account and Balance Sheet.

Answer needs Correction? [Click Here](#)

Q2 :

**State the meaning of Receipt and Payment Account.**

**Answer :**

Receipts and Payments Account is a summary of the Cash Book. 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 is prepared on the basis of cash and bank transactions recorded in the Cash Book. It begins with the opening balance of cash and bank and ends with the closing balances of cash and

bank (balancing figure) at the end of the accounting period. It records all cash and bank transactions both of capital and revenue nature. It not only records the cash and bank transactions relating to the current accounting period, but also the cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period.

This account only helps us to ascertain the closing balance of the cash and bank and helps in assessing the cash position of an NPO.

Answer needs Correction? [Click Here](#)

**Q3 :**

**State the meaning of Income and Expenditure Account.**

**Answer :**

Income and Expenditure Account (I&E) is similar to the Profit and Loss Account in the sense that while the former is prepared to ascertain surplus or deficit during an accounting period, the latter is prepared to ascertain net profit or net loss incurred during an accounting period. I&E Account is a nominal account and is prepared on the accrual basis. It records all transactions of revenue nature that are related to the current accounting period (whether outstanding or prepaid) for which the books are maintained. All expenses and losses are recorded on the debit side (Expenditure side) and all income and gains are recorded on the credit side (Income side) of I&E Account. The closing balance or the balancing figure of I&E Account is termed as surplus (or deficit), if the sum total of the Income side exceeds (is lesser than) the sum total of the Expenditure side.

Answer needs Correction? [Click Here](#)

**Q4 :**

**What are the features of Receipt and Payment Account?**

**Answer :**

The following are the features of Receipt and Payment Account:

1. **Nature:** It is a Real Account. It is a summarised version of Cash Book.

2. **Nature of Transactions:** It records only cash and bank transactions. Transactions other than cash and bank like depreciation, loss/ profit on sale of assets, etc. are not recorded in this account.
3. **No distinction between Capital and Revenue items:** It records all cash and bank receipts and payments of both capital and revenue nature.
4. **Opening and closing balance:** It begins with the opening balance of cash and bank and ends with the closing balance of the cash and bank (balancing figure) at the end of the accounting period.
5. **Purpose:** It reveals the cash position of an organisation. It helps to ascertain the total amount paid and received during an accounting period.

Answer needs Correction? [Click Here](#)

**Q5 :**

**What steps are taken to prepare Income and Expenditure Account from a Receipt and Payment Account?**

**Answer :**

The following steps are taken to prepare Income and Expenditure Account (I&E) from Receipts and Payment Account (R&P).

**Step 1:** All the revenue expenditures paid for the current accounting period are transferred from the Payments side of R&P to the Expenditure side of I&E.

**Step 2:** All the revenue receipts for the current accounting period are transferred from the Receipts side of R&P to the Income side of I&E.

**Step 3:** Expenses outstanding for the current period and expenses paid in advance (prepaid expenses) for the current period in the preceding accounting periods are to be added (adjusted) to their related expenses in the Step 1.

**Step 4:** Income outstanding (accrued income) for the current period and income received in advance for the current period in the preceding accounting periods are to be added (adjusted) to their related incomes in Step 2.

**Step 5:** Non-cash items like depreciation, appreciation for the current accounting period are to be adjusted in the I&E.

**Step 6:** After adjusting all the revenue items for the current accounting period, the Income and the Expenditure sides are totaled. If the sum total of the Income side exceeds (or is lesser than) the sum total of the Expenditure side, then the balancing figure is termed as surplus (or deficit).

Answer needs Correction? [Click Here](#)

**Q6 :**

**What is subscription? How is it calculated?**

**Answer :**

Subscription is the main source of income for an NPO besides entrance fees, donations, grants, etc. Subscriptions refer to the amount of money paid by the members on periodic basis for keeping their membership with the organisation alive. It is paid monthly, quarterly, half yearly or annually by the members.

It is shown in the debit side of the Receipt and Payment Account with the total amount received during the year that may be related to the current period and to the previous and next accounting period.

While calculating subscription for the current period, advance subscription received for the current period in the previous period and outstanding subscription for the current period are added to the subscription received during the current period. Whereas, on the other hand, advance subscription received for the next accounting period during the current period and outstanding subscription for the preceding period are deducted from the subscription received during the current period.

### Calculation of Subscription

#### **Subscription received during the year**

*Add:* Subscription received (in advance) during previous year for current year

*Add:* Subscription outstanding at the end of the year

*Less:* Subscription received in advance for the next year

*Less:* Subscription outstanding for the previous year

**## Subscription shown in Income and Expenditure Account**

## This subscription is related to the current accounting period and is shown in the Income side of the Income and Expenditure Account.

Answer needs Correction? [Click Here](#)

**Q7 :**  
**What is Capital Fund? How is it calculated?**

**Answer :**

Capital fund is the excess of NPOs' assets over its liabilities. In other words, the excess of assets over the liabilities for a profit earning organisation is termed as capital and the same for an NPO is termed as capital fund. Any surplus or deficit ascertained from Income and Expenditure account is added to (deducted from) the capital fund. It is also termed as Accumulated Fund.

**Calculation of Capital Fund**

**Capital Fund at the beginning of the year**

*Add:* Surplus from Income and Expenditure Account

*Add:* Subscription Amount (Capitalised amount)

*Add:* Life membership fee.

*Less:* Deficit from Income and Expenditure Account

**Capital Fund at the end of the year**

Answer needs Correction? [Click Here](#)

**Numerical questions :** Solutions of Questions on Page Number : 474

**Q1 :**  
**From the following particulars taken from the Cash Book of a health club, prepare a Receipts and Payments Account.**

Particulars	Rs
Opening balance:	
Cash in Hand	5,000

Cash at Bank	25,000
Subscriptions	1,65,000
Donations	35,000
Investment Purchased	80,000
Rent Paid	20,000
General Expenses	21,500
Postage and stationery	2,000
Courier charges	1,000
Sundry Expenses	2,500
Closing Cash in Hand	12,000

**Answer :**

**Books of Health Club  
Receipt and Payment Account**

**Dr.**

Receipts	Amount Rs	Payments
Balance b/d		Investment
Cash in Hand	5,000	Rent
Cash at Bank	25,000	General Expenses
Subscriptions	1,65,000	Postage and Stationery
Donations	35,000	Courier Charges
		Sundry Expenses
		Balance c/d
		Cash in Hand
		Cash at Bank
		<i>(Balancing figure)</i>
	2,30,000	

Answer needs Correction? [Click Here](#)

**Q2 :**

The Receipt and Payment Account of Harimohan charitable institution is given:

**Receipt and Payment Account for the year ending March 31, 2007**

Receipts	Amount Rs	Payments
Balance b/d:		Furniture
Cash at Bank	22,000	Investments
Cash in Hand	8,800	Advance for building
Donations	32,000	Charities
Subscriptions	50,200	Salaries
Endowment Fund	60,000	Rent and Taxes
Legacies	24,000	Printing
Interest on Investment	3,800	Postage
Interest on Deposits	800	Advertisements
Sale of old newspapers	500	Insurance
		Balance c/d:
		Cash at Bank
		Cash in Hand
	2,02,100	

**Prepare the Income and Expenditure Account for the Year ended on March 31, 2007 after considering the following:**

- (i) It was decided to treat Fifty per cent of the amount received on account of Legacies and Donations as income.
- (ii) Liabilities to be provided for are:  
 Rent Rs 800; Salaries Rs 1,200; advertisement Rs 200.

(iii) Rs 2,000 due for interest on investment was not actually received.

**Answer :**

**Books of Harimohan Charitable Institution**  
**Income and Expenditure Account**

**Dr.**

Expenditure	Amount Rs	Income
Rent and Taxes	4,000	Donations
<i>Add: Outstanding</i>	800	Legacies
	4,800	Subscriptions
Salaries	10,400	Interest on Investment
<i>Add: Outstanding</i>	1,200	<i>Add: Accrued Interest</i>
	11,600	Interest on Deposits
Advertisement	1,100	Sale of Old Newspapers
<i>Add: Outstanding</i>	200	
Charities	60,000	
Printing	1,000	
Postage	300	
Insurance	4,800	
Surplus ( <i>Excess of Income over Expenditure</i> )	1,500	
	85,300	

**NOTE:** As per the solution, Excess of Income over Expenditure is Rs 1,500; however, as per the book, it is Rs 2,500.



Answer needs Correction? [Click Here](#)

**Q3 :**

**From the following particulars, prepare Income and Expenditure account:**

Details
Fees collected, including Rs 80,000 on account of the previous year
Fees for the year outstanding
Salary paid, including Rs 5,000 on account of the previous year
Salary outstanding at the end of the year
Entertainment expenses
Tournament expenses
Meeting Expenses
Traveling Expenses
Purchase of Books and Periodicals, including Rs 31,000 for purchase of Books
Rent
Postage, telegrams and telephones
Printing and Stationery
Donations received

**Answer :**

**Income and Expenditure Account**

**Dr.**

Expenditure	Amount Rs	Income
Salaries	68,000	Fees Collected
<i>Less:</i> Previous year's Outstanding	(5,000)	<i>Less:</i> Previous year's Outstanding
	63,000	
<i>Add:</i> Current year's Outstanding	3,000	<i>Add:</i> Current year's Outstanding
	66,000	

Entertainment Expenses	8,000	Donations
Tournament Expenses	25,000	
Meeting Expenses	18,000	
Traveling Expenses	7,000	
Purchases of Periodicals (40,000 - 31,000)	9,000	
Postage, Telegrams and Telephone's	6,000	
Rent	15,000	
Printing and Stationery	18,000	
Surplus (Excess of Income over Expenditure)	3,23,000	
	4,95,000	

**NOTE:** As per the solution, Excess of Income over Expenditure is Rs 3,23,000; however, as per the book, it is Rs 3,07,000.

[Answer needs Correction? Click Here](#)

**Q4 :**

**Following is the information given in respect of certain items of a Sports Club. Show these items in the **Income and Expenditure Account** and the **Balance Sheet** of the Club:**

Particulars
Sports Fund as on 1.4.2005
Sports Fund Investments
Interest on Sports Fund
Donations for Sports Fund
Sports Prizes awarded
Expenses on Sports Events
General Fund
General Fund Investments
Interest on General Fund Investments

Answer :

**Books of Sports Club**  
**Income and Expenditure Account**

Dr.

Expenditure	Amount Rs	Income
		Interest on General Fund Investments

**Balance Sheet**

Liabilities	Amount Rs	Assets
Sports Fund	35,000	Sports Fund Investments
<i>Add: Interest on Sports Fund</i>	4,000	General Fund Investments
<i>Add: Donations for Sports Fund</i>	15,000	
	54,000	
<i>Less: Expenses on Sports Event</i>	(4,000)	
<i>Less: Prize Awarded</i>	(10,000)	
	40,000	
General Fund	80,000	

Answer needs Correction? [Click Here](#)

**Q5 :**

How will you deal with the following items while preparing for the Bombay Women Cricket Club its income and expenditure account for the year ending 31.3.2007 and its Balance Sheet as on 31.3.2007:

- (a) Donation received during the year for the construction of a permanent Pavilion  
Expenditure incurred up to 31.3.2007 on its construction  
The total estimated expenditure on construction of Pavilion being
- (b) Tournament Fund:  
Balance as on 1.4.2006  
Subscriptions for tournament received during the year  
Expenditure incurred during the year on conducting tournaments
- (c) Life Membership fee received during the year

Give reasons for your answers

Answer :

(a)

**Books of Bombay Women Cricket Club**

**Balance Sheet**

as on March 31, 2007

Liabilities		Amount Rs	Assets
Donation for Pavilion	12,25,000	1,45,000	Construction of Pavilion in Progress
Less: Exp. On construction of Pavilion	(10,80,000)		
Capital		10,80,000	
Add: Pavilion Construction	10,80,000		

**Reason**

Donation for construction of Pavilion is a donation for specific purpose.

Expenses on construction on Pavilion is a capital expenditure.

(b)

**Balance Sheet**  
*as on March 31, 2007*

Liabilities	Amount Rs	Assets
Tournament Fund	10,700	
<i>Add:</i> Subscription for Tournament	65,800	
	76,500	
<i>Less:</i> Tournament Expenses	(72,400)	
	4,100	

**Reason**

All funds received are treated as capital receipts and expenses related to any fund are deducted from the concerned funds.

(c)

**Balance Sheet**  
*as on March 31, 2007*

Liabilities	Amount Rs	Assets
Life Membership Fees	28,000	

**Reason**

Life Membership Fees are considered as capital receipts and are shown on the Liabilities side of the Balance Sheet, if nothing is specified about its treatment. But if it is to be treated as revenue item, then it is shown on the credit side of the Income and Expenditure Account.

Answer needs Correction? [Click Here](#)

**Q6 :**

**From the following receipts and payments and information given below, Prepare Income and Expenditure Account and opening Balance Sheet of Adult Literacy Organisation as on December 31, 2006.**

**Receipt and Payment Account for the year ending**

*as on December 31, 2006*

Receipts	Amount Rs	Payments
Balance b/d		General Expenses
Cash in hand	4,000	News paper
Cash at Bank	15,550	Electricity
Subscriptions		Fixed deposit with bank
2005	1,200	(on 31.06.2006) @ 10% p.a.
2006	26,500	Books
2007	500	Salary
Sale of old newspapers	1,250	Rent
Govt. grant	12,000	Postage charges
Sale of old furniture (book value Rs5000)	3,700	Furniture (purchased)
Interest received on FD	450	Balance c/d
		Cash in Hand
		Cash at Bank
	65,150	

**Information:**

- (i) Subscription outstanding as on 31.12.2005 Rs 2,000 and on December 31, 2006 Rs 1,500.
- (ii) On December 31, 2006 Salary outstanding Rs 600, and one month Rent paid in advance.
- (iii) On Jan. 01, 2005 organisation owned Furniture Rs 12,000, Books Rs 5,000.

**Answer :**

**Books of Adult Literacy Organisation**

**Income and Expenditure Account**

as on Dec. 31, 2006

Dr.

Expenditure	Amount Rs	Income
Loss on Sale of Old Furniture	1,300	Subscription
General Expenses	3,200	<i>Add: Outstanding for 2006</i>
Newspapers	1,850	
Electricity	3,000	Sale of Old Newspapers
Salary	3,600	Government Grant
<i>Add: Outstanding for 2006</i>	600	Interest received on F.D.
	4,200	<i>Add: Accrued Interest</i>
Rent	6,500	
<i>Less: Prepaid for 2007 {6,500 x (1/13)}</i>	(500)	
	6,000	
Postages Charges	300	
Surplus ( <i>Excess of Income over Expenditure</i> )	22,300	
	42,150	

**Balance Sheet**

as on Dec. 31, 2005

Liabilities	Amount Rs	Assets
Capital Fund on Dec. 31, 2005 ( <i>Balancing Figure</i> )	38,550	Subscription Outstanding
		Cash in Hand
		Cash at Bank
		Furniture
		Books
	38,550	

**Balance Sheet**

*as on Dec. 31, 2006*

Liabilities		Amount Rs	Assets	
Capital	38,550		Prepaid Rent	
<i>Add: Surplus</i>	22,300	60,850	Books	
			<i>Add: Purchases</i>	
Salary Outstanding		600	Furniture	
Subscription Received in Advance for 2007		500	<i>Add: Purchases</i>	
			<i>Less: Sale</i>	
			Fixed Deposit	
			<i>Add: Accrued Interest</i>	
			Cash in Hand	
			Cash at Bank	
			Subscription Outstanding for 2006	
			<i>Add: Outstanding for 2005</i>	
		61,950		

Answer needs Correction? [Click Here](#)

**Q7 :**

The following is the account of cash transactions of the Nari Kalayan Samittee for the year ended December 31, 2006:

Receipts	Amount	Payments
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	Rs	
Balance from last year	2,270	Rent
Subscriptions	32,500	Electric charges
Life membership fee	3,250	Lecturer's fee
Donation	2,500	Office expenses
Profit from entertainment	7,250	Printing and Stationery
Sale of old Books (books value Rs1,000)	750	Legal fee
Interest	350	Books
		Furniture purchased
		Expenses on Nukar Drama
		Cash in Hand
		Cash at Bank
	48,870	

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

- (a) Subscription still to be received are Rs 750, but subscription include Rs 500 for the year 2007.
- (b) In the beginning of the year the Sangh owned building Rs 20,000 and furniture Rs 3,000 and Books Rs 2,000.
- (c) Provide depreciation on furniture @ 5% (including purchase), books @ 10% and building @ 5%.

**Answer :**

**Books of Nari Kalyan Samittee**  
**Income and Expenditure Account**  
*as on Dec. 31, 2006*

**Dr.**

Expenditure	Amount	Income	

	<b>Rs</b>		
Rent	6,600	Subscription	32,500
Electric Charges	3,200	<i>Add:</i> Outstanding for 2006	750
Lecturer's fee	730		33,250
Office Expenses	1,480	<i>Less:</i> Advance for 2007	(500)
Printing and Stationery	1,050	Donation	
Legal Fee	1,870	Profit from Entertainment	
Depreciation on:		Interest	
Books	750		
Furniture	580		
Building	1,000		
	2,330		
Expenses on Nukar Drama	1,300		
Loss on Sale of Books	250		
Surplus	24,040		
	42,850		

### Balance Sheet

*as on Dec. 31, 2005*

<b>Liabilities</b>	<b>Amount Rs</b>	<b>Assets</b>	<b>An</b>
Capital Fund as Dec. 31, 2005 <i>(Balancing Figure)</i>	27,270	Building	2
		Furniture	
		Books	
		Cash and Bank	
	27,270		2

**Balance Sheet**  
as on Dec. 31, 2006

Liabilities	Amount Rs	Assets	
Capital Fund	27,270	Building	20,000
<i>Add: Life Membership Fees</i>	3,250	<i>Less: 5% Depreciation</i>	(1,000)
<i>Add: Surplus</i>	24,040		
	54,560	Furniture	3,000
Advance Subscription for 2007	500	<i>Add: Purchases</i>	8,600
			11,600
		<i>Less: 5% Depreciation</i>	580
		Books	2,000
		<i>Add: Purchases</i>	6,500
			8,500
		<i>Less: Sales</i>	1,000
			7,500
		<i>Less: 5% Depreciation</i>	750

Answer needs Correction? [Click Here](#)

**Q8 :**

**Following is the Receipt and Payment Account of Indian Sports Club, prepared Income and Expenditure Account, Balance Sheet as on December 31, 2006:**

**Receipt and Payment Account**  
for the year ending December 31, 2006

Receipts	Amount Rs	Payments
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Balance b/d	7,890	Salary
Subscriptions	52,000	Electric charges
Life member ship fee	2,200	Billiard Table
Entrance fee	3,200	Office expenses
Tournament fund	26,000	Printing and Stationery
Locker Rent	1,250	Tournament expenses
Sale of old sports goods (Costing Rs 2,200)	2,500	Repair of ground
Sale of Old Newspaper	750	Furniture purchased
Legacy	37,500	Sports equipments
		Cash in Hand
		Cash at Bank
		Fixed Deposit (on 1.10.06 for 10% p.a)
	1,33,290	

**Other Information:**

Subscription outstanding was on December 31, 2005 Rs 1,200 and Rs 3,200 on December 31, 2006. Locker rent outstanding on December 31, 2006 Rs 250. Salary outstanding on December 31, 2006 Rs 1,000.

On January 1, 2006, club has Building Rs 36,000, furniture Rs 12,000, Sports equipments Rs 17,500. Depreciation charged on these items @ 10% (including Purchase).

**Answer :**

**Indian Sports Club**  
**Income and Expenditure Account**  
*as on Dec. 31, 2006*

**Dr.**

Expenditure	Amount Rs	Income	An
Salary	11,000	Subscriptions	52,000

<i>Add:</i> Outstanding for 2006	1,000	12,000	<i>Add:</i> Outstanding for 2006	3,200
Electric Charges		5,500		55,200
Office Expenses		4,100	<i>Less:</i> Outstanding for 2005	(1,200)
Printing and Stationery		2,300		
Repair of Ground		2,000	Locker Rent	1,250
Depreciation on:			<i>Add:</i> Outstanding for 2006	250
Furniture	1,970			
Building	3,600		Entrance Fees	
Sports Equipments	2,730	8,300	Profit on Sale of Sports Equipments (Rs 2,500 - Rs 2,200)	
Surplus		26,300	Sale of Old Newspapers	
			Accrued Interest	
		60,500		

**Balance Sheet**

*as on January 01, 2006*

<b>Liabilities</b>	<b>Amount Rs</b>	<b>Assets</b>	<b>Amount</b>
Capital Fund ( <i>Balancing Figure</i> )	74,590	Subscription Outstanding	
		Building	
		Furniture	
		Sports Equipments	
		Cash and Bank	
	74,590		

**Balance Sheet**

*as on Dec. 31, 2006*

Liabilities		Amount Rs	Assets		Amount
Salary Outstanding		1,000	Subscribing Outstanding		
Tournament Fund	26,000		Locker Rent Outstanding		
<i>Less: Tournament Expenses</i>	18,500	7,500	Building	36,000	
			<i>Less: 10% Depreciation</i>	(3,600)	
Capital fund	74,590		Furniture	12,000	
<i>Add: Life Membership Fee</i>	2,200		<i>Add: Purchases</i>	7,700	
<i>Add: Legacy</i>	37,500			19,700	
<i>Add: Surplus</i>	26,300	1,40,590	<i>Less: 10% Depreciation</i>	(1,970)	
			Sports Equipments	17,500	
			<i>Add: Purchases</i>	12,000	
				29,500	
			<i>Less: Sales</i>	(2,200)	
				27,300	
			<i>Less: 10% Depreciation</i>	(2,730)	
			Billiard Table		

Answer needs Correction? [Click Here](#)

**Q9 :**

From the following Receipt and Payment Account of Jan Kalyan Club, prepare Income and Expenditure Account and Balance Sheet for the year ending December 31, 2006.

**Receipt and Payment Account**

*for the year ending December 31, 2006*

Receipts	Amount Rs	Payments	Amount

Cash in hand as on 1.1.06	6,800	Salaries	2
Subscription	60,200	Traveling Expenses	
Donation	3,000	Stationery	
Sale of furniture (Book value Rs 6000)	4,000	Rent	
Entrance fee	800	Repair	
Life membership fee	7,000	Books purchased	
Interest on investment (@ 5% for full year)	5,000	Building purchased	3
		Cash in Hand as 31.12.2006	
	86,800		8

**Additional Information:**

		As on 1.01.2006	As on 31.12.2006
(i)	Subscription received in advance	1,000	3,
(ii)	Outstanding subscription	2,000	3,
(iii)	Stock of stationery	1,200	
(iv)	Books	13,500	16,
(v)	Furniture	16,000	8,
(vi)	Outstanding rent	1,000	2,

**Answer :**

**Books of Jan Kalyan Club**  
**Income and Expenditure Account**  
*as on 31 Dec. 2006*

**Dr.**

Expenditure	Amount Rs	Income	Am
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Loss on Sale of Furniture (Rs 6,000 - Rs 4,000)	2,000	Subscription	60,200
Salaries	24,000	Less: Outstanding for 2005	(2,000)
Traveling Expenses	6,000		58,200
Stationery	2,300	Add: Outstanding for 2006	3,700
Add: Opening Stock	1,200		61,900
	3,500	Add: Advance in 2005	1,000
Less: Closing Stock	(800)		62,900
	2,700	Less: Advance in 2006	(3,200)
Repairs	700		
Rent	16,000	Donation	
Less: Outstanding for 2005	(1,000)	Entrance Fees	
	15,000	Interest on Investments	
Add: Outstanding for 2006	2,000		
	17,000		
Depreciation on Books	3,000		
Depreciation on Furniture	2,000		
Surplus	11,100		
	68,500		

### Balance Sheet

as on January 01, 2006

Liabilities	Amount Rs	Assets	Amount
Advance Subscription	1,000	Cash in Hand	
Outstanding Rent	1,000	Investment {5,000 x (100/5)}	1,000
Capital Fund ( <i>Balancing figure</i> )	1,37,500	Subscription Outstanding	
		Stock of Stationery	
		Books	



		Furniture	
	1,39,500		1,39,500

### Balance Sheet

as on Dec. 31, 2006

Liabilities		Amount Rs	Assets		Amount
Advance Subscription		3,200	Subscription Outstanding		
Outstanding Rent		2,000	Stock of Stationery		
Capital Fund	1,37,500		Investments		1,00,000
Add: Life Membership Fees	7,000		Books	13,500	
Add: Surplus	11,100	1,55,600	Add: Purchases	6,000	
				19,500	
			Less: Depreciation	(3,000)	
			Building		3,00,000
			Cash in Hand		
			Furniture		

Answer needs Correction? [Click Here](#)

Q10 :

Receipt and Payment Account of Shankar Sports club is given below, for the year ended December 31, 2006

### Receipt and Payment Account

for the year ending December 31, 2006

Receipts	Amount Rs	Payments	Amount
Opening Cash in hand	2,600	Rent	

Entrance fees	3,200	Wages	
Donation for building	23,000	Billiard table	
Locker rent	1,200	Furniture	
Life membership fee	7,000	Interest	
Profit from entertainment	3,000	Postage	
Subscription	40,000	Salary	
Cash in hand	4,000		
	80,000		

**Prepare Income and Expenditure Account and Balance Sheet with help of following Information:**

Subscription outstanding on 31st December 2005 is Rs 1, 200 and Rs 2,300 on 31.12.2006, opening stock of postage stamps is Rs 300 and closing stock is Rs 200, Rent Rs 1,500 related to 2005 and Rs 1,500 is still unpaid.

On January 1, 2006 the club owned furniture Rs 15,000, Furniture valued at Rs 22,500

On 31.12.2006. The club took a loan of Rs 20,000 (@ 10% p.a.) in 2005.

**Answer :**

**Books of Shankar Sports Club**  
**Income and Expenditure Account**  
*as on 31 Dec. 2006*

Dr.

Expenditure		Amount Rs	Income	Am I
Rent	18,000		Entrance Fees	
<i>Add: Outstanding for 2006</i>	1,500		Locker Rent	
	19,500		Profit from Entertainment	
<i>Less: Outstanding for 2005</i>	(1,500)	18,000	Subscription	40,000

Wages		7,000	Less: Outstanding for 2005	(1,200)	
Depreciation on Furniture		2,500			38,800
Interest		2,000	Add: Outstanding for 2006	2,300	4
Postage	1,000		Deficit ( <i>Balancing Figure</i> )		
Add: Opening Stock	300				
		1,300			
Less: Closing Stock	(200)	1,100			
Salaries		24,000			
		54,600			5

### Balance Sheet

as on December 31, 2005

Liabilities	Amount Rs	Assets	Am 1
Rent Outstanding	1,500	Cash in Hand	
10% Loan	20,000	Subscription Outstanding	
		Furniture	1
		Stock of Postage Stamps	
		Capital fund Deficit ( <i>Balancing figure</i> )	
	21,500		2

### Balance Sheet

as on December 31, 2006

Expenditure	Amount Rs	Income	Am 1
-------------	--------------	--------	---------

Rent Outstanding		1,500	Subscription Outstanding		
10% Loan		20,000	Stock of Postage Stamps		
Donation for Building		23,000	Billiard Table		1
Capital Fund	(2,400)		Furniture	15,000	
Add: Life Membership Fee	7,000		Add: Purchases	10,000	
Less: Deficit	(6,100)			25,000	
			Less: Depreciation	(2,500)	2
			Cash in Hand		
			** Capital Fund (Deficit)		
		44,500			4

**NOTE 1:** As per the solution, Deficit is Rs 6,100 and the total of the Balance Sheet as on Dec. 31, 2006 is Rs 44,500. However, as per the book, Deficit is Rs 8,100 and the total of the Balance Sheet as on Dec. 31, 2006 is Rs 53,500.

**\*\* NOTE 2:**

Capital Fund		(2,400)
Add: Life Membership Fees		7,000
Less: Deficit		(6,100)
Net Deficit		(1,500)

Answer needs Correction? [Click Here](#)

**Q11 :**

**Prepare Income and Expenditure Account and Balance Sheet for the year ended December 31, 2006 from the following Receipt and Payment Account and Balance Sheet of culture club:**

### Receipt and Payment Account

*for the year ending December 31, 2006*

Receipts	Amount	Payments	Am
----------	--------	----------	----

		Rs		
Opening cash balance		12,000	Furniture	
Subscription			Telephone expenses	
2005	2,000		Salary	
2006	22,000	24,000	2005	
Entrance fees		2,800	2006	
Locker rent		1,000	Newspapers	
Life membership fee		1,200	Sundry expenses	
Government grant		11,000	Defence bonds	
			Land	
			Closing cash balance	
		52,000		

**Balance Sheet**  
*for the year ending December 31, 2005*

Liabilities	Amount Rs	Assets	Am P
Advance locker rent	200	Cash in hand	
Subscription Received in Advance	1,000	Outstanding Expenses	
Outstanding salary	2,000	Building	
Loan	10,000		
Capital fund	36,800		
	50,000		

**Answer :**

**Books of Culture Club**

## Income and Expenditure Account

*as on December 31, 2006*

**Dr.**

Expenditure	Amount Rs	Income	
Telephone Expenses	800	Subscription	22,000
Salary	4,000	<i>Add: Advance Received in 2005</i>	1,000
Newspapers	700	Entrance Fees	
Sundry Expenses	1,000	Locker Rent	1,000
Surplus ( <i>Balancing figure</i> )	31,500	<i>Add: Advance Received in 2005</i>	200
		Government Grants	
	38,000		

## Balance Sheet

*as on December 31, 2006*

Liabilities		Amount Rs	Assets	
Capital Fund	36,800		Subscription Still Outstanding for 2005	
<i>Add: Life Membership Fees</i>	1,200		(Rs 3,000 - Rs 2,000)	
<i>Add: Surplus</i>	31,500	69,500	Furniture	
Salary Still Outstanding for 2005		1,000	Defence Bonds	
Loan		10,000	Land	
			Building	
			Cash in Hand	
		80,500		

Answer needs Correction? [Click Here](#)

**Q12 :**

From the following Receipt and Payment Account prepare final accounts of a Unity Club for the year ended March 31, 2007.

**Receipt and Payment Accounts**  
for the year ending March 31, 2007

Receipts	Amount Rs	Payments	Am
Balance b/d	15,000	Furniture	
Sale of Old furniture (costing Rs 6,000)	4,000	Library books	
Subscriptions:		Salaries	
2005-06	18,000	General expenses	
2006-07	60,000	Electric charges	
2007-08	2,000	Newspapers	
Sale of old newspapers	10,800	Postage	
Profit from entertainment	44,000	Stationery	
Rent	84,000	Audit fee	
		Balance c/d	
	2,47,800		2,4

**Balance Sheet**

as on March 31, 2006

Liabilities	Amount Rs	Assets	Am
Outstanding Salary	6,000	Cash	
Capital Fund	6,94,000	Outstanding subscription	

		Library Books	3
		Furniture	3
		Land and Building	6,0
	7,00,000		7,0

**Additional Information:**

1. The Club had 500 members each paying an annual subscription of Rs 150.
2. On 31.3.2007 salaries outstanding amounted to Rs 1,200 and salaries paid included Rs 6,000 for the year 2006.
3. Provide 5% depreciation on Land and Building.

**Answer :**

**Books of Unity Club**  
**Income and Expenditure Account**  
*as on March 31, 2007*

**Dr.**

Expenditure	Amount Rs	Income	Am
Loss on Sale of Old Furniture (4,000 - 6,000)	2,000	Subscription	
		500 members at Rs 150 each	7
Salaries	72,000	Sale of Old Newspapers	1
<i>Add: Outstanding for 2006-07</i>	1,200	Profit from Entertainment	4
	73,200	Rent	8
<i>Less: Outstanding for 2005-06</i>	(6,000)		
General Expenses	18,000	Deficit ( <i>Balancing figure</i> )	
Electric Charges	12,000		
Newspapers	33,800		
Postage	3,000		



Stationery	40,000	
Audit Fees	8,000	
Depreciation on Land and Building	30,000	
	2,14,000	2,14,000

### Balance Sheet

as on 31 March 2007

Liabilities	Amount Rs	Assets	Amount
Advance Subscription (for 2007-08)	12,000	Subscription Outstanding	12,000
Salaries Outstanding	1,200	Furniture	37,000
Capital Fund	6,94,000	Add: Purchases	18,000
Less: Deficit	(200)		55,000
	6,93,800	Less: Sales	(6,000)
		Library Books	30,000
		Add: Purchases	10,000
		Land and Building	6,00,000
		Less: 5% Depreciation	(30,000)
		Cash and Bank	3,07,000
	7,07,000		7,07,000

**Note:** As per the solution, Deficit is Rs 200 and the total of the Balance Sheet as on March 31, 2007 is Rs 7,07,000. However, the Surplus given in the book is Rs 14,000 and the total of the Balance Sheet as on March 31, 2007 is Rs 7,27,000

Answer needs Correction? [Click Here](#)

**Q13 :**

Following is the information in respect of certain items of a Sports Club. You are required to show them in the Income and Expenditure Account and the Balance Sheet.

Details	Amount Rs
Sports Fund as on April 1, 2005	80,000
Sports Fund Investments	80,000
Interest on Sports Fund Investments	8,000
Donations for Sports Fund	30,000
Sports Prizes awarded	16,000
Expenses on Sports Events	7,000
General Fund	2,00,000
General Fund Investments	2,00,000
Interest on General Fund Investments	20,000

**Answer :**

**Income and Expenditure Account**

*as on December 31, 2006*

**Dr.**

Expenditure	Amount Rs	Income	Am I
		Interest on General Fund Investments	2

**Balance Sheet**

as on March 31, 2006

Liabilities		Amount Rs	Assets	Am
Sports Fund	80,000		Sports Fund Investments	8
<i>Add:</i> Interest on Sports Fund Investments	8,000		General Fund Investments	2,0
<i>Add:</i> Donation for Sports Fund	30,000			
	<u>1,18,000</u>			
<i>Less:</i> Sports Prizes Awarded	(16,000)			
<i>Less:</i> Expenses on Sports Events	(7,000)	95,000		
General Fund		2,00,000		

Answer needs Correction? [Click Here](#)

**Q14 :**

Receipt and Payment Account of Maitrey Sports Club showed that Rs 68,500 were received by way of subscriptions for the year ended on March 31, 2006.

*The additional information was as under:*

1. Subscription Outstanding as on March 31, 2005 were Rs 6,500,
2. Subscription received in advance as on March 31, 2005 were Rs 4,100,
3. Subscription Outstanding as on March 31, 2006 were Rs 5,400,
4. Subscription received in advance as on March 31, 2006 were Rs 2,500.

Show how that above information would appear in the final accounts for the year ended on March 31, 2006 of Maitrey Sports Club.

**Answer :**

**Books of Maitrey Sports Club**

## Income and Expenditure Account

*as on March 31, 2006*

Dr.

Expenditure	Amount Rs	Income	
		Subscription	68,500
		<i>Less: O/s on Mar. 31, 2005</i>	(6,500)
			62,000
		<i>Add: Advance on Mar. 31, 2005</i>	4,100
		<i>Add: O/s on Mar. 31, 2006</i>	5,400
			71,500
		<i>Less: Advance on Mar. 31, 2006</i>	(2,500)
			69,000

### Balance Sheet

*as on March 31, 2005*

Liabilities	Amount Rs	Assets	
Subscription in Advance	4,100	Subscription Outstanding	

### Balance Sheet

*as on March 31, 2006*

Liabilities	Amount Rs	Assets	
Subscription in Advance	2,500	Subscription Outstanding	

Answer needs Correction? [Click Here](#)

**Q15 :**

Following is the Receipt and Payment account of Rohatgi Trust :

**Receipt and Payment Account**  
*for the year ending December 31, 2006*

Receipts	Amount Rs	Payments	Am
Cash in hand	14,000	Rent	
Cash at Bank	60,000	Salary	
Subscriptions:		Postage	
2005	5,000	Electricity charges	
2006	83,000	Purchase of furniture	
2007	3,000	Books	
Sale of Investment	90,000	Defence Bonds	1,5
Interest on investment	2,000	Help to needy students	2
Sale of old furniture (book value Rs 3,000)	3,200	Cash in hand	1
		Cash at bank	3
	2,60,200		2,0

Prepare **Income and expenditure** account for the year ended December 31, 2006, and a **balance sheet** as on that date after the following adjustments: Subscription for 2006, still owing were Rs 7,000. Interest due on defence

bonds was Rs7,000, Rent still owing was Rs 1,000. The Book value of investment sold was Rs 80,000, Rs 30,000 of the investment were still in hand. Subscription received in 2006 included Rs 400 from a life member. The total furniture on January 1, 2006 was worth Rs 12,000. Salary paid for the year 2007 is Rs 2,000.

**Answer :**

**Books of Rohatgi Trust**

## Income and Expenditure Account

*as on December 31, 2006*

Dr.

Expenditure		Amount Rs	Income	
Rent	6,000		Subscription	83,000
<i>Add: Outstanding</i>	1,000	7,000	<i>Add: Outstanding for 2006</i>	7,000
Salary	12,000		<i>Less: Life Membership Fees</i>	90,000 (400)
<i>Less: Advance for 2007</i>	(2,000)	10,000	Interest Accrued on Defence Bonds	
Postage		300	Profit on Sale of Investment	
Electricity Charges		6,000	(Rs 90,000 - Rs 80,000)	
Help to Needy Students		22,000	Profit on Sale of Furniture	
Surplus ( <i>Balancing Figure</i> )		63,500	(Rs 3,200 - Rs 3,000)	
		1,08,800	Interest on Investments	

## Balance Sheet

*as on December 31, 2005*

Liabilities	Amount Rs	Assets	
Capital fund ( <i>Balancing Figure</i> )	2,01,000	Subscription Outstanding	
		Investment (Rs 80,000 + Rs 30,000)	1,10,000
		Furniture	1,00,000
		Cash in hand	1,00,000
		Cash at bank	60,000
	2,01,000		2,00,000

**Balance Sheet**

*as on December 31, 2006*

Expenditure	Amount Rs	Income	Am
Advance Subscription	3,000	Subscription Outstanding	
Rent Outstanding	1,000	Defence Bonds	1,50,000
Capital Fund	2,01,000	<i>Add:</i> Accrued Interest on Defence Bonds	7,000
<i>Add:</i> Surplus	63,500	Investment	
<i>Add:</i> Life Membership Fees	400	Advance Salaries	
	2,64,900	Furniture	12,000
		<i>Add:</i> Purchases	20,000
			32,000
		<i>Less:</i> Sales	(3,000)
		Books	
		Cash in Hand	
		Cash at Bank	
	2,68,900		2,6

**NOTE:** As per the solution, Surplus is Rs 63,500; however, as per the book, the Surplus is Rs 59,900.

Answer needs Correction? [Click Here](#)

**Q16 :**

Following Receipt and Payment Account was prepared from the cash book of Delhi Charitable Trust for the year ending December 31, 2007

## Receipt and Payment Account

*for the year ending December 31, 2007*

Receipts	Amount Rs	Payments	
Balance b/d		Charity	
Cash in Hand	11,500	Rent and taxes	
Cash at Bank	12,600	Salary	
Donation	9,000	Printing	
Subscription	42,800	Postage	
Legacies	18,000	Advertisements	
Interest on investment	4,500	Insurances	
Sale of old newspapers	200	Furniture	
		Investment	
		Balance c/d:	
		Cash in Hand	
		Cash at Bank	
	98,600		

**Prepare Income and expenditure account for the year ended December 31, 2006, and a balance sheet as on that date after the following adjustments:**

- (a) It was decided to treat one-third of the amount received on account of donation as income.
- (b) Insurance premium was paid in advance for three months.
- (c) Interest on investment Rs1,100 accrued was not received.
- (d) Rent Rs600; salary Rs900 and advertisement expenses Rs1,000 outstanding as on December 31, 2007.

**Answer :**

**Books of Delhi Charitable Trust**



## Income and Expenditure Account

*as on December 31, 2007*

**Dr.**

Expenditure	Amount Rs	Income	Am
Insurance	2,000	Donation {9,000 x (1/3)}	
<i>Less: Prepaid</i> {2,000 x (3/15)}	(400)	Interest on Investments	4,500
	1,600	<i>Add: Accrued Interest</i>	1,100
Charity	11,500	Subscription	4
Rent and Taxes	3,200	Sale of Old Newspapers	
<i>Add: Outstanding</i>	600		
	3,800		
Salary	6,000		
<i>Add: Outstanding</i>	900		
	6,900		
Printing	600		
Postage	300		
Advertisements	4,500		
<i>Add: Outstanding</i>	1,000		
	5,500		
Surplus ( <i>Balancing figure</i> )	21,400		
	51,600		5

## Balance Sheet

*as on December 31, 2007*

Liabilities	Amount Rs	Assets	Am
Capital Fund ( <i>Balancing figure</i> )	24,100	Cash in Hand	1
		Cash at Bank	1
	24,100		2

### Balance Sheet

as on December 31, 2007

Liabilities	Amount Rs	Assets	
Capital Fund	24,100	Prepaid Insurance {2,000 x (3/15)}	
Add: Donation {9,000 x (2/3)}	6,000	Investment	23,000
Add: Legacies	18,000	Add: Accrued Interest	1,100
Add: Surplus	21,400	Furniture	
Rent Outstanding	600	Cash in Hand	
Salary Outstanding	900	Cash at Bank	
Advertisement Expenses Outstanding	1,000		
	72,000		

**Note:**

- i. per the solution, Surplus and the total of the Closing Balance Sheet are Rs 21,400 and Rs 72,000 respectively however as per the answer given in the book is Rs 21,500 and Rs 72,100. Thus, in order to match the answer that of the book, Rent paid of Rs 2,000 is assumed for 12 months instead of 15 months.
- ii. question asks us to prepare Income and Expenditure Account for the year ended **December 31, 2006**; however the solution has been prepared according to the date of Receipt and Payment Account which is **December 2007**.

Answer needs Correction? [Click Here](#)

**Q17 :**

From the following Receipt and Payment Account of a club, prepare Income and Expenditure Account for the year ended December 31, 2006 and the Balance Sheet as on that date.

#### Receipt and Payment Account

for the year ending December 31, 2006

Receipts	Amount Rs	Payments	Am
Balance b/d	3,500	General expenses	
Subscription:		Salary	
2005	1,800	Postage	
2006	70,000	Electricity charges	
2007	3,000	Furniture	
Sale of old Books		Books	
(Costing Rs 3,200)	2,000	Newspapers	
Rent from use of hall	17,000	Meeting expenses	
Sale of newspapers	400	T.V. set	
Profit from entertainment	7,300	Balance c/d	
	1,05,200		1,0

**Additional Information:**

- (a) The club has 100 members each paying an annual subscription of Rs900. Subscriptions outstanding on December 31, 2005 were Rs 3,600.
- (b) On December 31, 2006, salary outstanding amounted to Rs 1,000, Salary paid included Rs 1,000 for the year 2005.
- (c) On January 1, 2006 the club owned land and building Rs 25,000, furniture Rs 2,600 and books Rs 6,200.

**Answer :**

**Income and Expenditure Account**

as on December 31, 2006

**Dr.**

Expenditure	Amount	Income	Am
-------------	--------	--------	----

		Rs		
General Expenses		900	Subscription	70,000
Salary	16,000		<i>Add:</i> Outstanding for 2006	20,000
<i>Add:</i> Outstanding for 2006	1,000		(100 members at Rs 900 each)	
	17,000		Rent from use of hall	
<i>Less:</i> Outstanding for 2005	(1,000)	16,000	Sale of Old News Papers	
			Profit from Entertainment	
Loss on Sale of Old Books		1,200		
Electricity Charges		7,800		
Newspapers		600		
Meeting Expenses		7,200		
Postage		1,300		
Surplus ( <i>Balancing figure</i> )		79,700		
		1,14,700		1,14,700

**Balance Sheet as on December 31, 2005**

Liabilities	Amount Rs	Assets	Amount
Salary Outstanding	1,000	Subscription Outstanding	
Capital Fund ( <i>Balancing figure</i> )	40,100	Furniture	
		Books	
		Cash and Bank	
		Building	20,000
	41,100		41,100

**Balance Sheet**

as on December 31, 2006

Liabilities	Amount Rs	Assets	Am
Advance Subscription	3,000	Subscription Outstanding	
Salary Outstanding	1,000	2006	20,000
		<i>Add: 2005 (Still Outstanding)</i>	1,800
Capital Fund	40,100	Building	2
<i>Add: Surplus</i>	79,700	Furniture	2,600
	1,19,800	<i>Add: Purchases</i>	26,500
		Books	6,200
		<i>Add: Purchases</i>	13,000
			19,200
		<i>Less: Sales</i>	3,200
		T.V. Set	
		Cash and Bank	
	1,23,800		1,2

**NOTE:** In order to match the answer with that of given in the book, Subscription Outstanding on December 31, 2005 has been taken as Rs 3,800 instead of Rs 3,600.

Answer needs Correction? [Click Here](#)

**Q18 :**

**Following is the Receipt and Payment Account of Women's Welfare Club for the year ended December 31, 2007:**

### Receipt and Payment Account

*for the year ending December 31, 2007*

Receipts	Amount Rs	Payments	Am
Balance b/d	7,250	Salary	

Subscriptions	81,750	Stationery	
Donations	3,000	Electricity charges	
Grant from Government	15,000	Insurance	
Sale of newspapers	300	Equipments	
Proceeds of charity show	16,500	Petty expenses	
Interest on investments @ 10% for full year	7,000	Expenses on charity show	
Sundries income	400	Newspapers	
		Lectures fee	
		Honorarium to Secretary	
		Balance c/d	
	1,31,200		1,31,200

**Additional Information:**

	01.01.2007	31.12.2007
	Rs	Rs
Outstanding salaries	1,200	1,800
Insurance prepaid	700	300
Subscription outstanding	3,750	2,500
Subscription received in advanced	1,750	1,000
Electricity charges outstanding	-	1,200
Stock of stationery	2,250	700
Equipments	25,600	50,200
Building	1,20,000	1,14,000

**Prepare Income and Expenditure Account for the year ended December 31, 2007 and Balance Sheet as on that date.**

**Answer :**

**Books of Women Welfare Club  
Income and Expenditure Account**

as on December 31, 2007

Dr.

Expenditure		Amount Rs	Income		Am
Salary	12,500		Subscriptions	81,750	
<i>Add: O/s on Dec. 31, 2007</i>	1,800		<i>Add: O/s on Dec. 31, 2007</i>	2,500	
	<u>14,300</u>			<u>84,250</u>	
<i>Less: O/s on Dec. 31, 2006</i>	(1,200)	13,100	<i>Less: O/s on Dec. 31, 2006</i>	(3,750)	
				<u>80,500</u>	
Stationery	1,700		<i>Add: Advance on Dec. 31, 2006</i>	1,750	
<i>Add: Opening Stock</i>	2,250			<u>82,250</u>	
	<u>3,950</u>		<i>Less: Advance on Dec.31, 2007</i>	(1,000)	
<i>Less: Closing Stock</i>	(700)	3,250			
			Donations		
Electric Charges	9,550		Grant from Government		
<i>Add: O/s on Dec. 31, 2007</i>	1,250	10,800	Sale of Newspapers		
			Profit from Charity show (16,500-12,900)		
Insurance	7,500		Interest on Investments		
<i>Add: Prepaid in 2006</i>	700		Sundries Income		
	<u>8,200</u>				
<i>Less: Prepaid in 2007</i>	(300)	7,900			
Depreciation on Equipments		5,400			
Petty Expenses		500			
Newspapers		1,000			
Lectures Fee		16,500			
Honorarium to Secretary		12,000			
Depreciation on Building		6,000			
Surplus ( <i>Balancing Figure</i> )		34,100			

	1,10,550		1,10,550

### Balance Sheet

*as on December 31, 2006*

Liabilities	Amount Rs	Assets	Amount Rs
Outstanding Salaries	1,200	Insurance Prepaid	
Subscription in Advance	1,750	Subscription Outstanding	
		Stock of Stationery	
Capital Fund ( <i>Balancing Figure</i> )	2,26,600	Equipments	2,26,600
		Building	1,20,000
		Cash and Bank	
		Investments {7,000 x (100/10)}	70,000
	2,29,550		2,29,550

### Balance Sheet

*as on December 31, 2007*

Liabilities	Amount Rs	Assets	Amount Rs
Outstanding Salaries	1,800	Equipments	25,600
Subscription in Advance	1,000	<i>Add:</i> Purchases	30,000
Electricity Charges Outstanding	1,250		55,600
Capital Fund	2,26,600		

Answer needs Correction? [Click Here](#)

**Q19 :**



As at March 31,2008 the following balances have been extrated from the books of the Indian Chartered Accountants Recreation Club and you are asked to prepare (1) Trading Account for ascertaining gross profit derived from running restaurant and dining room and (2) Income and Expenditure Account for the year ended March 31, 2008 (3) and a Balance Sheet as at that date.

Debit Balances	Rs	Credit Balances	Rs
Stock-in-hand	1170	Receipts Dining Room	87
Purchases	24,660	Subscriptions	9
Dining Room	32,370	Billiard's Receipts	7
Rent	10,470	Sunday Receipts	
Wages	18,690	Interest on Fixed Deposit	
Repairs and Renewals	5,400	Sundry Creditors	
Fuel and Light	5,280	Grant from Institute (permanent)	42
Misc. Expenses	4,050	Income and Exp. A/c (1.4.07)	1
Cash in hand	560	Suspense A/c (See note)	
Cash at bank	2,760		
Fixed Deposit	8,500		
Sundry Debtors	2,250		
China glass, cutlery and linen	600		
Billiard Table	2,070		
Fixtures and Fittings	870		
Furniture	4,140		
Club Premises	30,000		
	1,53,840		1,53,840

On March 31,2008 stock of restaurant consisted of Rs 900 and Rs 60 respectively. Provide depreciations Rs 60 on fixtures and fittings, Rs 390 on billiard table and Rs 560 on furniture.

**Answer :**

**Important Note:**

1. Credit side of the Trial Balance of the question is short by Rs 60. Thus, in order to tally both sides of the Trial Balance, Suspense Account will be opened with the difference amount of Rs 60.

2. In the adjustment, Closing Stock should be Rs 960 instead of Rs 900.

**Books of Indian Chartered Accountants Recreation Club**  
**Restaurant Trading Account**

Dr.

Particulars	Amount Rs	Particulars	Amount
Opening Stock	1,170	Receipts from Dining Room	88,620
Purchases	24,660	Closing Stock	960
Dining Room Exp.	32,370		
Profit from Restaurant	30,420		
	88,620		

**Income and Expenditure Account**

*as on March 31, 2008*

Dr.

Expenditure	Amount Rs	Income	Amount
Rent	10,470	Subscriptions	30,000
Wages	18,690	Sundry Receipts	10,000
Repairs and Renewals	5,400	Interest on Fixed Deposits	1,000
Fuel and Light	5,280	Profit from Restaurant	30,420
Misc. Expenses	4,050	Billiards Receipts	1,000
Depreciation on			
Fixtures and Fittings	60		
Billiards Table	390		
Furniture	560		
	1,010		

Surplus (Excess of Income over Expenditure)	2,950	
	47,850	4

### Balance Sheet

as on March 31, 2008

Liabilities	Amount Rs	Assets	Am
Sundry Creditors	5,310	Cash in Hand	
Grant from Institute	42,000	Cash at Bank	
Suspense	60	Fixed Deposit	
Capital Fund (Income and Exp. A/c as on Apr.01, 2007)	1,380	Sundry Debtors	
<i>Add: Surplus</i>	2,950	China Glass, Cutlery and Linen	
	4,330	Billiards Table	2,070
		<i>Less: Depreciation</i>	(390)
		Fixture and Fittings	870
		<i>Less: Depreciation</i>	(60)
		Furniture	4,140
		<i>Less: Depreciation</i>	(560)
		Club Premises	3
		Stock of Restaurant	
	51,700		5

Answer needs Correction? [Click Here](#)

**Long answers :** Solutions of Questions on Page Number : 474

**Q1 :**

**Explain the statement: “Receipt and Payment Account is a summarised version of Cash Book”.**

**Answer :**

Receipts and Payments Account is a summary of the Cash Book. This account is prepared by those organisations which maintain their books on cash basis. 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 is prepared on the basis of cash and bank transactions recorded in the Cash Book. It begins with the opening balance of cash and bank and 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. It not only records the cash and bank transactions relating to the current accounting period, but also cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period. This account only helps us to ascertain the closing balance of the cash and bank and helps in assessing the cash position of an NPO. It also forms the basis for the preparation of Income and Expenditure Account.

### **Similarities between Receipt and Payments Account and Cash Book**

The following are the features of Receipt and Payment Account that are common to those of Cash Book:

1. **Nature:** It is a summarised version of the Cash Book. Similar to the Cash Book, the Receipt and Payment Account is also a Real Account.
2. **Nature of Transactions:** It records only cash and bank transactions similar to a Two-Column Cash Book. Transactions other than cash and bank like depreciation, loss/profit on sale of assets, etc. are not recorded in this account.

3. **No distinction between Capital and Revenue items:** It records all the cash and bank receipts and payments of both capital and revenue nature. Likewise, the transactions recorded in the Cash Book are also of both capital and revenue nature.

4. **Opening and closing balance:** It begins with the opening balance of cash and bank and ends with the closing balance of the cash and bank (balancing figure) at the end of the accounting period.

5. **Purpose:** It reveals the cash position of an organisation. It helps to ascertain the total amount paid and received during an accounting period. Similarly, a Cash Book also helps us to assess the cash position of an organisation.

Thus, on the basis of the above mentioned points and similarities, the statement 'Receipt and Payment Account is a summarised version of Cash Book' is justified.

Answer needs Correction? [Click Here](#)

Q2 :

**“Income and Expenditure Account of a Not-for-Profit Organisation is akin to Profit and Loss Account of a business concern”.** Explain the statement.

**Answer :**

Income and Expenditure Account (I&E) is similar to Profit and Loss Account (P&L), in the sense that the former is prepared by Not-for-profit-Organisations and the latter is prepared by profit earning organisations. Both the accounts are prepared on the accrual basis.

Similar to the P&L, all the expenses and losses pertaining to the current accounting period are recorded on the debit side (Expenditure side) and all the gains and income of the current accounting period are recorded on the credit side (Income side) of the I&E. The balancing figure of the I&E is surplus or deficit and that of the P&L is net profit or net loss. Both the accounts record only revenue items which are related to the current accounting period.

### **Similarities between Income and Expenditure Account and Profit and Loss Account**

I&E Account of an NPO is akin to the Profit and Loss Account of a profit earning business in the following manners.

1. **Nature of Account:** Both the concerned accounts are nominal in nature.

2. **Basis of Recording:** Both the accounts record only revenue expenses and revenue income related to the current accounting period. The items of capital nature are not ignored while preparing these accounts.

3. **Period:** Transactions related to current year are recorded in Income and Expenditure account in the same manner in which profit and loss account is prepared. Transactions related to previous year or next year are excluded.

4. **Adjustments:** The treatment of adjustments like, outstanding expenses, prepaid expenses, income received in advance, income due but not received, depreciation, bad debts etc. is same as that in Profit and Loss Account. Thus, both the accounts are prepared on the accrual basis.

Answer needs Correction? [Click Here](#)

**Q3 :**

**Distinguish between Receipts and Payments Account and Income and Expenditure Account.**

**Answer :**

Basis of Difference	Receipts and Payments Account	Income and Expenditure Account
1. Nature	It is a summary of cash and bank transactions	It is a summary of current year's transactions
2. Revenue and Capital	It records transactions related to both revenue and capital nature.	It records transactions related to revenue only.
3. Debit Side	Debit side of this account records cash and bank receipts during an accounting period.	Debit side of this account records expenses incurred in the current accounting period.
4. Credit side	Credit side of this account records payments in cash and through cheques.	Credit side of this account records income earned in the current accounting period.
5. Type of account	It is a Real Account	It is a Nominal Account
6. Period	It records receipts and payments made during the year that may be related to the current accounting period or the preceding period and the succeeding accounting period.	It only records income and expenses during the current accounting period.
7. Object	This account depicts the cash position of an NPO.	This account shows the net result or surpluses or deficits due to the business activities during a year.
8. Opening Balance	This account begins with the opening balance of cash and bank.	Usually, it has no opening balance. It starts with a surplus or deficit forwarded from the previous year.

	cash in hand and cash at bank or overdraft.	period (if not added to the Capital Fund as the opening balance of this account).
9. Closing balance	The balancing figure of this account is expressed in terms of the closing balance of cash in hand and cash at bank or overdraft.	The balancing figure is expressed in terms of surplus (if incomes > expenses) or deficit (if expenses > incomes).
10. Depreciation	It does not include non-cash items like depreciation, appreciation, etc.	It includes non-cash items like depreciation, provisions, etc. in order to arrive at net profit or net loss.
11. Adjustment	Receipts and Payments during the year can be adjusted before preparation of the financial statements.	Adjustments regarding both cash and credit transactions can be made.
12. Transfer of Balance	The opening balance of this account is brought forward from the last year's Receipts and Payments Account and the closing balance of this account is carried forward to the subsequent year's Receipts and Payments Account and is shown in the Balance Sheet of the current accounting period.	If the closing balance of this account is a surplus, it is added to the Capital Fund in the Balance Sheet. If the closing balance is deficit, it is subtracted from the Capital Fund in the Balance Sheet.
13. System	It is prepared on cash basis.	It is prepared on accrual basis.

[Answer needs Correction? Click Here](#)

**Q4 :**

**Explain the basic features of Income and Expenditure Account and of Receipt and Payment Account.**

**Answer :**

Income and Expenditure Account (I&E) Account is a Nominal Account and is prepared on the accrual basis. It records all transactions of revenue nature that are related to the current accounting period (whether outstanding or prepaid) for which the books are maintained. All expenses and losses are recorded on the debit side (Expenditure side) and all income and gains are recorded on the credit side (Income side) of I&E Account. The closing balance or the balancing figure of I&E Account is termed as surplus (or deficit), if the sum total of the Income side exceeds (is lesser than) the sum total of the Expenditure side.

The following are the basic features of Income and Expenditure Account

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

Receipts and Payments Account is a summary of the Cash Book. All the cash receipts are recorded on the Receipts side (i.e. Debit side) and all the cash payments are recorded on the Payments side (i.e. Credit side) of Receipts and Payments Account. It is prepared on the basis of cash and bank transactions recorded in the Cash Book. It begins with the opening balance of cash and bank and 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. It not only records the cash and bank transactions relating to the current accounting period but also cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period.



The following are the features of Receipt and Payment Account.

1. **Nature:** It is a Real Account. It is a summarised version of the Cash Book.
2. **Nature of Transactions:** It records only cash and bank transactions. Transactions other than cash and bank like depreciation, loss/ profit on sale of assets, etc. are not recorded in this account.
3. **No distinction between Capital and Revenue items:** It records all cash and bank receipts and payments of both capital and revenue nature.
4. **Opening and closing balance:** It begins with the opening balance of cash and bank and ends with the closing balance of the cash and bank (balancing figure) at the end of the accounting period.
5. **Purpose:** It reveals the cash position of an organisation. It helps to ascertain the total amount paid and received during an accounting period.

Answer needs Correction? [Click Here](#)

**Q5 :**

**Show the treatment of the following items by a Not-for-Profit Organisation:**

- (i) Annual subscription
- (ii) Specific donation
- (iii) Sale of fixed assets
- (iv) Sale of old periodicals
- (v) Sale of sports materials
- (vi) Life membership fee

**Answer :**

**i) Annual Subscription**

a) Subscriptions received during an accounting year (whether related to the current year or previous and subsequent year) are shown on the debit side of the Receipts and Payments Account.

b) Subscription amount related to the current accounting year only, whether received or yet to be received are shown on the credit side of the Income and Expenditure Account.

c) Subscriptions received in advance for the subsequent year are shown on the Liabilities side of the Balance Sheet.

d) Subscriptions due but not received are shown in the Assets side of the Balance Sheet.

## ii) Specific donation

a) The amount received for specific donation is shown on the debit side of the Receipts and Payments Accounts.

b) The amount received for specific donation is shown on the Liabilities side of the Balance Sheet as it is used for the specific purpose for which it is received.

## iii) Sale of fixed assets

a) The amount received from the sale of fixed assets are recorded on the debit side of the Receipts and Payments Account.

b) Profit (or loss) on the sale of fixed assets is credited (or debited) to the Income and Expenditure Account.

c) The book-value of the fixed assets sold is deducted from its respective assets on the Assets side of the Balance Sheet.

## iv) Sale of old periodicals

a) The amount received from the sale of old periodicals are shown on the debit side of the Receipts and Payments Account.

b) As the sale of old periodicals by any organisation is considered as revenue receipts, so it is shown on the credit side of the Income and Expenditure Account.

## v) Sale of sport Materials

a) The amount received from the sale of sport materials are debited to the Receipt and Payments Account.

b) As the sale of sport materials by any sport club is considered as revenue income, so it is shown on the credit side of the Income and Expenditure Account.

## vi) Life Membership Fees

a) The amount paid by a person to become a member of an organisation is called life membership fees. As this is a receipt for an NPO, so it is debited to the Receipt and Payment Account.

b) Life Membership fees is not recurring in nature and received once for a whole life from a member. Thus, as Life Membership Fees are capital receipts, so these are added to the Capital Fund on the Liabilities side of the Balance Sheet.

Answer needs Correction? [Click Here](#)

**Q6 :**

**Show the treatment of items of Income and Expenditure Account when there is a specific fund for those items.**

**Answer :**

There are various sources of receipts like donations, subscriptions, government grants, etc. to an NPO. Some receipts are specific while others are general. While the former can only be used for the specific purpose for which they are received, the latter can be used for any purpose. For example, if donation is received for construction of buildings, then this donation is a specific donation and thereby can only be used for construction of the building. The specific receipts are not considered as revenue income for the NPO and hence are not shown in the Income and Expenditure Account. In fact, such receipts are considered as liabilities to the NPO as these amounts are received for specific purpose and cannot be used for any other purpose. Specific receipts are shown in the Liabilities side of the Balance Sheet, until and unless they are fully set off against the purpose for which they are received. On the other hand, if these amounts are invested outside the organisations (in the form of shares, debentures, etc.), then these are called funds like, match funds, prize fund, etc. The interest and income earned on such investments are not credited to the Income and Expenditure Account but in fact are credited to the respective Fund Account. Similarly, the expenses incurred for such funds are not debited to the Income and Expenditure Account but, in fact, are debited to the respective Fund Account. These special funds are shown in the Liabilities side of the Balance Sheet. In case, if the related expenses exceed the related receipts of the fund, then the difference is shown in the income and Expenditure Account.

**Treatment**

**(Tournament/Match/Prize, etc.) Fund Account**

**Dr.**

Date	Particulars	L.F.	Amount	Date	Particulars
------	-------------	------	--------	------	-------------

Expenses (expenses incurred like, match expenses, tournament expenses)		Balance b/d  Incomes (income or interest earned on funds invested in the form of donation, interests, dividends, etc.)
Balance c/d (see explanation)	<b>(a)</b>	Income and Expenditure A/c (see explanation)

#### Explanation (a)

If the receipts exceed the expenses for specific purpose then the difference between the two is shown in the Liabilities side of the Balance Sheet

#### Balance Sheet

Specific Fund (i.e. Tournament, Match, Prize Fund, etc.)	Tournament Fund Investment
--	----------------------------

#### Explanation (b)

If the expenses exceed the receipts for the specific purpose then the difference between the two is shown in the Expenditure side of the Income and Expenditure Account.

#### Income and Expenditure A/c

Expenditure	Amount	Income
Expenses (i.e. Tournament, Match, Prize Expenses etc. except capital expenditure like, i.e. expenses on construction of building)		

Answer needs Correction? [Click Here](#)

**Q7 :**

**What is Receipt and Payment Account? How is it different from Income and Expenditure Account?**

**Answer :**

Receipts and Payments Account is a summary of the Cash Book. All the cash receipts are recorded on the Receipts side (i.e. Debit side) and all the cash payments are recorded on the Payments side (i.e. Credit side) of Receipts and Payments Account. It is prepared on the basis of cash and bank transactions recorded in the Cash Book. It begins with the opening balance of cash and bank and ends with the closing balances of cash and bank (balancing figure) at the end of the accounting period. It records all cash and bank transactions both of capital and revenue nature. It not only records cash and bank transactions relating to the current accounting period, but also cash and bank receipts (or payments) received during the current accounting period that may be related to the previous or next accounting period.

**Distinguish between Receipts and Payments Account and Income and Expenditure Account**

<b>Basis of Difference</b>	<b>Receipts and Payments Account</b>	<b>Income and Expenditure Account</b>
1. Nature	It is a summary of cash and bank transactions	It is a summary of current year income and expenditure
2. Revenue and Capital	It records transactions related to both revenue and capital nature.	It records transactions related to revenue nature only.
3. Debit Side	Debit side of this account records cash and bank receipts during an accounting period.	Debit side of this account records expenses incurred in the current accounting period.
4. Credit side	Credit side of this account records payments in cash and through cheques.	Credit side of this account records income earned in the current accounting period.
5. Type of account	It is a Real Account	It is a Nominal Account
6. Period	It records receipts and payments made during the year that may be related to the current accounting period or the preceding period and the succeeding accounting period.	It only records income and expenditure during the current accounting period.
7. Object	This account depicts the cash position of an NPO.	This account shows the net result of business activities or deficits due to the business activities during the year.
8. Opening Balance	This account begins with the opening balance of cash and bank.	Usually, it has no opening balance.

	cash in hand and cash at bank or overdraft.	surplus or deficits forwarded from period (if not added to the Capital shown as the opening balance of the
9. Closing balance	The balancing figure of this account is expressed in terms of the closing balance of cash in hand and cash at bank or overdraft.	The balancing figure is expressed surplus (if incomes > expenses) or > incomes).
10. Depreciation	It does not include non-cash items like depreciation, appreciation, etc.	It includes non-cash items like depreciation, debts, provisions, etc. in order to arrive at net profit or net loss.
11. Adjustment	Receipts and Payments during the year can be adjusted before preparation of the financial statements.	Adjustments regarding both cash and credit transactions can be made.
12. Transfer of Balance	The opening balance of this account is brought forward from the last year's Receipts and Payments Account and the closing balance of this account is carried forward to the subsequent year's Receipts and Payments Account and is shown in the Balance Sheet of the current accounting period.	If the closing balance of this account is added to the Capital Fund in the Balance Sheet, the closing balance is deficit then it is subtracted from the Capital Fund in the Balance Sheet.
13. System	It is prepared on the cash basis.	It is prepared on the accrual basis.

