

Principles & Practice of Accounting

Financial Statements of Not-for-profit Organisations



CHAPTER-9

FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ORGANIZATIONS

INTRODUCTION

A non profit organization is a legal and accounting entity that is operated for the benefit of the society as a whole, rather than for the benefit of a sole proprietor or a group of partners or shareholders.

Non-profit making organisations such as public hospitals, public educational institutions, clubs, Temples, churches etc., conventionally prepare Receipts and Payments Account and Income and Expenditure Account to show periodic performance and Balance Sheet to show financial position at the end of the period.

Features:

- It is the summary of the cash and bank transactions like cash book, all the receipts (**capital or revenue**) are debited, similarly, all the expenditures (**capital or revenue**) are credited.
- It starts with opening cash and bank balances and also ends with their closing balances.
- This account is usually not a part of the double entry system.
- It includes all cash and bank receipts and payments, whether they are related to current, past or future periods.
- Surplus or deficit for an accounting period cannot be ascertained from this account, since, it shows only the Cash/Bank position and excludes all non cash items.

Limitations of Receipts and Payments Account

- The increase in the cash and bank balances at the end of the year, as compared to those in beginning, does not truly represent the surplus for the year since it does not take into account the cost of construction of the pavilion, which is in excess of the donation received, the outstanding subscription or those which were collected in advance, etc. Ordinarily one must ascertain whether for a current year income is sufficient to meet the current expenses.
- The Receipts and Payments Account includes items relating to all periods or of all types, it does not serve the purpose mentioned above. Due to these drawbacks, the preparation of Receipts and Payments Account is not favoured except where the activities of the organization, the results of which are to be exhibited, are simple and modest, involve no carry over from one period to the next and it has no assets, apart from cash balance and no liabilities.

INCOME AND EXPENDITURE ACCOUNT

Features:

- It is a **revenue account** prepared at the end of the accounting period for finding out the surplus or deficit of that period.
- It is prepared by matching expenses against the revenue of that period concerned.
- Both cash and non-cash items, such as depreciation, are taken into consideration.
- All capital expenditures and incomes are excluded.
- Only current years' income and expenses are considered.

1 Main Sources of Income

- These are subscriptions, ordinary donations, membership fees or entrances fees (if the amount is normal or provided according to by-laws of the society), recurring grants from local authorities and income from investments, etc. Any amount raised for a special activity, e.g. on sale of match tickets, is deducted from the expenditure of that activity and net amount is shown in the income and expenditure account.
- Any receipt of capital nature shall not be shown as income but will be credited to the Capital Fund or special purpose fund e.g. "Building Fund" or if the receipts is on account of sale of a fixed asset, it shall be credited to the asset account.

Examples:

Hospital - medicines and cost of tests and investigations.

Sports Club - sports materials, tournament expenses, etc.

Drama Club - expenses of staging plays, rent of the hall, payment to artists, etc.

Educational Societies - award of scholarships, organisation of seminars, etc.

Library Societies - newspapers and magazines.

Any expenditure for acquisition of a fixed asset will be capitalised, though the amount of annual depreciation shall be debited to revenue expenditure.

2 Distinction between Receipts and Payments Account and Income and Expenditure Account

- Not for profit organizations such as public hospitals, public educational institutions, clubs, Temples, churches etc., conventionally prepare Receipt and Payment Account and Income and Expenditure Account to show periodic performance for a particular accounting period. The distinguishing features of both the accounts can be summarized as:
- Receipt and Payment Account is an elementary form of account consisting of a classified summary of cash receipts and payments over a certain period together with cash balances at the beginning and close of the period.
- The receipts are entered on the left hand side and payments on the right hand side i.e. same sides as those on which they appear in cash book.
- All the receipts and payments whether of revenue or capital nature are included in this account. The balance of the account at the end of a period represents the difference between the amount of cash received and paid up. It is always in debit since it is made up of cash in hand and at bank.
- Income and Expenditure Account **resembles a Profit and Loss Account** and serves the same function in respect of a non-profit making concern as the last mentioned account does for a firm, carrying on business or trade.

- Income and Expenditure Account is drawn up in the same form as the Profit and Loss Account. Expenditure of revenue nature is shown on the debit side, income and gains of revenue nature are shown on the credit side.
- Income and Expenditure Account contains all the items of income and expenditure relevant to the period of account, whether received or paid out as well as that which have fallen due for recovery or payment. Capital Receipts, prepayments of income and capital expenditures, prepaid expenses are excluded. It does not start with any opening balance. The closing balance represents the amount by which the income exceeds the expenditure only or vice versa.

3 Preparation of Income and Expenditure Account from Receipts and Payments Account

The procedure which should be followed.

- (i) Compute the opening balance of the Accumulated Fund, or Capital Fund of the Institution with the help of making opening balance sheet. It will be excess of the total value of the assets over that of the liabilities at the commencement of the period.
- (ii) Open ledger accounts in respect of various items of income and expenditure (e.g. subscription, rents, printing, purchase of sports materials etc.) in which accruals or outstanding at the beginning or at the end of period have to be adjusted. Enter therein any accrual or outstanding at the end of the period as well as amounts which relate to an earlier period or the following period. The balance of the ledger accounts therefore will represent the amounts or income or expenditure pertaining to the period. These should be transferred to the Income and Expenditure Account.
- (iii) Post from the debit of the Receipts & Payments Account to the credit of the Income and Expenditure Account other items of income wherein accruals and outstanding amount have to be adjusted. Likewise, post item of expenses in which no adjustment is to be made directly to debit of income and Expenditure Account.
- (iv) Transfer the balance of Income and Expenditure Account to the Accumulated Fund/Capital Fund Account.
- (v) Post the receipts and payments of capital nature from the Receipts and Payments Account to the appropriate asset or liability account for incorporating in the Balance Sheet. If a part or whole of an asset has been sold, the capital profit/loss, if any, is credited / debited in the Income and Expenditure Account. The balance of Income and Expenditure Account should be transferred to the Accumulated Fund/Capital Fund Account.
- (vi) Prepare a Balance Sheet by including therein all the balances left over after transfers to the Income and Expenditure Account have been made.

4. BALANCE SHEET

- A Balance Sheet is the **statement** of assets and liabilities of an accounting unit at a given date.
- It is generally prepared at the end of an accounting period after the Income and Expenditure Account has been prepared.
- It is classified summary of the ledger balances left over, after accounts of all the revenue items have been closed off by transfer to the Income and Expenditure Account.
- In not for profit organizations, the excess of total assets over total outside liabilities is known as **Capital Fund**.
- The Capital fund represents the amount contributed by members, legacies, special donations, entrance fees and accumulated surplus over the years. If however, members have not contributed any amount, the name should be Accumulated Fund. The surplus or deficit, if any, on the year's

working as disclosed by the Income and Expenditure Account is shown either as an addition to or deduction from the Capital / Accumulated Fund brought forward from the previous period.

Accounting Treatment of Some Special Items

1 Donations:

- These may have been raised either for meeting some revenue or capital expenditure;
- those intended for the first mentioned purpose are credited directly to the Income and Expenditure Account .
- If the donors have declared their specific intention, are credited to special fund account and in the absence thereof, to the Capital Fund Account. If any investments are purchased out of a special fund or an asset is acquired therefrom, these are disclosed separately.
- Any income received from such investments or any donations collected for a special purpose are credited to an account indicating the purpose and correspondingly the expenditure incurred in carrying out the purpose of the fund is debited to this account.
- On no account any such expense is charged to the Income and Expenditure Account. **The term "Fund" is strictly applicable to the amounts collected for a special purpose when these are invested, e.g. Scholarship Fund, Prize Fund etc.** In other cases, when the amounts collected are not invested in securities or assets distinguishable from those belonging to the institution, the word "Account" is more appropriate e.g. Building Account, Tournament Account etc.

2 Entrance and Admission Fees:

- Such fees which are payable by a member on admission to club or society are normally considered capital receipts and credited to Capital Fund.
- This is because these do not give rise to any special obligation towards the member who is entitled to the same privileges as others who have paid only their annual subscription.
- Nevertheless, where the amount is small, meant to cover expenses concerning admission, or the rules of the society provided that such fees could be treated as income of the society, these amounts may be included in the Income and Expenditure Account. The treatment depends upon the requirement of question. If the question is silent then always take it to be capital receipt.

3 Subscription:

- Subscriptions being an income should be allocated over the period of their accrual.
- If some subscriptions have been received in advance, their amount is also indicated. In such cases, it is always desirable to set up a Subscription Account for determining the amount of subscription pertaining for the period for which accounts are being prepared.

4 Life Membership Fee: Fees received for life membership is a **capital receipt** as it is of non-recurring nature. It is **directly added to capital fund** or general fund.

For adjusting lump sum subscription collected from the life members, one of the following methods can be adopted:

- (1) The entire amount may be carried forward in a special account until the member dies, when the same may be transferred to the credit of the Accumulated Fund.
- (2) An amount equal to the normal annual subscription may be transferred every year to the Income and Expenditure Account and balance carried forward till it is exhausted. If, however, the life member dies before the whole of the amount paid by him has been transferred in this way, the balance should be transferred to the Accumulated Fund on the date of his death.
- (3) An amount, calculated according to the age and average life of the member, may annually be transferred to the credit of Income and Expenditure Account.

Other concepts

Treatment of Important Items in Not For Profit Organization

1. **Donation:** it is **gift** in **cash** or **kind** from some person. It may be of two types:
 - (a) **Specific Donation:** It is received for certain specific purpose like Building Donation, Library Books donation etc. It should be capitalized and shown on the liabilities side of the balance sheet.
 - (b) **General Donation:** It is not received for any specific purpose and shown on the credit side of Income and Expenditure Account.
2. **Entrance Fees:** It may also be known as admission fees. **Entrance Fees should be capitalized** and added to the capital fund for all organization. If the question gives any specific treatment of Entrance fees, then it should be followed accordingly.
3. **Legacy:** It is an amount received by an organization as per the will of the person after the death of the person. It should be capitalized and shown on the liabilities side of the balance sheet by adding to the Capital Fund.
4. **Life Membership Fees:** It should **be capitalized** and shown on the liabilities side of the balance sheet. If the question gives any specific treatment of Life membership Fees, then it should be followed accordingly.
5. **Endowment Fund Donation:** It is a donation received and **only income from that donation is to be used for certain specific purpose**. In such cases income relating to special funds should be added to these funds on the liabilities side of the B/S. All the expenses should be deducted from that fund on the liabilities side of the Balance Sheet.
6. **Treatment of Sale of Old Newspaper and Periodicals:** The amount received on such sale is shown as Income on the credit side of income and expenditure account.
7. **Sale of old Fixed Assets:** The Sale proceeds of old Fixed Assets are treated as **capital receipts**. The profit or loss on sale of fixed asset is shown in the Income and Expenditure A/c
8. **Honorarium:** It is paid to someone for receiving any services from person who are **not the employees** of the Not for Profit Organisation.

EDUCATIONAL INSTITUTIONS

Salient Features

The basic tenets pre-suppose, that part of the expenses of the educational institutions are met from the funds raised by the educational institutions themselves, either from donations, or from charities, collected from benevolent citizens in the country.

The State Governments through grant-in-aid-code have evolved different patterns of giving assistance to the educational institutions. There is, as such, no uniformity in the giving of assistance to the educational institutions in the form of grants.

All the educational institutions follow financial year as their accounting year.

1 Sources of Finance for Running the Educational Institution

There are three main sources through which amounts are collected by the educational institutions. These are:

- (1) Donation from Public;
- (2) Fees in the form of annual tuition fees, term fees, admission fees, laboratory fee etc., and
- (3) Grants received from the Government.

The Government grants are of four kinds namely Maintenance Grant, Equipment grant, Building Grant and such other grants as may be sanctioned by the Government from time to time.

2 Specific items

- (a) **Donation from Public** : These are received either for recurring or non-recurring purposes. Donations are received either in cash or in kind. The 'in kind' donations are in the form of land and building, shares and securities, utensils, furniture and fixtures and the like, generally with a desire to perpetuate the memory of a distinguished member of the family of the donor.
- (b) **Capitation fees or admission fees** : Amounts are collected from parents/guardians of the students who seek admission in the educational institution. These are either in the form of capitation fees or admission fees and are generally collected by the Parent Body which runs the institution. In recent times, such collections have been a matter of severe attack and ban.
- (c) **Laboratory and Library deposit** : These are generally collected by schools and colleges and they remain with the institution till the student finally leaves it.

The School Code prescribes the rates of tuition and other fees, to be charged from the students.

- (d) **Use of Term Fees** : A separate account of receipts and expenditures shall be maintained and surplus carried over to the next year. The following are main items on which term fee can be used:
 - (1) Medical Inspection.
 - (2) School Magazine-manuscript and/or printing.
 - (3) Examination expenses i.e. printing, of question papers and supply of answer books if there is sufficient balance.
 - (4) Contribution to athletic and cultural associations, connected with school activities.
 - (5) School functions and festivals.
 - (6) Inter-class and Inter-school tournaments.
 - (7) Sports and Games-major and minor.
 - (8) Newspapers and magazines.
 - (9) Extra-curricular excursion and visits.
 - (10) School competition such as elocution competition etc.
 - (11) Scouting and Guiding.
 - (12) School Band.
 - (13) Social and Cultural activities and equipment required for the same.
 - (14) Vocational Guidance in general.
 - (15) Prizes for Co-curricular activities.
 - (16) Any other extra-curricular or co-curricular activities.
 - (17) Maintenance of playground.
 - (18) Purchase of books for Pupils Library.
 - (19) Drawing and Craft material.
 - (20) Audio-Visual Education.
 - (21) Curricular visits and excursions.
 - (22) Equipment for Physical education

- (e) **Recurring grants** : Recurring grants in the form of Maintenance Grants are received in instalments spread out throughout the year.
- (f) **Use of grant-in-aid** : The School Code provides a detailed list of items of expenditure which are admissible for grant-in-aid:
- (1) Staff salaries and allowances
 - (2) Leave Allowance.
 - (3) Bad Climate Allowance.
 - (4) Water Allowance.
 - (5) Leave Salary.
 - (6) Expenditure on training of teachers.
 - (7) Pension and Gratuity as may be applicable.
 - (8) Expenditure on the appointment of Librarian.
 - (9) Rent, Taxes and Insurance.
 - (10) Other Contingencies: expenditure of printing and stationery, conveyance expenditure, expenditure on purchase of books and furniture equipment.
 - (11) Current repairs.
 - (12) Miscellaneous Expenses: e.g. School Garden, Physical Education.
 - (13) Prizes.
 - (14) Expenditure on co-operative stores.
 - (15) Registration fee paid to the Board for recognition.
 - (16) Maintenance of Tiffin Rooms.
 - (17) Bonus to Teachers.
 - (18) Electrical charges.
 - (19) Telephone Charges.
 - (20) Expenditure in connection with Conferences.
 - (21) Subscription to educational Association etc.
 - (22) Medical charges.
 - (23) Audit fees of the auditors in accordance with prescribed scale.
 - (24) Sales-tax and General tax on purchase of the school requirements.
 - (25) Payments for merit scholarships.

CLASS WORK

Q-1 During the year ended 31st March, 2016, Sachin Cricket Club received subscriptions as follows:

For year ending 31st March, 2015	12,000
For year ending 31st March, 2016	6,15,000
For year ending 31st March, 2017	18,000
Total	6,45,000

There are 500 members and annual subscription is ₹ 1,500 per member.

On 31st March, 2016, a sum of ₹ 15,000 was still in arrears for subscriptions for the year ended 31st March, 2015.

Ascertain the amount of subscriptions that will appear on the credit side of Income and Expenditure Account for the year ended 31st March, 2016. Also show how the items would appear in the Balance Sheet as on 31st March, 2015 and the Balance Sheet as on 31st March, 2017.

Q-2 Summary of receipts and payments of Bombay Medical Aid society for the year ended 31.12.2016 are as follows:

Opening cash balance in hand ₹ 8,000, subscription ₹ 50,000, donation ₹ 15,000 (raised for meeting revenue expenditure), interest on investments @ 9% p.a. ₹ 9000, payments for medicine supply ₹ 30,000 Honorarium to doctor ₹ 10,000, salaries ₹ 28,000, sundry expenses ₹ 1,000, equipment purchase ₹ 15,000, charity show expenses ₹ 1,500, charity show collections ₹ 12,500.

Additional information:

	1.1.2016	31.12.2016
Subscription due	1,500	2,200
Subscription received in advance	1,200	700
Stock of medicine	10,000	15,000
Amount due for medicine supply	9,000	13,000
Value of equipment	21,000	30,000
Value of building	50,000	48,000

You are required to prepare receipts and payments account and income and expenditure account for the year ended 31.12.2016 and balance sheet as on 31.12.2016.

Q-3 The receipts and payments account and the income and expenditure account of a Club for the year ended 31st December, 2016 were as follows:

Receipts and Payments Account

Receipts		Payments	
To Balance b/d		By Books purchased	1,000
To Subscriptions:		By Printing and Stationery	200
2015	600	By Salary	1,500
2016	<u>4,300</u>	By Advertisement	200
To Interest		By Electric Charge	400

To Donation for special fund	300	By Balance c/d	7,350
To Rent:			
2015	150		
2016	300	450	
To Govt. Grants		2,000	
	10,650		10,650

Income and Expenditure Account

Expenditure	`	Income	`
To Salary	2,800	By Interest	400
To Tent Hire	200	By Subscription	4,800
To Electric charges	400	By Rent	2,300
To Depreciation on Building	750	By Govt. Grant	2,000
To Printing and Stationery	200		
To Advertisement	150		
To Surplus	5,000		
	9,500		9,500

The club's assets as on 1st January 2016 were :

Building ` 15,000; Books ` 10,000

Furniture ` 4,000; Investments ` 10,000

Liabilities as on that date were ` 50 for advertisement and ` 100 for salary.

Required

Prepare the balance sheet of the club on 31st December, 2015 and 31st December, 2016

- Q-4** From the following data, prepare an Income and Expenditure Account for the year ended 31st December, 2016, and Balance Sheet as at that date of the Mayura Hospital.

Receipts and Payments Account for the year ended 31 December, 2016

Receipts	`	Payments	`
To Balance b/d		By Salaries :	
Cash	400	(` 3,600 for 2015)	15,600
Bank	<u>2,600</u>	3,000	By Hospital Equipment
			8,500
To Subscriptions :		By Furniture purchased	3,000
For 2015	2,550	By Additions to Building	25,000
For 2016	12,250	By Printing & Stationery	1,200
For 2017	1,200		
To Government Grant :		By Diet expenses	7,800
For building	40,000	By Rent and rates	
For maintenance	10,000	(` 150 for 2017)	1,000
Fees from sundry		By Electricity and water	

	<i>Patients</i>	<i>2,400</i>	<i>charges</i>	<i>1,200</i>
To	Donations (not to be capitalised)	4,000	By office expenses	1,000
			By Investments	10,000
To	Net collections from benefit shows	3,000	By Balances :	
			Cash	700
			Bank	3,400
		78,400		78,400

Additional information :

Value of building under construction as on 31.12.2016	70,000
Value of hospital equipment on 31.12.2016	25,500
Building Fund as on 1.1. 2016	40,000
Subscriptions in arrears as on 31.12.2015	3,250
Investments in 8% Govt. securities were made on 1st July, 2016.	

Q-5 The following is the Receipts and Payments Account of Lion Club for the year ended 31st March, 2016.

Receipts

Opening balance:

Cash

10,000

Bank

3,850

Subscription received

2,02,750

Entrance donation

1,00,000

Interest received

58,000

Sale of assets

8,000

Miscellaneous income

9,000

Receipts at

Coffee room

10,70,000

Soft drinks

5,10,000

Swimming pool

80,000

Tennis court

1,02,000

21,53,600**Payments**

Salaries

1,20,000

Creditors

15,20,000

Printing and stationary

70,000

Postage

40,000

Telephones and telex

52,000

Repairs and maintenance

48,000

Glass and table linen

12,000

Crockery and cutlery

14,000

Garden upkeep

8,000

Membership fees

4,000

Insurance

5,000

Electricity

28,000

Closing balance:

Cash

8,000

Bank

2,24,600

21,53,600

The assets and liabilities as on 1.4.2015 were as follows :

Fixed assets (net)

5,00,000

Stock

3,80,000

Investment in 12% Government securities

5,00,000

Outstanding subscription

12,000

Prepaid insurance	1,000
Sundry creditors	1,12,000
Subscription received in advance	15,000
Entrance donation received pending membership	1,00,000
Gratuity fund	1,50,000

The following adjustments are to be made while drawing up the accounts:

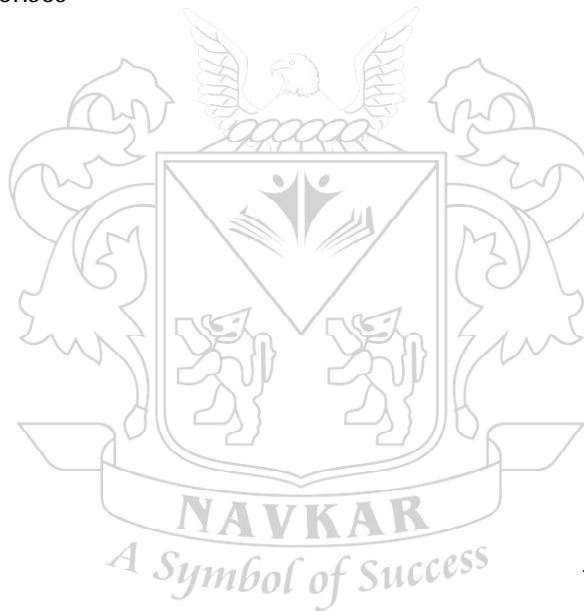
- (i) Subscription received in advance as on 31st March, 2016 was ₹ 18,000.
- (ii) Outstanding subscription as on 31st March, 2016 was ₹ 7,000.
- (iii) Outstanding expenses are salaries ₹ 8,000 and electricity ₹ 15,000.
- (iv) 50% of the entrance donation was to be capitalized. There was no pending membership as on 31st March, 2016.
- (v) The cost of assets sold net as on 1.4.2015 was ₹ 10,000.
- (vi) Depreciation is to be provided at the rate of 10% on assets.
- (vii) A sum of ₹ 20,000 received in October 2015 as entrance donation from an applicant was to be refunded as he has not fulfilled the requisite membership qualifications. The refund was made on 3.6.2016.
- (viii) Purchases made during the year amounted ₹ 15,00,000.
- (ix) The value of closing stock was ₹ 2,10,000.
- (x) The club as a matter of policy, charges off to income and expenditure account all purchases made on account of crockery, cutlery, glass and linen in the year of purchase.

You are required to prepare an Income and Expenditure Account for the year ended 31st March, 2016 and the Balance Sheet as on 31st March, 2016 along with necessary workings.

Q-6 From the following balances and particulars of Republic College, prepare Income & Expenditure Account for the year ended March, 2016 and a Balance Sheet as on the date :

Seminars & Conference Receipts	4,80,000
Consultancy Receipts	1,28,000
Security Deposit - Students	1,50,000
Capital Fund	16,06,000
Research Fund	8,00,000
Building Fund	25,00,000
Provident Fund	5,10,000
Tuition Fee Received	8,00,000
Government Grants	5,00,000
Donations	50,000
Interest & Dividends on Investments	1,85,000
Hostel Room Rent	1,75,000
Mess Receipts (Net)	2,00,000
College Stores-Sales	7,50,000
Outstanding expenses	2,25,000
Stock of-stores and Supplies (opening)	3,00,000

Purchases - Stores & Supplies	8,00,000	
Salaries - Teaching	8,50,000	
Research	1,20,000	
Scholarships	80,000	
Students Welfare expenses	38,000	
Repairs & Maintenance	1,12,000	
Games & Sports Expenses	50,000	
Misc. Expenses	65,000	
Research Fund Investments	8,00,000	
Other Investments	18,50,000	
Provident Fund Investment	5,10,000	
Seminar & Conference Expenses	4,50,000	
Consultancy Expenses	28,000	
Land	1,00,000	
Building	16,00,000	
Plant and Machinery	8,50,000	
Furniture and Fittings	6,00,000	
Motor Vehicle	1,80,000	
Provision for Depreciation:		
Building		4,80,000
Plant & Equipment		5,10,000
Furniture & Fittings		3,36,000
Cash at Bank	6,42,000	
Library	3,60,000	
	1,03,85,000	1,03,85,000

**Adjustments:**

- (1) Materials & Supplies consumed: (From college stores)

Teaching	50,000
Research	1,50,000
Students Welfare	75,000
Games or Sports	25,000
- (2) Tuition fee receivable from Government for backward class Scholars 80,000
- (3) Stores selling prices are fixed to give a net profit of 10% on selling price
- (4) Depreciation is provided on straight line basis at the following rates:

(1)	Building	5%
(2)	Plant & Equipment	10%
(3)	Furniture & Fixtures	10%
(4)	Motor Vehicle	20%

Q-7 The Income and Expenditure Account of the Youth Club for the Year 2016 is as ws:

Expenditure		Income	
To Salaries	4,750	By Subscription	7,500
To General Expenses	500	By Entrance Fees	250
To Audit Fee	250	By Contribution for	
To Secretary's Honorarium	1,000	annual dinner	1,000
To Stationery & Printing	450	By Annual Sport meet	
To Annual Dinner Expenses	1,500	receipts	750
To Interest & Bank Charges	150		
To Depreciation	300		
To Surplus	600		
	9,500		9,500

This account had been prepared after the following adjustments:

Subscription outstanding at the end of 2015	600
Subscription received in Advance on 31st December, 2015	450
Subscription received in advance on 31st December, 2016	270
Subscription outstanding on 31st December, 2016	750

Salaries Outstanding at the beginning and the end of 2016 were respectively ` 400 and ` 450. General Expenses include insurance prepaid to the extent of ` 60. Audit fee for 2016 is as yet unpaid. During 2016 audit fee for 2015 was paid amounting to ` 200.

The Club owned a freehold lease of ground valued at ` 10,000. The club had sports equipment on 1st January, 2016 valued at ` 2,600. At the end of the year, after depreciation, this equipment amounted to ` 2,700. In 2015, the Club has raised a bank loan of ` 2,000. This was outstanding throughout 2016. On 31st December, 2016 cash in hand amounted to ` 1,600.

Required

Prepare the Receipts and Payments Account for 2016 and Balance Sheet as at the end of the year.

MULTIPLE CHOICE QUESTIONS

1. Scholarship granted to students out of specific funds provided by Government will be debited to
 - (a) Income and Expenditure Account.
 - (b) Receipts and payments Account.
 - (c) Funds.
 - (d) None of the three.
2. In case of NPO, excess of total assets over liabilities is known as
 - (a) Profits.
 - (b) Surplus
 - (c) Capital Fund.
 - (d) Accumulated Fund.
3. General donations and legacies are credited to
 - (a) Receipts and Payments Account.
 - (b) Income and Expenditure Account.
 - (c) Capital Fund.
 - (d) Fund Account.
4. Interest on prize funds is
 - (a) Credited to Income and Expenditure Account.
 - (b) Credited to Receipts and Payments Account.
 - (c) Capital Fund.
 - (d) Added to prize fund.
5. Special aids are
 - (a) Treated as capital receipts.
 - (b) Treated as revenue receipts.
 - (c) Added to Capital Fund.
 - (d) Both (a) and (c).

HOME WORK

- Q-1** During 2016, subscription received in cash is ₹ 42,000. It includes ₹ 1,600 for 2015 and ₹ 600 for 2017. Also ₹ 3,000 has still to be received for 2016.

Required

Calculate the amount to be credited to Income and Expenditure Account in respect of subscription.

- Ans.** Amount to be credited to Income & Expenditure A/C in respect of subscription is ₹ 42,800

Subscription outstanding A/C closing Bal. ₹ 3,000

Subscription Received in Advance A/C Closing Bal. ₹ 600

- Q-2** Suppose salaries paid during 2016 were ₹ 23,000. The following further information is available:

Salaries unpaid on	31st March,		2015	1,400
" pre-paid on	"	"	2015	400
" un-paid on	"	"	2016	1,800
" pre-paid	"	"	2016	600

Required

Calculate the amount to be debited to Income and expenditure account in respect of salaries and also show necessary ledger accounts.

Ans. Amount to be debited to Income & Expenditure A/C in respect of salaries - ₹ 23,200

Q-3 The receipts and payments for the Swaraj Club for the year ended March 31, 2016 were: Entrance fees ₹ 300; Membership Fees ₹ 3,000; Donation for Club Pavilion ₹ 10,000, Foodstu sales ₹ 1,200; Salaries and Wages ₹ 1,200 Purchase of Foodstu ₹ 800; Construction of Club Pavilion ₹ 11,000; General Expenses ₹ 600; Rent and Taxes ₹ 400; Bank Charges ₹ 160.

Cash in hand–April. 1st ₹ 200, March. 31st ₹ 350

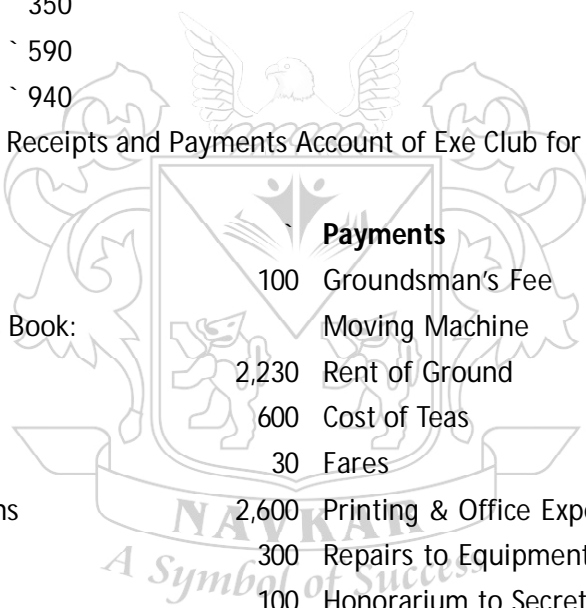
Cash in Bank–April. 1st ₹ 400; March. 31st ₹ 590

You are required to prepare Receipts and Payment Account.

Ans. Receipts & Payments A/C Closing Balance

Cash in Hand - ₹ 350

Cash in Bank - ₹ 590



₹ 940

Q-4 The following was the Receipts and Payments Account of Exe Club for the year ended March. 31, 2016

All the figures in thousands

Receipts

Cash in hand	100
Balance at Bank as per Pass Book:	
Deposit Account	2,230
Current Account	600
Bank Interest	30
Donations and Subscriptions	2,600
Receipts from teas	300
Contribution to fares	100
Sale of Equipment	80
Net proceeds of Variety Entertainment	780
Donation for forth coming Tournament	1,000
	7,820

Payments

Groundsman's Fee	750
Moving Machine	1,500
Rent of Ground	250
Cost of Teas	250
Fares	400
Printing & Office Expenses	280
Repairs to Equipment	500
Honorarium to Secretary and Treasurer of 2015	400
Balance at Bank as per Pass Book:	
Deposit Account	3,090
Current Account	150
Cash in hand	250
	7,820

You are given the following additional information:

	April, 1, 2015	March, 31, 201
Subscription due	150	100
Amount due for printing etc.	100	80
Cheques unrepresented being payment for repairs	300	260
Estimated value of machinery and equipment	800	1,750

Q-6 The Sportwriters Club gives the following Receipts and Payments Account for the year ended March 31, 2016:

Receipts and Payments Account

Receipts		Payments	
To Balance b/d		By Salaries	12,000
	4,820		
To Subscriptions	28,600	By Rent and electricity	7,220
To Miscellaneous income	700	By Library books	1,000
To Interest on Fixed deposit	2,000	By Magazines and newspapers	2,172
		By Sundry expenses	10,278
		By Sports equipments	1,000
		By Balance c/d	2,450
	36,120		36,120

Figures of other assets and liabilities are furnished as follows:

	As at March 31	
	2015	2016
Salaries outstanding	710	170
Outstanding rent & electricity	864	973
Outstanding for magazines and newspapers	226	340
Fixed Deposit (10%) with bank	20,000	20,000
Interest accrued thereon	500	500
Subscription receivable	1,263	1,575
Prepaid expenses	417	620
Furniture	9,600	
Sports equipments	7,200	
Library books	5,000	

The closing values of furniture and sports equipments are to be determined after charging depreciation at 10% and 20% p.a. respectively inclusive of the additions, if any, during the year. The Club's library books are revalued at the end of every year and the value at the end of March 31, 2016 was ₹ 5,250.

Required

From the above information you are required to prepare:

- (a) The Club's Balance Sheet as at March 31, 2015;
- (b) The Club's Income and Expenditure Account for the year ended March 31, 2016.
- (c) The Club's Closing Balance Sheet as at March 31, 2016.

Ans. Total of Balance sheet as on 31.3.2015 -	₹ 48,800
Capital Fund as on 31.3.2015 -	₹ 47,000
Total of Balancesheet as on 31.3.2016 -	₹ 45,595
Deficit in Income & Exp. A/C -	₹ 2,888



www.navkardigitalinstitute.com



**Navkar
Digital
Institute**

India's First Virtual Learning Program for CA Coaching