

KS ACADEMY

CA FOUNDATION DEC 23 – NPO

FEATURES OF RECEIPTS & PAYMENTS ACCOUNT

1. It starts with the Opening Balance of Cash in hand and Cash at Bank.
2. It is debited with all sums received.
3. It is credited with all sums paid out.
4. It records all receipts and payments whether they are of revenue nature or capital nature.
5. It records all receipts and payments whether they relate to the previous, current or following accounting year.
6. It does not record non-cash items (e.g. Depreciation).
7. It ends with Closing Balance of Cash in hand and Cash at bank.

FORMAT OF RECEIPTS & PAYMENTS ACCOUNT

RECEIPTS AND PAYMENTS ACCOUNT

Dr.

for the period ending on ...

Cr.

Receipts	₹	Payments	₹
To Balance b/f:		By Balance b/d (Bank overdraft)	xxx
Cash	xxx	By Annual Sports Expenses	xxx
Bank	xxx	By Salaries & Wages	xxx
To Subscription:		By Rent, Rates & Taxes	xxx
for previous year	xxx	By Insurance	xxx
for current year	xxx	By Furniture	xxx
for next year	xxx	By Sports Equipments	xxx
To Entrance Fees	xxx	By Books & Periodicals	xxx
To Donation for Building	xxx	By Audit Fees	xxx
To General Donations	xxx	By Printing & Stationery	xxx
To Life Membership Fees	xxx	By Honorarium	xxx
To Legacy	xxx	By Bank Charges	xxx
To Grant from Govt.	xxx	By Postage & Telegrams	xxx
To Contribution for Annual Dinner	xxx	By Water & Electricity	xxx
To Dividend	xxx	By Conveyance & Travelling	xxx
To Interest	xxx	By Repairs & Maintenance	xxx
To Rent	xxx	By Sundry Expenses	xxx
To Receipt on Annual Sports	xxx	By Annual Dinner Expenses	xxx
To Sale of Old Sports Materials	xxx	By 12% Investments	xxx
To Sale of Old Magazines	xxx	By Balance c/f:	xxx
To Sundry Receipts	xxx	Cash	xxx
To Balance c/d (Bank overdraft)	xxx	Bank	xxx
	xxx		xxx

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ILLUSTRATION 1

From the information given below, prepare Receipts & Payments Account of Tulsian Club, Delhi for the year ending on March 31, 2018.

Particulars	₹	Particulars	₹
Cash as at 1.4.2017	1,025	Sale of old Bats etc.	50
Subscription received (including ₹ 40 for 2016-2017 & ₹ 60 for 2018-2019)	2,150	12% General Investments (made on 1.11.2017)	500
Upkeep of fields	220	12% Tournament Fund Investments (made on 1.11.2017)	1,500
Admission Fees	40	Tournament Expenses	1,200
Salaries	600	Sale of old furniture (cost ₹ 100)	60
Drama Expenses	450	Bats and Balls purchased	700
Life Membership Subscription	100	Proceeds of drama tickets	950
Newspapers purchased	150	Interest on 12% General Invest. received	12.50
Books purchased	100	Printing & Stationery	100
Subscription for Tournament received (on 1.11.2017)	1,500	Interest on 12% Tournament Fund & Investment received	37.50
Donations received (on 1.11.2017)	500	Subscription received for Governor's Party	3,450
Municipal Taxes	40	Furniture	250
Charity given	350		
Sale of old newspapers	45		

RECEIPTS AND PAYMENTS ACCOUNT OF TULSIAN CLUB, DELHI

Dr.

for the year ending on 31st March, 2018

Cr.

Receipts	₹	Payments	₹
To Balance b/f (Cash)	1,025	By Upkeep of fields	220
To Subscription		By Salaries	600
2016-2017 40		By Drama Expenses	450
2017-2018 2,050		By Newspapers	150
2018-2019 60	2,150	By Books	100
To Admission Fees	40	By Municipal Taxes	40
To Life Membership Subscription	100	By Charity	350
To Donations (on 1.11.2017)	500	By Tournament Expenses	1,200
To Subscription for Tournament (on 1.11.2017)	1,500	By 12% General Investments (on 1.11.2017)	500
To Sale of old furniture (costing ₹ 100)	60	By 12% Tournament Fund Investments (on 1.11.2017)	1,500
To Sale of old bats etc.	50	By Bats, Balls etc.	700
To Proceeds of drama tickets	950	By Printing & Stationery	100
To Sales of old newspapers	45	By Furniture	250
To Interest on 12% General Investments	12.50	By Balance c/f (Cash)	3,760

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To Interest on 12% Tournament Fund Investments	37.50		
To Subscription for Governor's Party	3,450		
	9,920		9,920

INCOME AND EXPENDITURE ACCOUNT

MEANING OF INCOME & EXPENDITURE ACCOUNT

An Income and Expenditure Account is a final account like Profit & Loss Account, which shows the classified summary of Revenue Incomes, Revenue Expenses and Losses for Current Accounting Period along with Surplus (i.e., the Excess of Income over Expenditure) or Deficit (i.e., Excess of Expenditure over Income) which is transferred to the Capital Fund.

FEATURES OF INCOME & EXPENDITURE ACCOUNT

1. It is debited with the Expenses and Losses.
2. It is credited with the Incomes.
3. It records only those Incomes, Expenses and Losses which are of **Revenue Nature**.
4. It records only those Incomes, Expenses and Losses which **relates to Current Accounting Year**.
5. It records Non-Cash Items also (e.g. depreciation).
6. Its balance at the end which represents either the Net Surplus (if credit side exceeds debit side) or Net Deficit (if debit side exceeds credit side) is transferred to the Capital Fund in the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

Dr.

for the year ending on

Cr.

<i>Expenditure</i>		₹	<i>Income</i>		₹
To Salaries and Wages paid	xxx		By Subscription Received	xxx	
Add: Outstanding at the end	xxx		Add: Outstanding at the end	xxx	
Less: Prepaid at the end	xxx		Less: Advance at the end	xxx	
Add: Prepaid in the beginning	xxx		Add: Advance in the beginning	xxx	
Less: Outstanding in the beg.	xxx	xxx	Less: Outstanding in the beginning	xxx	xxx
To Rent, Rates and Taxes		xxx	By Entrance Fees (only that portion which is to be treated as revenue)		xxx
To Insurance Premium		xxx	By General Donations		xxx
To Depreciation on Furniture and Sports equipments		xxx	By Life membership Fees (only that portion which is to be treated as revenue)		xxx
To Books and Periodicals		xxx	By Profit from Annual Dinner		
To Audit fees		xxx	Contribution	xxx	
To Printing & Stationery		xxx			
To Honorarium		xxx			
To Bank Charges		xxx			

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To Postage & Telegram	xxx	Less: Expenses	xxx	xxx
To Electricity & Water	xxx	By Profit on Annual sports		
To Conveyance & Travelling	xxx	(Receipts – expenses)		xxx
To Sundry Expenses	xxx	By Profit on sale of provisions		
To* Surplus i.e., excess of Income over Expenditure	xxx	(Sale + Closing Stock – Purchases – Opening Stock)		xxx
		By Rent of Club Hall		xxx
		By Dividend & Interest		xxx
		By Sundry Receipts		xxx
		By* Deficit i.e. Excess of Expenditure over Income		xxx
	xxx			xxx

*Either Surplus or Deficit shall appear.

MEANING OF SUBSCRIPTION

Subscription is the major source of revenue Income of a not-for-profit entity. Subscriptions are the amounts paid by the members of such entity to maintain their membership. Subscriptions may be paid periodically (usually on yearly basis) or as a lump sum for lifetime membership.

ACCOUNTING TREATMENT OF SUBSCRIPTION

(a) Periodical Subscriptions	These are treated as Revenue Receipts and hence credited to Income & Expenditure Account.
(b) Life Membership Subscriptions	These subscriptions are treated as a Capital Receipt and hence are added to the Capital Fund.

COMPUTATION OF INCOME FROM SUBSCRIPTIONS FOR THE CURRENT YEAR

Particulars	₹
A. Subscriptions received during the current year	xxx
B. Add: (i) Outstanding Subscriptions at the end of current year	xxx
(ii) Advance Subscriptions in the beginning of current year	xxx
C. Less: (i) Outstanding Subscriptions in the beginning of current year	xxx
(ii) Advance Subscriptions at the end of current year	xxx
D. Subscription Income to be credited to Income & Expenditure Account (A + B – C)	xxx

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Dr. **SUBSCRIPTION ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Outstanding Subscription A/c (Outstanding Subscription in the beginning)	xxx	By Advance Subscription A/c (Advance Subscription in the beginning)	xxx
To Income & Expenditure A/c (balancing figure)	xxx	By Bank A/c (Total Subscription received during the current year)	xxx
To Advance Subscription A/c (Advance Subscription at the end)	xxx	By Outstanding Subscription A/c (Outstanding subscription at the end)	xxx
	xxx		xxx

ILLUSTRATION 2: (Calculating Subscription for the year)

Compute the Income from Subscription for the year 2017-2018 from the following **Particulars** relating to a club:

Particulars	1.4.2017	31.3.2018
Outstanding Subscription	₹ 9,500	₹ 7,000
Advance Subscription	₹ 2,800	₹ 5,200

Subscription received during 2017-2018, ₹ 1,48,900, Subscriptions of ₹ 1,000 are still in arrears for the year 2016-2017.

SOLUTION

(a) In Statement Form:

COMPUTATION OF INCOME FROM SUBSCRIPTION

Particulars	₹	₹
A. Subscription received		1,48,900
B. Add: (a) Outstanding Subscription at the end	7,000	
(b) Advance Subscription at the beginning	2,800	9,800
C. Less: (a) Outstanding Subscription at the beginning	9,500	
(b) Advance Subscription at the end	5,200	14,700
D. Subscription Income for the year (A + B – C)		1,44,000

(b) In Account Form:

Dr. **SUBSCRIPTION ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Outstanding Subscription A/c (in the beginning)	9,500	By Advance Subscription A/c (in the beginning)	2,800
To Income & Expenditure A/c (balancing figure)	1,44,000	By Outstanding Subscription A/c (at the end)	7,000
To Advance Subscription A/c	5,200	By Bank A/c	1,48,900
	1,58,700		1,58,700

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ILLUSTRATION 3: (Subscription Treatment – Finding Outstanding Subs for the CY)

From the following information, Compute the Outstanding Subscription for the year 2017-2018:

(a) A Club has 70 members, each paying annual subscription of	₹ 1,000
(b) Subscription received during 2017-2018 [including ₹ 7,000 for 2016-2017]	₹ 70,000
(c) Subscription received in advance as at 31.3.2017	₹ 12,000
(d) Subscription received in advance as at 31.3.2018	₹ 11,000
(e) Subscription outstanding as at 31.3.2017	₹ 16,000

SOLUTION

Dr. **SUBSCRIPTION ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Outstanding Subscription A/c (in the beginning)	16,000	By Advance Subscription A/c (in the beginning)	12,000
To Income & Expenditure A/c (70 × ₹ 1,000)	70,000	By Bank A/c	70,000
To Advance Subscription A/c	11,000	By Outstanding Subscription A/c (at the end) (B.f.)	15,000
	97,000		97,000

Outstanding Subscription for the year 2017-2018 = ₹ 15,000 – ₹ 9,000 = ₹ 6,000

ILLUSTRATION 4: (Subscription Treatment)

How will you deal with the following items while preparing the Income & Expenditure Account for the year ended March 31, 2018 and the Balance Sheet as on that date?

Dr. **AN EXTRACT OF RECEIPTS AND PAYMENTS ACCOUNT** Cr.

Receipts	₹	Payments	₹
To Subscription			
2016-2017	250		
2017-2018	1,000		
2018-2019	200	1,450	

Information:

The club has 50 members, each paying annual subscription of ₹ 25. Subscriptions outstanding on March 31, 2018 were ₹ 300.

SOLUTION

AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT

Dr. *for the year ended 31st March, 2018* Cr.

Expenditure	₹	Income	₹
		By Subscription (50 × ₹ 25)	1,250

AN EXTRACT OF BALANCE SHEET AS AT 31ST MARCH, 2018

Liabilities	₹	Assets	₹
Subscription received in advance	200	Subscription Outstanding	
		for 2016-2017	50
		for 2017-2018 [1,250 - 1,000]	250
			300

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ILLUSTRATION:5 (Subscription Treatment)

From the following extracts of Receipts & Payments Account and the additional information, you are required to calculate the Income from Subscriptions for the year ending March 31, 2018 and show them in the Income & Expenditure Account, and the Balance Sheet of a Club.

AN EXTRACT OF RECEIPTS & PAYMENTS ACCOUNT

Dr. for the year ended 31st March, 2018 Cr.

Receipts	₹	Payments	₹
To Subscription			
2016-2017	5,000		
2017-2018	30,000		
2018-2019	6,000	41,000	

Information:

(a) Subscription outstanding on 31.3.2017	₹ 6,000
(b) Subscription outstanding on 31.3.2018	₹ 5,000
(c) Subscription received-in-advance on 31.3.2017	₹ 6,000

Solution:

Working Note:

CALCULATION OF SUBSCRIPTION INCOME FOR 2017-2018

A. Subscription received during 2017-2018 for 2017-2018	₹ 30,000
B. Subscription received during 2016-2017 for 2017-2018	₹ 6,000
C. Subscription outstanding for 2017-2018 as at 31.3.2018	₹ 4,000
	₹ 40,000

AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT

Dr. for the year ended 31st March, 2018 Cr.

Expenditure	₹	Income	₹
		By Subscription	40,000

AN EXTRACT OF BALANCE SHEET

for the year ended 31st March, 2018

Liabilities	₹	Assets	₹
Subscription in advance	6,000	Subscription Outstanding	
		for 2016-2017 (6000 – 5000)	1,000
		for 2017-2018 (5000 – 1000)	4,000
			5,000

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ILLUSTRATION:6 (Subscription Treatment)

From the following extracts of the Receipts and Payments Account and the additional information, you are required to compute the Income from subscription for the year ending on March 31, 2018 and show the subscription items in the Income and Expenditure Account and the Balance Sheet as on 31.3.2018.

AN EXTRACT OF RECEIPTS AND PAYMENTS ACCOUNT

Dr. for the year ending on 31st March, 2018 Cr.

Receipts	₹	Payments	₹
To Subscription			
2016-2017	9,000		
2017-2018	1,34,400		
2018-2019	5,200		

Information: Subscription outstanding as on 31.3.2017 ₹ 9,200. Subscription received in advance as on 31.3.2017 ₹ 2,800 (including ₹ 800 for 2017-2018). There are 1,440 members each paying an annual subscription of ₹ 100.

AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT

Dr. for the year ending on 31st March, 2018 Cr.

Expenditure	₹	Income	₹
		By Subscription Income	1,44,000

AN EXTRACT OF BALANCE SHEET AS AT 31ST MARCH, 2018

Liabilities	₹	Assets	₹
Subscription received in advance	7,200	Subscription outstanding for 2016-2017 (₹ 9,200 – ₹ 9,000)	200
		2017 -2018	8,800
			9,000

Working Note: Calculation of Subscription outstanding for 2017-2018

SUBSCRIPTION ACCOUNT

Dr. SUBSCRIPTION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To O/s Account (Beg.)	9,200	By Advance Subsc. A/c (Beg.)	2,800
To Income & Expenditure A/c	1,44,000	By Bank A/c	1,48,600
To Advance Subscription A/c	7,200	By Outstanding Subscription A/c (Balancing figure)	9,000
	1,60,400		1,60,400

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ACCOUNTING OF TREATMENT OF DONATIONS AND LEGACIES

The accounting treatment is summarised below:

Types of Donations and Legacies	Accounting Treatment
(a) General Donations and Legacies	These donations & legacies are treated as Revenue Receipts and thus, are credited to Income & Expenditure Account .
(b) Specific Donations and Legacies	<ol style="list-style-type: none"> 1. These donations & legacies are treated as Capital Receipts and thus, are transferred to a 'Special Fund Account' (e.g., Building Fund) maintained for the purpose. 2. Any Income relating to such 'Special Fund Account' is added to the Respective Fund. 3. Any Revenue Expenditure relating to 'Special Fund Account' is deducted from the Respective Fund. 4. However, any Expenditure of capital nature on account of this Special Fund (e.g., Expenditure on the construction of building out of Building Fund) should be shown on the Assets side of the Balance Sheet and an equal amount should be transferred from that Special Fund to the Capital Fund.

ILLUSTRATION:7 (Donation - Prize Fund & Investment)

Show how will you deal with the following items while preparing the final accounts of a Club for the year ending on March 31, 2018:

Prizes awarded ₹ 17,000,

Prize Fund as at 31.3.2017 ₹ 12,000,

Donations for Prizes received during the year 2017–2018 ₹ 2,800,

10% Prize Fund Investments as at 31.3.2017 ₹ 12,000.

Interest on Prize Fund Investments ₹ 1,200.

AN EXTRACT OF INCOME AND EXPENDITURE ACCOUNT

for the year ended 31st March, 2018

<i>Expenditure</i>	₹	<i>Income</i>	₹
To Prizes awarded	1,000		

AN EXTRACT OF BALANCE SHEET AS AT 31ST MARCH, 2018

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Prize Fund:			
Opening Balance	12,000		
Add: Donations	2,800		
Add: Interest on Prize Fund Investments	1,200		
Less: Prizes awarded	17,000		
T/F to I & E Exp. A/c	(1,000)		

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ILLUSTRATION:8 (BUILDING FUND)

Show how will you deal with the following items while preparing the final accounts for the year ending on 31st March 2018:

Expenditure on construction of Building ₹ 3,00,000. The construction work is in progress and has not yet completed.

Opening Building Fund	₹ 4,00,000
Opening 10% Building Fund Investments	₹ 4,00,000
Donation for Building received	₹ 5,00,000
Interest received on Building Fund Investments	₹ 40,000
Opening Capital Fund	₹ 9,00,000.

AN EXTRACT OF BALANCE SHEET AS AT 31ST MARCH, 2018

<i>Liabilities</i>		₹	<i>Assets</i>		₹
Capital Fund:			Building in progress		3,00,000
Opening Balance	9,00,000		10% Building Fund Investments		4,00,000
Add: T/f from Building Fund	3,00,000	12,00,000			
Building Fund:					
Opening Balance	4,00,000				
Add: Donations	5,00,000				
Add: Interest on B.F. Investments	40,000				
Less: T/f to Capital Fund	3,00,000	6,40,000			

ILLUSTRATION:9 (Fund Based Accounting)

How will you deal with the following items while preparing for the Tulsian Cricket Club's Income and Expenditure Account for the year ending on March 31, 2018 and its Balance Sheet as on March 31, 2018.

<i>Particulars</i>	₹
(i) Building Fund as on 1.04.2017	2,00,000
Donations received for the Building	5,54,000
Expenditure on Building construction	5,92,000
The construction work is continuing,	
(ii) Tournament Fund: as on April 1, 2017	3,760
Donation received for Tournament	18,400
Tournament Expenses	30,200
Proceeds from Sale of Tournament Tickets	10,000
(iii) Life Membership fees received during the year	16,000
(iv) Subscription for Governor's Party received	20,000
Outstanding Subscription for Governor's Party	5,000
(v) Capital Fund as on 1.04.2017.	10,00,000

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AN EXTRACT OF BALANCE SHEET OF TULSIAN CRICKET CLUB

as at 31st March, 2018

Liabilities		₹	Assets		₹
Capital Fund:			Building in progress		5,92,000
Add: Transferred from Building Fund	5,92,000		Outstanding Subscription for Governor's Party		5,000
Opening Balance	10,00,000				
Add: Life Membership fees	16,000	6,08,000			
Building Fund:					
Opening Balance	2,00,000				
Add: Donations received	5,54,000				
Less: T/F to Capital Fund	5,92,000	1,62,000			
Tournament Fund:					
Opening Balance	3,760				
Add: Donations Received	18,400				
Add: Sale Proceeds	10,000				
	32,160				
Less: Expenses	30,200	1,960			
Subscription for Governor's Party (₹ 20,000 + ₹ 5,000)		25,000			

Calculation of Income for the Current Year

Particulars		Rs.
Amount received during the current year		...
Add: Outstanding income (or Accrued Income) at the end of the current year
Income received in advance in the beginning of the current year
	<hr/>	<hr/>
Less: Outstanding Income (or Accrued Income) in the beginning of the current year
Income received in advance at the end of the current year
Income for the current year (to be credited to Income & Expenditure Account)		...

Illustration 10: (Income treatment)

How are the given items dealt with in preparing the final accounts of Pro-Sports Club for the year ended 31st March 2022?

Subscription received During the year 6,40,000.

Particulars	1 st April 2021	31 st March 2022
Outstanding Subscriptions or Subscriptions Receivable	92000	126000
Advance Subscriptions	60000	80000

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Solution:

Pro-Sports Club

INCOME & EXPENDITURE ACCOUNT (AN EXTRACT)

For the year ended 31st March, 2022

Dr.				Cr.
Expenditure	Rs.	Income		Rs.
		By Subscriptions received during the year	6,40,000	
		Add: Outstanding Subscriptions (31 st March, 2020)	1,26,200	
		Advance Subscriptions (31 st March, 2021)	<u>60,000</u>	
			8,26,000	
		Less: Outstanding Subscriptions (31 st March, 2021)	92,000	
		Advance Subscriptions (31 st March, 2022)	80,000	
			<u>1,72,000</u>	6,54,000

BALANCE SHEET (AN EXTRACT) as at 31st March, 2022

Liabilities	Rs.	Assets	Rs.
Advance Subscriptions	80,000	Outstanding Subscriptions	1,26,000

Calculation of Expenses for the Current Year

Particulars		Rs.
Amount paid during the current year		...
Add: Outstanding expenses at the end of the current year
Prepaid Expenses in the beginning of the current year
	<hr/>	<hr/>
Less: Outstanding expenses in the beginning of the current year
Prepaid Expenses at the end of the current year
	<hr/>	<hr/>
Expenses for the current year (to be shown in the debit of Income & Expenditure Account)		...

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Illustration 11: (Expenses Treatment)

How will be the following items dealt in preparing Income & Expenditure Account for the year ended 31st March, 2022 and Balance Sheet as at that date?

Particulars	As at 1 st April 2021	As at 31 st March 2022
Sundry Expenses Outstanding	5000	9000
Sundry Expenses paid in Advance	8000	7000

Sundry Expenses paid during the year ended 31st March, 2022 Rs.40,000

Solution:

INCOME & EXPENDITURE ACCOUNT (AN EXTRACT)

Expenditure	Rs.	Income	Rs.
To Sundry Expenses (WN)	45000		

BALANCE SHEET (AN EXTRACT) as at 31st March, 2022

Liabilities	Rs.	Assets	Rs.
Outstanding Sundry Expenses	9,000	Prepaid Sundry Expenses	7,000

Working note:

Sundry Expenses paid during the current year	40,000
Add: Sundry Expenses paid in Advance (1 st April, 2021)	8,000
Sundry Expenses outstanding (31 st March, 2022)	<u>9,000</u>
	57,000
Less: Sundry Expenses paid in Advance (31 st March, 2022)	(7,000)
Sundry Expenses outstanding (1 st April, 2021)	<u>(5,000)</u>
Sundry Expenses to be debited to Income & Expenditure A/c	<u>45000</u>

Illustration 12: (Income & Expenditure account with Consumption of Stationery)

From the following Receipts & Payments Account of The Accountants Club, prepare Income & Expenditure Account for the year ended 31st March, 2022

RECEIPTS & PAYMENTS ACCOUNT for the year ended 31st March, 2022

Receipts	Rs.	Payments	Rs.
To Cash in Hand (Opening)	45,000	By Salaries	4,95,000
To Cash at Bank (Opening)	12,60,000	By Stationery	89,700
To Subscriptions	15,24,000	By Billiard Table	5,80,500
To Donations	7,20,000	By Investments	6,19,800

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To Interest on Investments	18,000	By Miscellaneous Expenses	75,000
To Entrance Fees	1,80,000	By Furniture	12,30,000
To Interest Received from Bank	63,000	By Insurance Premium	27,000
To Sale of Old Newspaper	9,000	By Cash in Hand (Closing)	33,000
		By Cash at Bank (Closing)	6,69,000
	38,19,000		38,19,000

(i) Subscriptions in arrears for the year ended 31st March, 2022 – Rs.1,35,000

Subscriptions received in advance during the year ended 31st March, 2022 – Rs.39,000

(ii) Insurance Premium prepaid is Rs.3,000

(iii) The detail with respect to Stationery of The Accountants Club is as follows:

Particulars	31 st March 2022	1 st April 2021
Stock of Stationery	30,000	5,000
Creditors for Stationery	40,000	26,000
Advance for Stationery paid in 2021-22	7,000	---
Advance paid for Stationery carried from 2020-21	5,000	---

Solution:

The Accountants Club

INCOME & EXPENDITURE ACCOUNT for the year ended 31st March, 2022

Expenditure	Rs.	Income	Rs.
To Salaries	4,95,000	By Subscriptions	15,24,000
To Stationery (WN)	76,700	Add: Arrears	<u>1,35,000</u>
To Miscellaneous Expenses	75,000		16,59,000
To Insurance Premium	27,000	Less: Advance	<u>(39,000)</u>
Less: Prepaid Insurance	<u>3,000</u>	By Entrance Fees	1,80,000
To Surplus		By Donations	7,20,000
(Excess of Income over	19,39,300	By Interest on Investments	18,000
Expenditure)		By Interest Received from bank	63,000
		By Sale of Old Newspapers	9,000
	26,10,000		26,10,000

Working Note: Consumption of Stationery during the year:

Amount paid for Stationery	89,700
Add: Stock of Stationery on 1 st April 2021	5,000
Advance paid in 2020-21	5,000

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Creditors for Stationery (31 st March, 2022)		<u>40,000</u>
		1,39,700
Less: Stock of Stationery (31 st March, 2022)	30,000	
Advance paid (2021-22)	7,000	
Creditors for Stationery (1 st April, 2021)	<u>26,000</u>	<u>63,000</u>

Stationery Consumed during the year 76,700

Alternatively, Consumption of Stationery may be calculated by preparing following two accounts:

1. **Dr.** **CREDITORS FOR STATIONERY ACCOUNT** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Balance b/d (Advance)	5,000	By Balance b/d	26,000
To Bank A/c (Paid)	89,700	By Stock of Stationery a/c (Balancing Figure) (Credit Purchased)	1,01,700
To Balance c/d	40,000	By Balance c/d (Advance)	7,000
	1,34,700		1,34,700

2. **Dr.** **STOCK OF STATIONERY ACCOUNT** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Balance b/d	5,000	By Income & Expenditure A/c (Bal. fig.) (Stationery Consumed)	76,700
To Creditors for Stationery a/c (Transfer)	1,01,700	By Balance c/d	30,000
	1,06,700		1,06,700

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BALANCE SHEET OF... AS AT...

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Capital Fund:		Fixed Assets:	
Opening Balance	xxx	Building	
Add: Surplus	xxx	Opening Balance	xxx
(or Less: Deficit)	xxx	Add: Additions	xxx
Add: Entrance Fees	xxx	Less: Depreciation	xxx
(to the extent capitalised)			xxx
Add: Life Membership		Furniture	
Subscriptions	xxx	Opening Balance	xxx
(to the extent capitalised)		Add: Additions	xxx
Add: Amt. of Capital Expenditure		Less: Book Value of asset sold	xxx
transferred from A Special		Less: Depreciation	xxx
Fund (e.g. Building Fund)	xxx	Sports Equipment	xxx
	xxx	Less: Depreciation	xxx
Prize Fund:			xxx
Opening Balance	xxx	Investments:	
Add: Donation for prizes	xxx	Prize Fund Investments	xxx
Add: Income from		Building Fund Investments	xxx
Prize Fund Investments	xxx	10% Govt. Securities	xxx
Less: Expenses	xxx	Fixed Deposits	xxx
	xxx	Current Assets:	

Building Fund:		Sports Materials	xxx
Add: Donation for Building	xxx	Outstanding Subscriptions	xxx
Add: Income from		Accrued Interest	xxx
Building Fund Investments	xxx	Accrued Rent	xxx
Less: Transfer to Capital Fund	xxx	Cash in hand	xxx
	xxx	Cash at bank	xxx
Current Liabilities:			
Subscription received in Advan.	xxx		
Outstanding Expenses			
	xxx		
Bank Overdraft			
	xxx		
Creditors			
	xxx		
	xxx		xxx

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Illustration 13: (Preparation Opening and Closing Balance sheet)

From the following information, prepare Opening and Closing Balance Sheets:

<i>Particulars</i>	<i>31st March 2017</i> ₹	<i>31st March 2018</i> ₹
Building (subject to 10% depreciation)	30,000	?
Furniture (subject to 10% depreciation)	—	10,000
Stock of Sports Materials	2,500	1,000
Prepaid Insurance	1,500	3,000
Outstanding Subscription	6,000	4,000
Advance Subscription	3,000	2,000
Outstanding Locker Rent	—	3,000
Advance Locker Rent received	—	1,000
Outstanding Rent for Godown	3,000	1,500
12% General Fund Investments	1,00,000	?
Accrued Interest on above	—	2,000
Cash Balance	500	32,000
Bank Balance	1,000	—
Bank Overdraft	—	1,000

Note: Entrance Fees received ₹ 10,000, Life Membership Fees received ₹ 10,000, Surplus from Income & Expenditure Account ₹ 30,000. It is the policy of the club to treat 60% of Entrance Fees and 40% of Life Membership Fees as of revenue nature.

SOLUTION

BALANCE SHEET AS AT 31ST MARCH 2017

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Outstanding Rent	3,000	Building	30,000
Advance Subscription	3,000	Stock of Sports Materials	2,500
Capital Fund (Balancing Figure)	1,35,500	Prepaid Insurance	1,500
		Outstanding Subscription	6,000
		12% General Fund Investments	1,00,000
		Cash Balance	500
		Bank Balance	1,000
	1,41,500		1,41,500

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BALANCE SHEET AS AT 31ST MARCH 2018

Liabilities	₹	Assets	₹
Outstanding Rent	1,500	Building	
Advance Subscription	2,000	Book Value	30,000
Advance Locker Rent	1,000	Less: Depreciation	3,000
Bank Overdraft	1,000	Furniture Cost	10,000
Capital Fund:		Less: Depreciation	1,000
Opening Balance	1,35,500	Stock of Sports Materials	1,000
Add: Entrance Fees		Prepaid Insurance	3,000
[10,000 × 40%]	4,000	Outstanding Subscription	4,000
Add: Life Membership Fees		Outstanding Locker Rent	3,000
[₹ 10,000 × 60%]	6,000	12% General Fund Investments	1,00,000
Add: Surplus	30,000	Accrued Interest on 12% General	
	1,75,500	Fund Investments	2,000
		Cash Balance	32,000
	1,81,000		1,81,000

Illustration 14: (Preparation of Income and Expenditure account with Depreciation)

From the following Receipts & Payments Account and additional information of Modern Health Club, prepare Income & Expenditure Account for the year ended 31st March, 2019 and the Balance Sheet as at 31st March, 2019:

RECEIPTS & PAYMENTS ACCOUNT for the year ended 31st March, 2019

Receipts	Rs.	Payments	Rs.
To Balance b/d	17,000	By Salaries	30,000
To Subscriptions	60,000	By Rent	18,300
To Donations	2,000	By Repairs	4,700
To Furniture (Book Value	5,000	By Books	16,000
Rs.6000)	7,000	By Building	30,000
To Life Membership Fees		By Balance c/d	1,000
To Interest on Investment (@	9,000		
5% for Full year)			
	1,00,000		1,00,000

Additional Information

Particulars	31 st March 2018	31 st March 2019
(i) Subscription received in advance	4,000	5,000
(ii) Outstanding Subscription	3,000	4,000
(iii) Books	12,500	26,500

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Solution:

Modern Health Club

Dr. **INCOME & EXPENDITURE ACCOUNT** for the year ended 31st March, 2019 Cr.

Expenditure	Rs.	Income	Rs.
To Depreciation on Books (WN:3)	2,000	By Subscriptions	60,000
To Loss on Sale of Furniture	1,000	Add: Advance for CY	4000
To Salaries	30,000	Less: Advance for NY	(5,000)
To Rent	18,300	Less: Outstanding for PY	(3,000)
To Repairs	4,700	Add: Outstanding for CY	<u>4,000</u>
To Surplus, i.e, Excess of Income over Expenditure	15,000	By Donations	60,000
		By Interest on Investment	2,000
	71,000		9,000
			71,000

BALANCE SHEET OF MODERN HEALTH CLUB as at 31st March 2019

Liabilities	Rs.	Assets	Rs.
Subscriptions Received in Advance	5,000	Cash	1,000
Capital Fund (WN:1)	2,14,500	5% Investments	1,80,000
Add: Life Membership fees	7,000	Outstanding Subscriptions	4,000
Surplus	<u>15,000</u>	Books	26,500
	2,36,500	Building	30,000
	2,41,500		2,41,500

Working Notes:

1.

BALANCE SHEET OF MODERN HEALTH CLUB

As at 31st March, 2018

Liabilities	Rs.	Assets	Rs.
Subscriptions received in advance	4,000	Cash	17,000
Capital Fund (Balancing Figure)	2,14,500	5% Investments	1,80,000
		Outstanding Subscriptions	3,000
		Books	12,500
		Furniture	6,000
	2,18,500		2,18,500

2. Interest received @5% for full year = Rs.9,000

Value of 5% Investments = Rs.9,000 x 100/5 = Rs.1,80,000

3. Depreciation on books = Opening bal + Purchased (from R&P) – Closing bal

$$= 12,500 + 16,000 - 26,500 = \text{Rs.}2,000$$

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CA FOUNDATION DEC 23 – NPO

Illustration 15: (Income & Expenditure account with Medicines consumed)

Receipts & Payments Account of Good-Health trust for the year ended 31st March, 2022 is given below:

Dr. RECEIPTS & PAYMENTS ACCOUNT for the year ended 31st March, 2022 Cr.

Receipts	Rs.	Payments	Rs.
To Balance b/d (Cash in Hand)	20,000	By Medicines	2,50,000
To Balance b/d (Cash at Bank)	50,000	By Medicines (Polio)	50,000
To Subscriptions	5,00,000	By Honorarium to Doctors	1,00,000
To General Donations	45,000	By Salaries	2,75,000
To Donations (Medical Camps)	1,00,000	By Sundry Expenses	5,000
To Interest on Investments @7% p.a	70,000	By Equipments	1,50,000
To Charity Show proceeds	30,000	By Charity Show Expenses	10,000
To Govt Grant (Polio Eradication)	70,000	By Balance c/d (Cash in hand)	15,000
		By Balance c/d (Cash at Bank)	30,000
	8,85,000		8,85,000

Additional Information:

	1 st April 2021	31 st March 2022		1 st April 2021	31 st March 2022
Subscriptions Due	5,000	10,000	Amount due to Medicine Suppliers	80,000	1,20,000
Subscriptions Recd in Advance	10,000	5,000	Equipments	2,10,000	3,00,000
Stock of Medicines	1,00,000	1,50,000	Building	4,00,000	3,80,000

Prepare Income & Expenditure Account for the year ended 31st March, 2022 and Balance Sheet as at that date.

Solution:

Good Health Trust

Dr. INCOME & EXPENDITURE ACCOUNT for the year ended 31st March, 2022 Cr.

Expenditure	Rs.	Income	Rs.
To Medicine Consumed (WN 2 & 3)	2,40,000	By Subscriptions	5,00,000
To Honorarium to Doctors	1,00,000	Add: Subscriptions Due (31 st March, 2022)	10,000
To Salaries	2,75,000	Subscription Recd In advance	<u>10,000</u> <u>20,000</u>
To Sundry Expenses	5,000	(1 st April, 2021)	5,20,000
To Depreciation on:		Less: Subscriptions Due (1 st April, 2021)	5,000
Equipments (Rs.2,10,000+1,50,000-3,00,000)	60,000	Subscription recd. In advance	
Building (Rs.4,00,000-3,80,000)	20,000		

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		(31 st March, 2022)	5,000	10,000	5,10,000
		By Interest on Investments			70,000
		By Charity show proceeds		30,000	
		Less: Charity Show expenses		<u>10,000</u>	20,000
		By General Donations			45,000
		By Deficit-Excess of Expenditure over Income			55,000
	7,00,000				7,00,000

BALANCE SHEET as at 31st March 2022 (Closing BS)

Liabilities		Rs.	Assets		Rs.
Capital Fund (WN 1)	16,95,000		Building	4,00,000	
Add: Donations (Medical Camp)	<u>1,00,000</u>		Less: Depreciation	<u>20,000</u>	3,80,000
	17,95,000		Equipments	2,10,000	
Less: Deficit –Excess of Exp.			Add: Purchase	<u>1,50,000</u>	
Over income	<u>55,000</u>	17,40,000		3,60,000	
Subscriptions recd in advance		5,000	Less: Depreciation	<u>60,000</u>	3,00,000
Creditors for Medicines		1,20,000	Stock of Medicines		1,50,000
Polio Eradication Fund (WN 5)	70,000		7% Investments (WN 4)		10,00,000
Less: Medicines (Polio)	<u>50,000</u>	20,000	Subscriptions Due		10,000
			Cash in Hand		15,000
			Cash at Bank		30,000
		18,85,000			18,85,000

Working Notes

1.

BALANCE SHEET as at 31st March 2021 (Opening BS)

Liabilities		Rs.	Assets		Rs.
Subscriptions Received in Advance		10,000	Building		4,00,000
Creditors for Medicines		80,000	Equipments		2,10,000
Capital Fund (Balancing Figure)		16,95,000	Stock of Medicines		1,00,000
			Subscriptions Due		5,000
			7% Investments (WN 4)		10,00,000
			Cash in Hand		20,000
			Cash at Bank		50,000
		17,85,000			17,85,000

2. Purchase of Medicines = Amount due to medicine suppliers (31st March, 2022) + Payment for medicines – Amount due to medicine suppliers (1st April 2021)

$$= \text{Rs.}1,20,000 + \text{Rs.}2,50,000 - \text{Rs.}80,000 = \text{Rs.}2,90,000$$

3. Medicines Consumed = Opening Stock + Purchases – Closing Stock = Rs.1,00,000 + Rs.2,90,000 (WN 2) – Rs.1,50,000 = Rs.2,40,000

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Alternatively, we can prepare Creditors for Medicines and Stock for medicines Ledger accounts to find medicines consumed.

4. Interest on investments received Rs.70,000 in 2021-22 indicates that there were investments in the beginning of the accounting year 2021-22. The rate of interest is 7%

So, the value of Investments = $100/7 \times \text{Rs.}70,000 = \text{Rs.}10,00,000$

5. Government Grant is a **specific grant** for Polio Eradication. Hence, it is credited to Polio Eradication Fund and expenses related to it are debited to this fund.

AFTER THIS MATERIAL KINDLY SOLVE ICAI STUDY MATERIAL QUESTIONS, ESPECIALLY ILLUSTRATION 9 ONWARDS and PRACTICAL QUESTIONS

Stay Positive & Wishing you all Humongous Success!!!

With Love,

CA SATHYA PHANEENDRA