



# CA Foundation Notes And Guidance

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## Description



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Chapter :- (9)  
Financial Statements of Not - For - Profit Organizations

Financial Statement of Not for Profit Organizations

Receipts And Payments A/c (Cash Book)	Income And Expenditure A/c (Profit & loss A/c)	Balance sheet (opening & closing)
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Sources of Income for NPO :-

- Donation
- Entrance fees
- Admission fees
- Subscription
- Life membership fees

Types of Questions :-

1. Prepare Receipts and payments A/c & Balance sheet
2. Prepare Income and Expenditure A/c & Balance sheet
3. Prepare Subscription A/c, Treatment in Income & Expenditure A/c.

P.T.O.

FOCUS ON CURRENT YEAR  
INCOME & EXPENDITURE  
A/c



Receipts & Payments A/c = Cash Book  
(Purpose :- Cash & Bank Position)

1. Receipts entered - Dr side
2. Payments entered - Cr side

Features :-

- \* Only cash Transactions are Recorded
- \* Transactions Related to Current Year / Past Year / Next Year.
- \* Debited = All the Receipts (Capital or Revenue)
- \* Credited = All the Expenditures (Capital or Revenue)
- \* It excludes All Non Cash Items (Depreciation :- e.g.)
- \* Starts with opening Cash Balance & Bank Balance and Ends with closing cash & Bank Balance.

Income & Expenditure A/c = Profit & loss A/c (Accrual Principle).

1. Expenditure = Dr side
2. Income = Cr side

Purpose :- find out surplus or deficit

Features :-

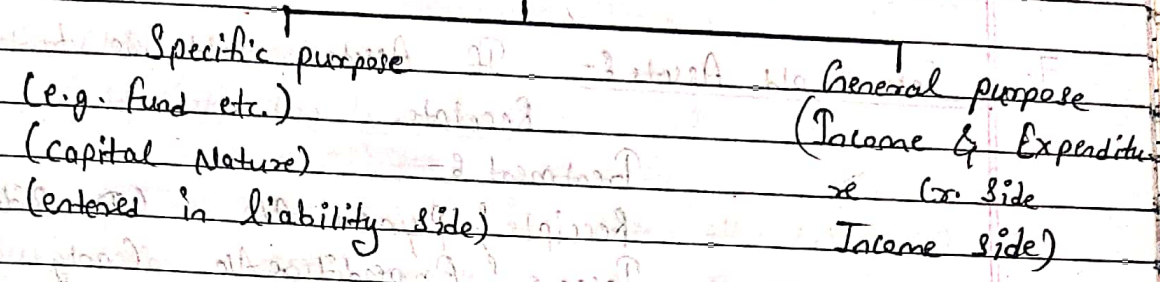
- \* All cash & Non-cash or credit transactions are Recorded
- \* Transactions of only Current Year Recorded
- \* All Capital expenditure & Incomes are excluded
- \* Sale of Assets like profits & losses included (not Asset)  
(If Any fixed Assets purchased and charge depreciable, so, Only depreciation Amount will be Recorded Only in Expenditure side) (Dr side)

if particular name "like sports" are given & related name then available like sports fund & others, so that are specific which is included only in Asset side, when there is Income & Expenditure Along with Balance sheet

Accounting treatment of some special terms :-

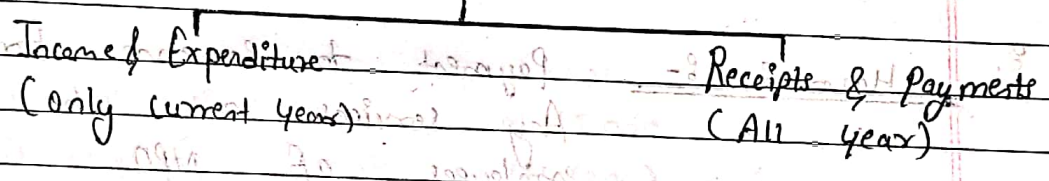
1.]

Donations



2.]

Subscriptions



3.]

Life Membership fees :- fee received for life membership (for whole life) is a capital Receipt  
(Capital Nature) liabilities

4.]

Legacy :- Amount received by organization as per the will of the died person. It should be capitalized & shown on the liabilities side of balance sheet.

5.]

Entrance fees :- IF Question (ilent About Entrance fees)  
Treatment :- Income & Expenditure (Cr. side)  
If it is capitalized (given in Question)  
Add to capital fund or liabilities side

\*.]

if Amount of Entrance fee is too large or big so it is of Capitalized Nature.



6. Endowment fund :- Received donation or gift in kind or cash for specific purpose  
Treatment :- Balance sheet (Liabilities side)

7. Sale of old Assets :- If Assets sold so treated as Capital Receipts.  
Treatment :-  
Receipts & Payment A/c (Dr Side)  
Income & Expenditure A/c (only profit or loss)  
(profit - income side)  
(loss - Expenditure side)

8. Honourarium :- Payment to someone for receiving any services and who is not the employee of NPO.

9. Sale of old News paper :- Receipt & payment (Dr Side)  
Income & Expenditure  
(Profit - income side)  
(Loss - Expenditure side)

Treatment of Subscription :-

Subscription	xxx
Add:- Outstanding at the end	xxx
Add:- Advance at the <del>end</del> beginning	xxx
Less:- Outstanding at the beginning	(xxx)
Less:- Advance at the end	(xxx)

Treatment of Consumable goods :-

Opening stock  
 Add:- Purchase  
 Less:- Closing stock  
Cost of Goods Sold

→ Subscription treatment in case of (members) :-  
 Subscription ₹50 peoples x 1000 ₹ each = ₹,50,000  
 Receipts & Payments A/c = ₹,65,000  
 Subscription outstanding 31st March 2018 (opening) = 40,000

Subscription Received ₹,65,000  
 (-) O/S begging (40,000)  
 (-) Advance end 2018, 31st March (30,000)  
 (+) Advance beginning 2018-19 12,000  
₹,07,000

Total Subscribers in Income & Expenditure A/c ₹,50,000  
 ₹,07,000  
 balancing figure O/S end (31st March 2019) 43,000

Subscriber A/c	
Dr	Cr
40,000	₹,65,000
₹,50,000	12,000
30,000	43,000
<u>3,20,000</u>	<u>3,20,000</u>



Calculation of price fund :-

Case - I price fund Awarded 5,000  
Treatment :- Income & Expenditure (Dr.) side

Case - II Price Awarded 5,000

Price fund = 40,000

Add - donation Received = 7,200

47,200

Less :- Price Awarded = (5,000)

42,200

Case - III Price Awarded = 5,000

Price fund = 40,000

Donation = 7,200

9% Fund Investment (value) 40,000

Interest Received 2,700

Balance sheet (Treatment)

Liabilities	Amount	Asset	Amount
Price fund	40,000	9% Price fund	40,000
donation fund	7200	Investment	
Interest Received (2700 + 900)	3600	Accrued interest	900
	50800		
(-) Price Awarded	(5,000)		
	<u>45,800</u>		

if you create fund for specific Expense  
Condition

Fund > Expense  
50000 > 35000  
liability = 1,50,000

Fund < expense  
50000 < 70000  
200000 (Dr) I/E

Imp \* Calculation of interest on investment if Investment not given in Question only Rate will be given :-

Interest on Investment @ 8% p.a. full / whole year 40,000

If interest Rate is @ 8%, then value of interest 100

If interest Rate is 1 then  $\frac{100}{8}$

If interest is 40,000 then  $\frac{100}{8}$

$$\begin{aligned} \text{Then Investment} &= 40,000 \times \frac{100}{8} \\ &= 5,00,000 /- \quad (\text{Balance sheet - Asset}) \end{aligned}$$

Format

(Subscription A/c) (Focus on current year)

Dr		Cr	
Particular	Amount	Particular	Amount
To Opening outstanding Subscription A/c	x x x	By Cash A/c	x x x
To Closing Advance Subscription A/c	x x x	By closing outstanding Subscription A/c	x x x
To Income and Expense A/c	x x x	By Opening Advance Subscription A/c	x x x
	x x x		xxx



Example :- (1)

Receipts And Payments A/c  
To the books of Susravi Club  
(for the year ended 31st March 2016)

Dr	Amount	Payments	Amount
Receipts			
To Cash (Opening)	200	By Salaries And wages	1,200
To Bank (Opening)	400	By Purchase of Foodstuff	800
To Entrance fees	300	By Construction of Club Pavilion	11,000
To membership fees	3,000	By General Expenses	600
To Donation for pavilion club	10,000	By Rent And Taxes	400
To Foodstuff sales	1,200	By Bank charges	160
		By Cash (closing)	350
		By Bank (closing)	590
	<u>15,100</u>		<u>15,100</u>

Example :- (2)

Subscription A/c

Dr	Amount	Particular	Amount
Particular			
To opening outstanding Subscriptions A/c	1600	By Cash A/c	42,000
To closing Advance Subscriptions A/c	600	By closing outstanding Subscription A/c	3,000
To Income and Expenditure A/c	42,800		
	<u>45,000</u>		<u>45,000</u>

Example :- (3)

Salaries A/c

Dr

Particulars	Amount	Particulars	Amount
To Cash A/c	23,000	By opening outstanding Salary A/c	1,400
To opening prepaid Salary A/c	400	By closing prepaid Salary A/c	600
To closing outstanding Salary A/c	1,800	By Income And Expenditure A/c	23,200
		(Balancing figure)	
	25,200		25,200

Example :- (4)

Subscription A/c

Dr

Particulars	Amount	Particulars	Amount
To opening outstanding Subscription A/c	150	By Cash A/c	2,600
To Income and Expenditure A/c	2,550	By closing outstanding Subscription A/c	100
(balancing figure)			
	2,700		2,700

P.T.O.



Income And Expenditure A/c  
In the books of Exe club  
(As on March 31st 2016)

Dr	Amount	Cr	Amount
Expenditure		Income	
To Groundman's fee (750+300)	1,050	By Subscription	2,550
To depreciation on Equipment (800+1500) = 2300 2300 - 1750 - 80 = 470	470	By Bank interest [30+20]	50
To Rent of Ground	250	By Receipt from lease	300
To Cost of lease	250	By contribution to fares	100
To fares A/c	400	By Net proceeds of variety Entertainment	780
To printing & office Expenses 280	260		
+) 2016 80			
(-) 2015 (100)			
To Repairs to equipment	460		
To Honorarium to Secretary And Treasurer	600		
(400+200)			
To Surplus	40		
	<u>3,780</u>		<u>3,780</u>

P. T. O.

**Balance sheet**  
(As on 1st April 2015)

Liabilities	Amount	Asset	Amount
Outstanding Printing	100	Outstanding Subscription	150
Honorarium to Secretary (2015)	400	Cash	100
Capital Fund	3,080	Deposit Account	2,230
(balancing figure)		Current Account	600
		(-) Unpresented cheque (300)	300
		Moving Machine	800
	<b>3,580</b>		<b>3,580</b>

**Balance sheet**  
(As on 31st March 2016)

Liabilities	Amount	Asset	Amount
Outstanding Printing	80	Subscription Outstanding	100
Overdraft	110	Cash	250
Bonus	300	Deposit Account	3,090
Honorarium to Secretary	600	Current Account	-
Donations for forthcoming Tournament	1,000	Moving Machine	1,750
Capital Fund	3,080	Interest	20
Surplus	40		
	<b>5,210</b>		<b>5,210</b>



Example :- (5)  
Subscription A/c

Dr	Particulars	Amount	Particulars	Amount	Cr
	To Income & Expenditure or Cash A/c	7,500	By closing outstanding Subscription A/c	750	
	To Opening outstanding Subscription A/c	600	By opening Advance Subscription A/c	450	
	To closing Advance Subscription A/c	270	By Receipts And payments A/c (balancing figure)	7,170	
		8,370		8,370	

Receipts And Payments A/c  
In the books of youth club  
As on 31st December 2016

Dr	Receipts	Amount	Payments	Amount	Cr
	To Subscription A/c	7,170	By Salary	4,700	
	To Entrance fees	250	By General Expenses	560	
	To Contribution for Annual dinner	1,000	By Audit fees	200	
	To Annual Sport meet Receipts	750	By Secretary Honorarium	1,000	
	To balance b/d	1,390	By Stationery & Printing	450	
			By Annual dinner Expense	1,500	
			By Interest & Bank charges	150	
			By Sports Equipments	400	
			[ (2600 - 300) - 2700 ]		
			By balance c/d	1,600	
		10,560		10,560	

Balance sheet  
(As on 31st December 2015)

Liabilities	Amount	Asset	Amount
Subscription Advance	450	Outstanding Subscription	600
Outstanding Salary	400	Freehold lease ground	10,000
Audit fees	200	Cash	1,390
Bank loan	2,000	Sports Equipment	2,600
Capital	11,540		
(balancing figure)			
	<u>14,590</u>		<u>14,590</u>

Balance sheet  
(As on 31st December 2016)

Liabilities	Amount	Asset	Amount
Advance Subscription	270	Asset (Outstanding Subscription)	750
Outstanding Salary	450	Prepaid Insurance	60
Outstanding Audit fees	250	lease ground	10,000
Bank loan	2,000	Sports Equipment	2,700
Capital 11,540		Cash	1,600
Surplus 600	12,140		
	<u>15,110</u>		<u>15,110</u>

P. T. O.



Example :- (6)

Subscription A/c

Dr	Particular	Amount	Particular	Amount
	To Income & Expenditure	17,320	By closing outstanding Subscription A/c	700
	To opening outstanding Subscription A/c	800	By opening Advance Subscription A/c	200
	To closing Advance Subscription A/c	100	By Cash A/c (Balancing figure)	17,320
		<u>18,220</u>		<u>18,220</u>

Receipts & Payments A/c

(As on 31st March 2016)

Dr	Receipt	Amount	Payments	Amount
	To Subscription A/c	17,320	By Upkeep Ground	10,600
	To Sale of Newspapers	260	By Printing	1,240
	To lectures	1,500	By Salary	11,000
	To Misc. Income	400	By Rent	600
	To entrance fee	2,600	By Prize general fund	2,000
	To interest on prize fund Investments	1,000	By balance c/d	2,300
	To Balance b/d (balancing figure)	4,660		
		<u>27,740</u>		<u>27,740</u>



Example :- (8)

Income and Expenditure A/c  
In the books of Republic College  
(As on 31st March, 2016)

Expenditure		Amount	Income		Amount
To depreciation :-			By Seminar Receipts		4,20,000
Building	80,000		By Consultancy Receipts		1,08,000
Plant and Equipment	85,000		By Tuition fee Received		8,80,000
Furniture	60,000		By Government Grants		5,00,000
Motor Vehicles	36,000	2,61,000	By Donations		50,000
To Salary - teaching		2,50,000	By interest on dividends on Investment		1,25,000
To Research		1,20,000	By Hostel Rent		75,000
To Scholarships		80,000	By Mess Receipt		2,00,000
To Student Welfare Expense		38,000	By College Stores - sales		75,000
To Repair & Maintenance		1,12,000			
To Games & Sports Expense		50,000			
To Misc. Expense		65,000			
To Research for Seminar & Conference Expense		4,50,000			
To Consultancy Expense		28,000			
To Material Supplies & Consumed:					
Teaching	50,000				
Research	1,50,000				
Students welfare	75,000				
Games or sports	25,000	3,00,000			
To Surplus		3,19,000			
		<b>26,73,000</b>			<b>26,73,000</b>



(8) Balance sheet

CA as on 31st March, 2016

Liabilities	Amount	Asset	Amount
Security deposit	1,50,000	Material Consumed	1,25,000
Capital fund 16,06,000		Research fund Investment	8,00,000
(+) Surplus 3,19,000	19,25,000	Other Investment	12,50,000
Research fund	8,00,000	Provident fund Investment	5,10,000
Building fund	25,00,000	Land	1,00,000
Provident fund	5,10,000	Building 16,00,000	
Outstanding Expense	2,25,000	(-) Depreciation (5,60,000)	10,40,000
		Plant & Equipment 2,50,000	
		(-) depreciation (5,95,000)	2,55,000
		Furniture 6,00,000	
		(-) depreciation (3,96,000)	2,04,000
		Motor Vehicles 1,30,000	
		(-) depreciation (36,000)	1,44,000
		Cash	6,42,000
		Library	3,60,000
		Tuition fee Receivable	80,000
	61,10,000		61,10,000

Working Notes :-

Calculation of Material Consumed :-

Opening Stock	3,00,000
(+) Purchase	8,00,000
COGS	11,00,000
(-) Cost of Material Supplies & Consumed	(9,75,000)
	3,00,000
	6,75,000
Material Consumed	1,25,000



Calculation of depreciation

particular	Building	plant & Equipment	furniture	Motor Vehicle
Cost	16,00,000	8,50,000	6,00,000	1,80,000
(-) depreciation (provision)	(4,80,000)	(5,10,000)	(3,36,000)	-
(-) fixed installment Method (depreciation)	(80,000)	(85,000)	(60,000)	(36,000)
Value of Asset After charging depreciation	10,40,000	2,55,000	2,04,000	1,44,000

Example :- (7)

Income & Expenditure A/c  
In the books of Sportwriters club  
(As on 31st March 2016)

Expenditure	Amount	Income	Amount
To Salary	11,460	By Subscription	28,912
To Rent & Electricity	7,329	(+) 2016	1,575
To depreciation on books	750	(-) 2015	(1,263)
To Magazines and Newspapers	2,286	By Miscellaneous income	700
To Sundry Expenses	10,075	By interest on fixed deposit	2,000
To Sports & Equipment	1,640	By excess of expenditure over Income	2,888
To depreciation on furniture	960		
	<u>34,500</u>		<u>34,500</u>



Balance sheet

(As on 31st March 2015)

Liabilities	Amount	Asset	Amount
Outstanding Expenses:		Fixed Deposit	20,000
Rent	864	Accrued Interest	500
Salary	710	Subscription Receivable	1,263
Magazines & Newspaper	226	Prepaid Expense	417
Capital fund	47,000	Furniture	9,600
(balancing figure)		Sports	7,200
		library books	5,000
		Cash	4,820
	48,800		48,800

Balance sheet

(As on March 31st 2016)

Liabilities	Amount	Asset	Amount
Outstanding Expenses		Fixed Deposit	20,000
Salary	170	Accrued Interest	500
Rent	973	Subscription Receivable	1,515
Magazines & newspaper	340	prepaid Expenses	620
Capital fund 47,000		Furniture	8,640
(-) deficit (-2,888)	44,112	Book	6,000
		(-) depreciation (-750)	5,250
		Sports & Equipment	8,200
		(-) depreciation (-1,640)	6,560
		Cash	2,450
	45,595		45,595



Practical Questions

Solve :- (1)  
Income & Expenditure A/c  
In the books of lion club  
(As on 31st March 2016)

Expenditure	Amount	Income	Amount
To Salary	1,28,000	By Subscription	1,94,750
To printing And Stationery	70,000	By Entrance donations	90,000
To Postage	40,000	By interest	60,000
To telephone and telex	52,000	By misc. Income	9000
To Repair & maintenance	48,000	By Profit from operation	92,000
To Glass and table linen	12,000	By excess of expenditure over income	30,850
To Groceries and Cutlery	14,000	(deficit)	
To Garden Upkeep	8,000		
To Membership fees	4000		
To Insurance	6000		
To electricity charges	43,000		
To depreciation	49,000		
To loss on sale of Assets	2000		
	<u>4,76,000</u>		<u>4,76,000</u>

Balance Sheet

(As on 1st April 2015)

Liabilities	Amount	Asset	Amount
Advance Subscription	15,000	Cash	19,000
Creditors	1,50,000	Bank	3,850
Entrance donation Advance	1,00,000	Outstanding Subscription	12,000
Capital Fund	10,29,850	Fixed Asset	5,00,000
(balancing figure)		Investments	5,00,000
		Prepaid insurance	1000
		Stock	3,80,000
	<u>14,06,850</u>		<u>14,06,850</u>



Balance sheet

(As on 31st March 2016)

Liabilities	Amount	Asset	Amount
Creditors	92,000	Cash	8,000
Outstanding Salary	8,000	Bank	2,24,600
Outstanding electricity Expense	15,000	Outstanding Subscription	7,000
Entrance donation Capitalized	90,000	Fixed Asset	4,41,000
Subscription Advance	18,000	Investments	5,00,000
Capital fund 10,29,850		Accrued Interest	2,000
(-) deficit (30,250)	999,600	Stock	2,10,000
donation Refundable	20,000		
Gratuity fund	1,50,000		
	13,92,600		13,92,600

Working Note :-

Calculation of Subscription :-

Subscription Received	2,02,750
Add:- Closing outstanding subscription	7,000
Less:- opening outstanding subscription	(12,000)
Add:- opening Advance Subscription	15,000
Less:- Closing Advance Subscription	(18,000)
Transfer to Income & Expenditure A/c	1,94,750

Calculation of outstanding Expenses :-

Salary	1,00,000
Add:- Outstanding	2000
Total	1,02,000
Electricity charges	28,000
Add:- Outstanding	15,000
Total	43,000

Calculation of Entrance deduction :-

Entrance deduction	1,00,000
Add:- Advance deduction	1,00,00,00
	2,00,000
Less:- Refund	(20,000)
	1,80,000
Less:- 50% capitalizes value	(90,000)
Taken to Income & Expenditure A/c	90,000

Calculation of depreciation :-

Cost of Asset	5,00,000
Less:- sold Asset	(1,00,000)
	4,00,000
Less:- depreciation @ 10%	(40,000)
Value of Asset After charging depreciation	3,60,000



Calculation of loss on sale of Asset :-

Cost of Asset Sold	10,000
Less:- Sale price of Asset Sold	(8,000)
Loss on Sale of Asset	2,000

Calculation of Material Consumed :-

Opening Stock	3,80,000
Add:- purchase	15,00,000
Less:- closing Stock	(2,10,000)
Cost of Goods Sold	16,70,000
Less:- Coffee Room	(10,70,000)
Less:- Soft drinks	(5,10,000)
Less:- Swimming pool	(80,000)
Less:- Tennis court	(1,00,000)
profit from operation	(-92,000)

Calculation of Insurance :-

Insurance	5,000
(+) Prepaid Insurance (2015)	1,000
Insurance	6,000

Calculation of creditors :-

Purchase	15,00,000
Add:- Creditors	1,12,000
Less:- Payment of creditors	(15,90,000)
Remaining Creditors	92,000

Calculation of Interest on Investments :-

Interest on 12% Government Securities	
Investment (5,00,000 @ 12%)	60,000
Less:- Interest Received	(58,000)
Accrued Interest	2,000
Interest credited to Income & Expenditure A/c	60,000

Solve:- (2)

Income & Expenditure A/c  
In the books of Sachin Cricket Club  
(As on 31st March 2016)

Expenditure	Amount	Income	Amount
		By Subscription (500 members X 1500 ₹)	7,50,000

Balance sheet

As on 31st March 2015

Liabilities	Amount	Asset	Amount
		Outstanding Subscription	27,000
		2014-15	15,000
		2015-16	12,000

Balance sheet

As on 31st March 2016

Liabilities	Amount	Asset	Amount
Advance / Unearned Subscription	18,000	Outstanding Subscription	1,50,000
		2014-15	15,000
		2015-16	1,35,000
		(75,000 - 61,500)	



Solution :- (3)

Receipts And Payments A/c

In the books of Bombay Medical Aid  
(As on 31st December 2016)

Receipts	Amount	Payments	Amount
To Cash (opening bal.)	8,000	By Honorarium to doctor A/c	10,000
To Subscription	50,000	By Salaries A/c	28,000
To Donation	15,000	By Sundry Expenses	1000
To Interest on Investment	9,000	By equipment purchase	15000
To charity collections	12,500	By charity Expenses	1500
		By Medicine Supply	30,000
		By balance c/d (Cash A/c)	9000
	94,500		94,500

Income & Expenditure A/c

In the books of Bombay Medical Aid  
(As on 31st December 2016)

Expenditure	Amount	Income	Amount
To honorarium doctor	10,000	By Subscription	51,200
To salary	28,000	By Donation A/c	15,000
To Sundry Expenses	1000	By Interest on Investment	9,000
To depreciation (6000 + 2000)	8000	By charity collections	12,500
To charity Expenses	1500		
To Medicine Consumed	29,000		
To Surplus	10200		
	87,700		87,700

Balance sheet

(As on 1st January 2016)

Liabilities	Amount	Asset	Amount
Prepaid Subscription	1200	Outstanding Subscription	1500
Outstanding Medicine	9,000	Stock	10,000
Capital Fund	1,80,300	Equipment	21,000
(balancing figure)		Building	50,000
		Investment	1,00,000
		Cash	8,000
	<u>1,90,500</u>		<u>1,90,500</u>

Balance sheet

(As on 31st December 2016)

Liabilities	Amount	Asset	Amount
Prepaid Subscription	700	Outstanding Subscription	2,900
Outstanding medicine	1,3000	Stock	15,000
Capital	1,80,300	Equipment	30,000
(+) Surplus	10,200	Building	48,000
		Investment	100,000
		Cash	9,000
	<u>2,04,200</u>		<u>2,04,200</u>

P.T.O.



Working Notes :-

Calculation of Medicine Supply :-

Payment for medicine supply (Purchase)	30,000	(i)
Add:- Amount due on (31st March/December 2016)	13,000	
Less:- Amount due on (1st April <sup>January</sup> 2016)	(9,000)	
	34,000	
Add:- opening stock	10,000	
Less:- closing stock	(15,000)	
(Exp.) Medicine Consumed	29,000	(ii)

Calculation of depreciation :-

Value of Equipment (1st Jan 2016)	21,000	(i)
Add:- Purchase during the year	15,000	
	36,000	(ii)
Less:- Value of Equipment (31st Dec. 2016)	(30,000)	(iii)
Depreciation on Equipment	6,000	(iv)

Calculation of Subscription :-

Subscription Received	50,000	(i)
Add:- Closing outstanding	2,000	(ii)
Less:- opening outstanding	(1,500)	(iii)
Less:- <del>Add:-</del> Closing prepaid	(700)	(iv)
Add:- Opening prepaid	1,200	
	51,000	