

Chapter 10

ACCOUNTING FOR NOT-FOR-PROFIT AND EDUCATIONAL ORGANISATIONS

CHAPTER OVERVIEW

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A. Not for Profit Organisations

10.1 Introduction

- Meaning:** Organisations which are managed and run without the motive of making profits are called as Non-Profit Organisations / Not-For-Profit Organisations (**NPOs**). [It may be noted that such Organisations may incidentally have a Surplus from their activities, but their objective / motive is not to earn such Surplus.]
- Examples:** Clubs, Charitable Institutions, Schools, Colleges, Chambers of Commerce, Associations of Manufacturers or Traders of different lines, Sports Associations, Professional Institutions, Trusts, Trade Unions, etc. operate for the benefit of Members and others and are not run with profit motive.
- Constitution:** NPOs may be constituted as – (a) Registered Society, (b) Trust, (c) Joint Stock Companies (Sec.8 Companies), and (d) NGOs.
- Accounting:** NPOs need to budget and plan their expenditure for implementation of various schemes. The basic systems of day-to-day accounts of NPOs are the same as applicable to any other Business Organisation.
- Financial Statements:** Financial Statements of NPOs consist of –
 - Receipts & Payments A/c:** To highlight the Total Receipts / Inflows and Total Payments / Outflows.
 - Income & Expenditure A/c:** To show the expenditure incurred during the period, and how Income is generated to meet the expenditure, to highlight periodic performance like the Profit and Loss A/c for profit-motive entities. (**Note:** If Income > Expenditure, it is called **Surplus**, and if Expenditure > Income, it is called **Deficit**).
 - Balance Sheet:** To show the financial position at the end of the period, in terms of Assets and Liabilities.

10.2 Receipts and Payments Account

- Meaning:** Receipts & Payments A/c is a classified summary of Cash Receipts and Payments for a certain period, together with the Cash Balances at the beginning and close of the period.
- Features:**
 - 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 Receipts and Payments, irrespective of whether they are **Revenue or Capital** in nature, are recorded.
 - It includes all Receipts and Payments **during the period**, irrespective of whether it is related to current, past or future periods under accrual concept.
 - The Account starts with the Opening Cash and Bank Balances, and also ends with their Closing Balances.
 - This Account is usually not recorded as part of the Double Entry System.
 - Surplus or Deficit cannot be ascertained from this Account, since it shows only cash position, and excludes all non-cash items, accrual items, etc.

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3. **Recording:** For preparing the Receipts and Payments A/c, the Cash Book is usually provided with a sufficient number of analysis columns on each side to record separately the principal items of Receipts and Payments. A Sundries Column is also provided for extraordinary items, which are analysed at the end of the year.
 4. **Use:** The Receipts and Payments Account is useful for analysis, only if the activities of the NPO are simple and modest, and involve no carry over from one period to the next and it has no assets, apart from Cash Balance and no Liabilities.
 5. **Limitations:**
 - (a) **False Sense of Security:** Increase in 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. It does not recognise items such as Outstanding Incomes / Expenses, Income / Expenditure in Advance, etc.
 - (b) **No Matching / Accrual:** To ascertain whether a year's Current Income is sufficient to meet the Current Expenses, the Receipts & Payments Account is not useful, since it indicates items relating to all periods.

10.3 Income and Expenditure Account

1. **Meaning:** Income and Expenditure A/c is similar to P&L A/c of trading / business entities. Income & Expenditure A/c is adopted by Non-Profit Organisations, to report the Surplus or Deficit from their activities / operations during the period.
2. **Principles:** Income & Expenditure Account is prepared by following the accounting principles relating to – (a) Accrual, (b) Matching, (c) Periodicity, (d) Capital Revenue distinction, etc.
3. **Features:**
 - (a) It is a Revenue Account, prepared at the end of financial period, to find out the Surplus or Deficit for the period.
 - (b) It is prepared by matching Expenses for that period, against the Revenue of that period.
 - (c) Both Cash and Non-Cash Items (Depreciation, Amortisation, etc.) are considered.
 - (d) Only Revenue nature items are considered, and Capital items are not considered.
 - (e) Only Current Period Income and Expenses are considered, after adjusting for Prepaid and Unpaid Expenses, Income Receivable and Received in Advance.
 - (f) Surplus need not be reflected as an Increase in Cash and Bank Balances, it could be represented by Increase in Other Assets or Decrease in Liabilities, if any.
 - (g) In addition to Income & Expenditure A/c (to show result of operations), the **Balance Sheet** is also prepared (for listing out Real and Personal Accounts), to show the financial position of the NPO.

Note: Where a regular Trial Balance is available, the preparation of the Income and Expenditure Account and the Balance Sheet is on the lines of Final Accounts of Business Enterprises.

4. **Income Items:** Generally, for a Non-Profit Organisation, **Income** includes the following –
 - (a) Subscriptions (subject to adjustments for Subscriptions Receivable and Subscriptions received in Advance, at the beginning and at the end of the accounting year),
 - (b) Revenue Donations (for revenue purposes, for meeting revenue expenditure, etc.),
 - (c) Membership Fees or Entrance Fees,
 - (d) Recurring Revenue Grants from Local Authorities, Other External Agencies,
 - (e) Income from Investments,
 - (f) Net Incomes from special activities, e.g. Special Shows, Sale of Match Tickets, Annual Day or Founders' Day, etc.

Note: Expenditures are deducted from the Collections of that activity and Net Amount is shown in the Income and Expenditure A/c (However, if such Income is to be credited to a Special Purpose Fund, e.g. "Building Fund", it shall be credited to that Fund itself.)
5. **Expenses Items:** Incomes generated by the NPO are spent for meeting its expenses, e.g. to promote its objectives, serving the members, and regular administrative expenses. Some expenses are peculiar to the nature of the institution concerned. Examples are –
 - (a) **Hospitals** – Medicines, Cost of Tests and Investigations, Specialist Fees, etc.
 - (b) **Sports Club** – Sports Materials, Tournament Expenses, etc.
 - (c) **Drama Club** – Expenses of Staging Plays, Rent of Hall, Payment to Artists, etc.
 - (d) **Educational Societies** – Award of Scholarships, Seminar / Event Management Expenses, etc.
 - (e) **Library Societies** – Newspapers and Magazines, Books purchased, etc.

Note: Any expenditure for acquisition of a Fixed Asset will be capitalized, though the amount of annual depreciation shall be debited to Revenue Expenditure.

10.4 Receipts & Payments A/c vs Income & Expenditure A/c

Basis	Receipts & Payments A/c	Income & Expenditure A/c
1. Similarity	Summary of Cash Book .	Similar to Profit and Loss Account .
2. Balances	Shows both Opening and Closing Balance of Cash in Hand and Balance at Bank.	There is no Opening Balance in this account. This account discloses only either Surplus or Deficit for the period.
3. Revenue / Capital difference	Both Revenue and Capital items are shown.	Here, only revenue items are shown.
4. Period covered	All Receipts and Payments which have taken place during the period are shown. Accruals & Outstanding are not considered here.	All Revenue Expenses and Incomes related to the current year , are shown whether expense has been paid or is outstanding or income is received or accrued.
5. Accrual Adjustments	Accrual Adjustments are not shown in this account.	All adjustments for Prepaid and Unpaid Expenses, Income Receivable and Received in Advance, are shown.
6. Debit / Credit items	Debit Side: Receipts Credit Side: Payments	Debit Side: Expenditure (and Surplus, if any) Credit Side: Incomes (and Deficit, if any)
7. Independence	Receipts and Payments Account can be analysed / interpreted on a standalone basis.	Income & Expenditure A/c is accompanied by the Balance Sheet.
8. Cash / Accrual	Only cash transactions are recorded in this Account.	Both Cash and Credit / Accrual transactions are recorded in this Account.
9. Reserves and Provisions	Any Reserve or Provision is not created in this account.	All Reserves & Provisions created during the year are shown in this Account, e.g. Provision for Depreciation.
10. Carry Forward of balance	Closing Balance of this Account becomes Opening Balance of Cash and Bank in the next year.	Closing Balance of this Account is added to or deducted from the Capital Fund .
11. Carry Over to B/s	The Closing Balances of Cash and Bank are shown in Balance Sheet.	The Surplus / Deficit from Income & Expenditure Account is carried to the Balance Sheet.

10.5 Income Recognition Principles

1. **Subscription Income:** Subscription Income recognised for the year is computed using the following relationship –

Subscriptions Received during the year (as per Receipts and Payments A/c)	A
Add: Subscriptions Receivable / Due as at the end of the year	B
Add: Subscriptions Received in Advance as at the beginning of the year	C
Less: Subscriptions Receivable / Due as at the beginning of the year	D
Less: Subscriptions Received in Advance as at the end of the year	E
Subscription Income to be taken to Income and Expenditure A/c	F

Note: Items B and E will be reflected in Closing Balance Sheet Assets Side and Liabilities Side respectively.
Items D and C will be reflected in Opening Balance Sheet Assets Side and Liabilities Side respectively.

This can be easily obtained by preparing the Subscription A/c as under –

Particulars	₹	Particulars	₹
To balance b/d – (Subscriptions Receivable at the year beginning)		By balance b/d – (Subscriptions Received in Advance at year beginning)	
To Income and Expenditure A/c – Subscription Income Recognised during the year		By Cash / Bank – Subscriptions Received during the year shown in Receipts and Payments A/c	
To balance c/d – (Subscriptions Received in Advance at year end)		By balance c/d – (Subscriptions Receivable at year end)	
Total		Total	

2. **Entrance Fees:** This may be treated either as Capital Receipt or as Revenue Income, as discussed under –
- Capital:** Entrance Fees / Admission Fees payable by a Member on admission to a Club or Society are normally considered as Capital Receipts creditable 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 other Members, who have paid only their annual subscription.
 - Revenue:** However, where the amount is small, and is meant to cover expenses concerning admission, or the Rules of the Society provided that such Fees could be treated as Income, these amounts may be credited to the Income and Expenditure Account.

3. **Donations:** Donations are treated either as Capital or Revenue, as discussed below –

Purpose of Donation	Treatment
For meeting Revenue Expenditure, e.g. Sports Day, Annual Day.	Credit to Income & Expenditure A/c
For meeting Capital Expenditure, e.g. purchase of Library Books.	Credit to Capital Fund
For meeting specific purpose as declared by Donors, e.g. Prizes.	Credit to Special Fund, e.g. Prize Fund

Note: In case of Donations-in-Kind, i.e. Gift / Transfer of a Security or other Asset / Equipment, the value of such asset should be credited to the Fund for which it has been donated. Sometimes, legal requirements may stipulate that such amounts should be simultaneously transferred to the Special Fund by raising a debit of an equivalent amount in the Income and Expenditure Account. Sometimes, such Assets may be recorded at a Nominal Value say ₹ 1, for control purpose.

- Life Membership Fees:** In case of lumpsum Subscription collected from Life Members, one of the following methods can be adopted –
 - Retained in Special Account:** 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 / Capital Fund.
 - Accrued Income Tfr to I&E:** An amount equal to the normal Annual Subscription may be transferred every year to the Income and Expenditure Account and the balance carried forward in the Special Account, till it is exhausted. If the Life Member dies **before** the whole of the amount paid by him has been transferred in this way, the balance shall be transferred to the Accumulated Fund / Capital Fund, on the date of his death.
 - Life Based Transfer:** An amount, calculated according to the age and average life expectancy of the Member, may be annually transferred to the credit of Income and Expenditure Account.
- Income from Investments:** Income by way of Interest on Investments, Rents from Properties, etc. should be recognised on accrual basis. Hence, Income to be credited to Income & Expenditure should be computed in the same manner as stipulated for Subscription Income, in **Item 1** above.
- Activity Related Receipts / Collections:** Where there are receipts relating to some special activities / events, e.g. Sale of Drama Tickets, Sale of Match Tickets, etc. and Expenses are incurred thereon, the **Net Income** (i.e. Collections less Expenses) may be shown on the Credit Side of Income and Expenditure Account. (**Note:** If there is a Net Expenditure (i.e. Expenses > Collections, it will be shown on the Debit Side.)
- Surplus from Sale to Members:** In case of Sale of Items like Provisions, Medicines (in Hospitals), etc. at a profit to Members, the Net Surplus, (i.e. excess of Sale Collections over Cost of Goods Sold) shall be credited to the Income and Expenditure A/c. [**Note:** Alternatively, the Revenues and COGS may be shown separately on the Credit and Debit Side respectively.]
- Receipt-based Items:** Items of Income which are accounted on receipt basis (e.g. Sale of Old Newspaper) and for which no adjustments are necessary, are directly posted to the credit of Income and Expenditure A/c.
- Gain on Sale of Assets / Investments:** Gain, if any, on Sale of Fixed Assets, Investments, etc. is also credited to the Income and Expenditure A/c.

10.6 Expenditure Recognition Principles

- Depreciation:** Depreciation is charged on the various assets using the methods and rates followed by the NPO. Sometimes, the difference between the values at the beginning and end of the year, may be taken as Depreciation Amount for the year (instead of computing at a % rate on Asset Cost).

2. **Payment-based items:** Items of Expense which are accounted on **payment** basis, and for which no adjustments are necessary, are directly posted to the debit of Income and Expenditure A/c.
3. **Accrual Adjustments for Expenses:** Expenses Recognised for the year (on accrual basis), is computed as under –

Expense Item paid during the year (as per Receipts and Payments A/c)	A
Add: Expense Payable / Outstanding as at the end of the year	B
Add: Expense Paid in Advance as at the beginning of the year	C
Less: Expense Payable / Outstanding as at the beginning of the year	D
Less: Expense Paid in Advance as at the end of the year	E
Expense Item to be taken to Income and Expenditure A/c	F

Note: Items B and E will be reflected in Closing Balance Sheet Liabilities Side and Assets Side respectively.
Items D and C will be reflected in Opening Balance Sheet Liabilities Side and Assets Side respectively.

This can be easily obtained by preparing the Expense A/c as under –

Particulars	₹	Particulars	₹
To balance b/d – (Prepaid Expenses at the year beginning)		By balance b/d – (Expenses Payable / O/s at the year beginning)	
To Cash / Bank A/c – Expenses paid during the year, as per Receipts and Payments A/c		By Income & Expenditure A/c – Expenditure recognized for the year	
To balance c/d – (Exps Payable / O/s at year end)		By balance c/d – (Prepaid Expenses at the year end)	
Total			Total

4. **Consumption Items:** In case of consumption items, e.g. Provisions, Sports Materials, Bar Items, etc, the following calculations are relevant –

Step (a): Cost of Purchases during the year	Step (b): Cost of Materials consumed in the year
Amount paid during the year (as per R&P)	Opening Stock of Provisions / Materials
Add: Expense Payable / O/s as at year-end	Add: Purchases [as per Step (a)]
Add: Expense Paid in Advance as at year-beginning	Less: Closing Stock of Provisions / Materials
Less: Expense Payable / O/s as at year-beginning	Materials Consumed during the year
Less: Expense Paid in Advance as at year-end	
Cost of Purchases during the year	

This can be easily obtained by relevant accounts as under –

Step (a): Creditors for Purchases A/c			
Particulars	₹	Particulars	₹
To balance b/d – (Expenses paid in Advance at year beginning)		By balance b/d – (Expenses Payable / O/s at year beginning)	
To Cash / Bank A/c – Expenses paid during the year, as per Receipts and Payments A/c		By Cost of Purchases made during the year	
To balance c/d – (Expenses Payable / O/s at the year end)		By balance c/d – (Expenses paid in Advance at the year end)	
Total		Total	

Step (b): Provisions / Materials Stock A/c

Particulars	₹	Particulars	₹
To balance b/d – (Opening Stock)		By Income & Expenditure A/c –	
To Creditors A/c – Purchases during the year		Cost of Consumption during the year	
Total			Total

Note: Alternatively, Sales / Collections may be credited to the Provision Stock A/c, and the Gross Profit on such Sale, (i.e. balancing figure after considering Sales) may be taken to Income and Expenditure A/c.

10.7 Balance Sheet of Non-Profit Organisations

- The Balance Sheet includes Fixed and Current Assets, External Liabilities and the Capital Fund or / Accumulated Fund.
- Capital Fund:** The Capital Fund represents the amount contributed by Members. If Members have not contributed any amount, it is preferable to use the term "**Accumulated Fund**". The balance of Income and Expenditure Account, i.e. Surplus or Deficit, is transferred to the Accumulated / Capital Fund Account.

Balance Sheet Procedure

- Opening Balance Sheet:** Opening Balance of Accumulated Fund or Capital Fund of the NPO, can be obtained by preparing the Opening Balance Sheet, and computing the Net Assets, i.e. Assets Less External Liabilities. All accruals during the preceding year such as Income received in Advance, Prepaid Expenses, Income Accrued, etc. are taken into account while preparing the Opening Balance Sheet.
- Fixed Assets:**
 - Assets appearing in previous Balance Sheet should be adjusted for – (i) Addition, (ii) Sale and Wearing Out / disposals, and (iii) Depreciation during the year.
 - New Assets acquired (for which payments are recorded in the Receipts and Payments A/c) will be included in the Balance Sheet. Depreciation should be properly provided, including for those Assets newly acquired.
 - 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 A/c.
- Current Assets:**
 - Outstanding and Prepaid Expenses and Income Received in Advance, Subscriptions, etc. pertaining to the current year will be shown in the Balance Sheet.
 - Closing Balance of Cash in Hand and at Bank (as per Receipts & Payments A/c) should be properly recorded in the Assets side of the Balance Sheet.
- Liabilities:** Previous year's Liabilities should be adjusted for payments made, and extra liabilities, i.e. new Loans taken, etc. should be recorded in the Closing Balance Sheet.
- Fund Accounts:** Special Capital Receipts as shown by Receipts and Payments Account will be shown in the Balance Sheet. [Refer separate Paragraph for details on Fund Accounting].
- Capital Fund:** Capital Fund (as disclosed by the previous Balance Sheet) should be adjusted for Surplus or Deficit that has been determined through the Income and Expenditure Account and then shown in the Balance Sheet. Capital Fund at any date can be ascertained by deducting Liabilities from Assets.

10.8 Receipts & Payments A/c vs Receipts & Expenditure A/c

Particulars	Receipts and Payments A/c	Receipts and Expenditure A/c
1. Prepared for / by	Generally prepared for NPOs .	Generally for Professionals, e.g. CAs, Doctors, etc.
2. Accrual Concept	All Receipts and Payments which have taken place during the period are shown. Accruals & Outstanding are not considered here.	Expenses are recorded on the basis of mercantile system, i.e. accrual basis, but for recording Income, Cash System (i.e. Actual Receipt) is followed.
3. Debit / Credit Items	Debit Side: Receipts Credit Side: Payments	Debit Side: Expenditure (on accrual basis) Credit Side: Incomes on Actual Receipt basis.
4. Surplus	Excess of Receipts over Payments represents the Closing Balance of Cash and Bank.	Surplus (or Deficit) shows the Excess of Receipts over Expenditure (or vice-versa).
5. Similar to	Cash Book.	Income and Expenditure A/c, except for Income Recognition principles.

B. Educational Institutions

10.9 Special Features of Educational Institutions

1. Constitution:

- (a) Educational Institutions in India are mostly registered as Societies under the Societies Registration Act, 1860.
- (b) In some States, these Registered Societies / Educational Institutions are required to be simultaneously registered under the Trusts Act also.

2. Management: The Trust Societies are Autonomous Bodies with a Managing / Executive Committee consisting of Office-Bearers like President, Secretary, Treasurer and Committee Members. The General Body consists of all the members of the Society. In case of Societies / Trusts which run a number of Colleges, Schools, etc. for managing the affairs of each individual College / School, there is a Governing Body, wherein the Head of the unit, such as Principal / Headmaster of the College / School, are also members of the Governing Body.

3. Role: The function of the Governing Body is to supervise the smooth functioning of the individual College / School. Under the University Act, each College has a Governing Body which is a statutory requirement. The Principal of the College is an Ex-Officio Secretary of the said Governing body.

10.10 Sources of Finance for Educational Institutions

Educational Institutions meet their expenses from various sources of funds, e.g. (a) Donations from Public, (b) Fees and Charges collected from Students, and (c) Grants-in-aid from Government, Regulatory Bodies, as per prescribed Regulations.

1. Donations from Public:

- (a) Donations may be received either for recurring purposes (i.e. Revenue Donations) or non-recurring purposes (i.e. Capital Donations).
- (b) Donations may be received either in cash or in kind. Donations-in-Kind may be in the form of Assets like Land and Building, Laboratory Equipments, Sports Materials and Equipments, Furniture and Fixtures, etc, generally with a desire to perpetuate the memory of a distinguished member of the family or the Donor.

2. Fees / Receipts from Students:

- (a) **Capitation / Admission Fee:** Capitation Fees or Admission Fees are generally collected on admission, by the Parent Body which runs the Educational Institution. It is a one-time fee.
- (b) **Term Fees:** Term Fees represent the recurring Annual Fees charged from the students for imparting tuition.
- (c) **Laboratory and Library Caution Deposit:** These are generally collected by Schools / Colleges and they remain with the Institution till the Student finally leaves it. Certain charges (for lost books, lab items broken, etc.) may be deducted and the balance is refunded to the Student, when he leaves the Institution.

Note: Use of Term Fee: The following are main items of expenditure, for which Term Fee can be used –

- (a) Examination Expenses, i.e. printing, xeroxing of Question Papers and supply of Answer Books.
- (b) Medical Inspection.
- (c) Newspapers and Magazines.
- (d) School Magazine Manuscript and / or printing.
- (e) School Functions and Festivals. Prizes for co-curricular activities.
- (f) Inter-Class and Inter-School Competitions such as Elocution, Quiz, Painting Competition, etc.
- (g) Sports and Games activities, Maintenance of Playground, Equipment for Physical Education, etc.
- (h) Contribution to athletic and cultural associations, connected with school activities.
- (i) Curricular and extra-curricular excursion and visits.
- (j) Scouting and Guiding, School Band, etc.
- (k) Social and Cultural activities and equipment required therefor.
- (l) Vocational Guidance in General.
- (m) Purchase of books for Students' Library.
- (n) Drawing and Craft Material, Audio-Visual Education, etc.

3. Grants:

- (a) Government Grants are generally of four kinds, viz. – (i) Maintenance Grant, (ii) Equipment Grant, (iii) Building Grant, and (iv) Other Grants as may be sanctioned by the Government from time to time.
- (b) Revenue Grants in the form of Maintenance Grants are received in instalments spread out throughout the year. These are credited to the Income and Expenditure A/c.

Note: Use of Grants in Aid will be as under –

Special Grants	Revenue Grants
<p>Special Grants can be used only for the purpose specified, e.g. purchase of Equipment, construction / extension of Building, etc.</p>	<p>Maintenance / Revenue Grants may be used as per the prescribed Regulations, generally for the following major purposes –</p> <ul style="list-style-type: none"> (a) Teaching and Other Staff Salaries and Allowances, Leave Salary, Bonus, Pension and Gratuity, etc. (b) Expenditure on training of teachers, appointment of Librarian. (c) Rent, Taxes and Insurance, Medical Charges, etc. (d) Administration Expenses, e.g. Printing and Stationery, Conveyance, Purchase of Books, Audit Fees, etc. (e) Electrical Charges, Telephone Charges. Repairs and Maintenance, School Garden, Physical Education. (f) Prizes and Payments for Merit Scholarships, Conference Expenses, etc. (g) Registration Fee paid to the Board for Recognition, Subscription to Educational Association, etc. (h) Sales-Tax and General Tax on purchase of school requirements.

10.11 Fund Accounts

1. **Meaning:** Fund-Based Accounting involves preparation of Financial Statements on a fund-wise basis. In Institutions like Colleges, Schools and Universities, separate Ledgers are maintained for each Fund. These Fund Ledgers are self-balancing in nature.
2. **Purpose:** A Fund may be created – (a) For Asset Creation, e.g. purchase / acquisition / construction / extension of assets / buildings, or (b) For Specific Recurring Activities, e.g. distribution of prizes at Annual Day Function, or (c) For both purposes.
3. **Special Fund Investments:**
 - (a) Investments purchased out of a Special Fund are disclosed **separately** in the respective Fund Account.
 - (b) So, Income received from such Investments or any Donations collected for a special purpose are credited to the Fund, and also the expenditure incurred in carrying out the purpose of the Fund is debited to the Fund Account.
 - (c) Such Expense or Income is not recognised in the General Income and Expenditure Account.
4. **Fund vs 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.
5. **Fund Accounting in case of one-time use (e.g. Building Construction Fund):**
 - (a) All Receipts, Incomes and Donations in connection with the Fund (e.g. Building Construction purpose) are **separated** from the main accounts and are shown in the Building Fund. Also, any expenditure incurred for the purpose of Building Construction / Acquisition is made out of this Fund.
 - (b) The Building Fund Balance Sheet will be shown as under, till the asset is completed –

Capital and Liabilities	₹	Properties and Assets	₹
Building Fund: Opening Balance		Building under Construction (Cost incurred till date)	
Add: Donations / Receipts during the year		Investments, if any (Temporary Investments in Bank Deposits, etc. while Construction is in progress)	
Add: Interest Income on Building Fund Invts		Building Fund Bank Balances	
Building Fund Closing Balance		Building Fund Cash Balance (if any)	
Liabilities to Contractors (if any)			
Total		Total	

- (c) When the Building is finally acquired or constructed, the Asset is recognized in the General Balance Sheet. At that time, that portion of the Building Fund which has been utilized for the acquisition / construction of the Building should be transferred to the General Fund.

Note: The above is the general accounting procedure for separate Fund Accounting for one-time use. **However**, certain NPOs may include the above Fund Assets and Fund Liability items in their **General Balance Sheet** itself, even though separate Fund Ledgers are maintained, in order to show the overall position of all funds / assets available with the NPO.

6. Fund Accounting in case of recurring use (e.g. Prize Fund):

(a) All Receipts, Incomes and Donations in connection with the Fund (e.g. Prize Distribution purpose) are **separated** from the main accounts and are shown in the Prize Fund. Also, expenditure incurred on Prize Distribution is made out of this Fund.

(b) The Prize Fund Balance Sheet will be shown as under, till the asset is completed –

Capital and Liabilities	₹	Properties and Assets	₹
Prize Fund: Opening Balance		Prize Fund Investments (in Bank Deposits, etc.)	
Add: Donations / Receipts during the year		Prize Fund Bank Balances	
Add: Interest Income on Prize Fund Invts		Prize Fund Cash Balance (if any)	
Prize Fund Closing Balance			
Expenses Payable (if any)		Prize Fund Prepaid Expenses, Receivables (if any)	
Total		Total	

Note: The above is the general accounting procedure for separate Fund Accounting. **However**, certain NPOs may show / include the above Fund Assets and Fund Liability items in their **General Balance Sheet** itself, even though separate Fund Ledgers are maintained, in order to show the overall position of all funds available with the NPO.

Practical Questions

1. Basics

Illustration 1: Preparation of Receipts and Payments Account– Basics

The Receipts and Payments for the Cricket Club for the year ended 31st December were: Entrance Fee ₹ 3,000, Membership Fees ₹ 30,000, Donation for Club Pavilion ₹ 1,00,000, Foodstuff Sales ₹ 12,000, Salaries and Wages ₹ 12,000 Purchase of Foodstuff ₹ 8,000, Construction of Club Pavilion ₹ 1,10,000, General Expenses ₹ 6,000, Rent and Taxes ₹ 4,000, Bank Charges ₹ 1,600. Cash in Hand – 1st Jan ₹ 2,000, 31st Dec ₹ 3,500, and Cash in Bank – 1st Jan ₹ 4,000, 31st Dec ₹ 5,900.

Prepare the Receipts and Payments Account of the Club.

Solution: Receipts and Payments Account of Cricket Club for the year ended 31st December

Receipts	₹	Payments	₹
To balances b/d – Cash in Hand	2,000	By Salaries and Wages	12,000
– Cash at Bank	4,000	By Purchase of Foodstuff	8,000
To Entrance Fees	3,000	By Club Pavilion Construction A/c	1,10,000
To Membership Fees	30,000	By General Expenses	6,000
To Donation received for Club Pavilion	1,00,000	By Rent and Taxes	4,000
To Sales of Foodstuff	12,000	By Bank Charges	1,600
		By balances c/d – Cash in Hand	3,500
		– Cash in Bank	5,900
Total	1,51,000	Total	1,51,000

Illustration 2: Income Recognition

During a year, Subscription received was ₹ 42,000. It includes ₹ 1,600 for last year and ₹ 600 for next year. Also ₹ 3,000 has still to be received for current year. What is the amount of Subscription to be credited to Income and Expenditure Account?

Solution: Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	1,600	By balance b/d (Opg Bal of Subs. Recd in Adv.)	Nil
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	42,800	By Cash / Bank – Subs. Received during the year	42,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	600	By balance c/d (Clg Bal of Subs. Rec'dble)	3,000
Total	45,000	Total	45,000

Illustration 3: Computation of Subscription Received during the year

Omshanthi Club has 500 Members with Annual Fee of ₹ 1,000 per Member. At the end of the accounting year, the Accountant noticed that 40 Members have not paid Annual Fee, and 70 Members had paid fee in advance. Help the Accountant to compute Cash Receipts of Annual Fee for the year.

Solution:**Subscription Account**

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	Nil	By balance b/d (Opg Bal of Subs. Recd in Adv.)	Nil
To Income and Expenditure A/c – Subs. Income recognised during the year (500 × ₹ 1,000)	5,00,000	By Cash / Bank – Subs. Recd during the year (balancing figure)	5,30,000
To balance c/d (Clg Bal of Subs. Recd in Adv.) (70 × ₹ 1,000)	70,000	By balance c/d (Clg Bal of Subs. Rec'dble) (40 × ₹ 1,000)	40,000
Total	5,70,000	Total	5,70,000

Illustration 4: Subscription – Income Recognition

N 12

During the year ended 31st March 2018, Sachin Cricket Club received ₹ 6,45,000 as Subscriptions with details as follows:

Subscription for year ending 31 st March	2017	2018	2019
Amount (₹)	12,000	6,15,000	18,000

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

On 31st March 2018, a sum of ₹ 15,000 was still in arrears for Subscriptions for the year ended 31st March 2017.Ascertain the amount of Subscriptions that will appear on the credit side of Income and Expenditure A/c for the year ended 31st March 2018. Also, show how the items would appear in the Balance Sheet as on 31st March 2017 and on 31st March 2018.**Solution:**

1. Subscription to be credited to I & E A/c for the year ended 31st March 2018 = 500 Members × ₹ 1,500 = ₹ 7,50,000

2. Balance Sheet of Sachin Cricket Club as on 31st March 2017 (Extract)

Capital and Liabilities	₹	Properties and Assets	₹
		Subscription Receivable (15,000 + 12,000)	27,000

3. Balance Sheet of Sachin Cricket Club as on 31st March 2018 (Extract)

Capital and Liabilities	₹	Properties and Assets	₹
Subscription Received in Advance		Subscription Receivable	
– 2019	18,000	– 2018 (7,50,000 – 6,15,000)	1,35,000
		– 2017	15,000
			1,50,000

Illustration 5: Subscription – Income Recognition

M 14

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

Receipts	₹	Payments	₹
To Subscription			
2012–2017 4,000			
2017–2018 20,000			
2018–2019 5,000	29,000		

Information:

- (i) Subscription Outstanding on 31.03.2017 ₹ 5,000
- (ii) Subscription Outstanding on 31.03.2018 ₹ 4,000
- (iii) Subscription received in advance on 31.03.2017 for 2017–2018 ₹ 5,000

Solution:**1. Subscription A/c (to compute Subscription Income for the year)**

Particulars	₹	Particulars	₹
To Opening Balance b/d [Subscription Receivable at year beginning]	5,000	By Opening Balance b/d [Advance Subscriptions at year beginning]	5,000
To Income & Expenditure A/c (bal.figure) [Subscriptions Income for the year]	28,000	By Bank A/c [Subscription received]	29,000

Particulars	₹	Particulars	₹
To Closing Balance c/d [Advance Subscriptions at the year-end]	5,000	By Closing Balance c/d [Subscription Receivable at the year-end]	4,000
Total	38,000	Total	38,000

2. Income and Expenditure Account for year ended 31.03.2018 (Extract)

Expenditure	₹	Income	₹
		By Subscription Income (WN 1)	28,000

3. Balance Sheet as on 31.03.2018 (Extract)

Liabilities	₹	Assets	₹
Subscription received in advance (at the end)	5,000	Subscription receivable at the end	4,000

Illustration 6: Income Recognition and Disclosure of Items in Final Accounts of NPOs

RTP

What amount will be shown in the Receipts & Payments Account and Final Accounts in relation to Subscription for the year ended 31st December 2017 in the following case?

Particulars	31.12.2016	31.12.2017
Subscription-in-Arrears	98,000	74,000
Subscription-in-Advance	6,000	8,000

- (a) Subscription Outstanding as on 31.12.2016 represents ₹ 60,000 for 2016 and balance for 2015.
- (b) Subscription-in-Arrears (Members still paying) as on 31.12.2017 represents ₹ 54,000 for 2017 and balance for 2016.
- (c) There were 1,460 Members each paying an Annual Contribution of ₹ 100, as on 31.12.2016.
- (d) On 01.01.2017, 60 Memberships were cancelled as under –
 - 20 Members – who did not pay anything after 2014 and who did not want to continue the Membership.
 - 40 Members – who paid up to 2015 and who did not want to continue the Membership.
- (e) It is the practice of the Club to write off the Irrecoverable Subscriptions in the year in which the respective Membership is cancelled.

Solution:**1. Computation of Subscription received for 2017**

Particulars	₹
Total Subscription due for 2014 (1400×100)	1,40,000
Less: Outstanding of 2017 (as given in question), at year end	(54,000)
Less: Advance Received in 2016 towards Subscription of year 2017, i.e. Opg Received in Advance (given)	(6,000)
Subscription Received during the year towards 2017 Subscriptions	80,000

2. Members' Subscription Account

Particulars	Members	₹	Particulars	Members	₹
To balance b/d (Opg Bal of Subs. Rec'd)			By balance b/d (given) (Opg Bal of Subs. Recd in Adv.)	60	6,000
2015 (given)	380	38,000	By Income and Expenditure A/c – (Bad Debts for 2015)	20	2,000
2016 (given)	600	60,000	By Bank (Received for 2015) – [(380 – 20) × ₹ 100]	360	36,000
To Income and Expenditure A/c [(1,460 – 60) × ₹ 100] – Inc. tfr	1,400	1,40,000	By Income and Expenditure A/c – (Bad Debts for 2017)	60	6,000
			By Bank (Received for 2016) – [(600 – 60 – 200 w/off) × ₹ 100]	(40 + 20) 340	34,000
To balance c/d (given) (Subs. in Advance for 2014)	80	8,000	By Bank (Received for 2017)(WN 1)	800	80,000
			By Bank (Received for 2014)	80	8,000
			By bal. c/d (Clg Bal of Subs. Rec'd) 2016 (74,000 – 54,000)	200	20,000
			2017 (given)	540	54,000
Total	2,460	2,46,000	Total	2,460	2,46,000

3. Extract of Receipt and Payments Account for the year ended 31st December 2017

Receipts	₹	Payments	₹
To Subscriptions Received from Members –			
For 2015 (380 – 20 w/off) × ₹ 100	36,000		
For 2016 (600 – 60 w/off – 200 still due)	34,000		
For 2017 (WN 1)	80,000		
For 2014 (Given) Subscription in Advance	8,000		
	1,58,000		

4. Extract of Income and Expenditure Account for the year ended 31st December 2017

Expenditure	₹	₹	Income	₹
To Subscription (Irrecoverable) written off			By Subscription Income	
– For 2014 (20 × ₹ 100)	2,000		(1,400 × ₹ 100)	1,40,000
– For 2015 (60 × ₹ 100)	6,000	8,000		

5. Extract of Balance Sheet as at 31st December 2017

Capital and Liabilities	₹	Properties and Assets	₹
Current Liabilities:			
Subscription Received in Advance (for Year 2014)	8,000	Current Assets: Subscription Outstanding	
		For 2016	20,000
		For 2017	54,000
			74,000

Illustration 7: Expenditure Recognition

Salaries paid during a year were ₹ 23,00,000. The following further information is available.

Salaries Unpaid at year beginning	₹ 1,40,000	Salaries Unpaid at year end	₹ 1,80,000
Salaries Prepaid at year beginning	₹ 40,000	Salaries Prepaid at year end	₹ 60,000

How will you disclose the above in the Financial Statements of a Non-Profit Organisation?

Solution:

Salary Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Balance Prepaid Exps)	40,000	By balance b/d (Opg Bal Exps Outstanding)	1,40,000
To Cash / Bank – Exps paid during the year	23,00,000	By Income and Expenditure A/c – Expenditure recognized for the year (balancing figure)	23,20,000
To balance c/d (Clg Bal Exps Outstanding)	1,80,000	By balance c/d (Clg Balance Prepaid Exps)	60,000
Total	25,20,000	Total	25,20,000

Note: In the Balance Sheet at the year-end, Prepaid Salaries ₹ 60,000 will appear on the Asset side, and Unpaid Salaries ₹ 1,80,000 will appear on the Liabilities Side.

Illustration 8: Preparation of Income & Expenditure Account with Income and Expenditure Recognition

M 10

On the basis of the following information, prepare Income and Expenditure Account for the year ended 31st March 2018:

Receipts and Payments Account for the year ended 31st March 2018

Receipts	₹	Payments	₹
To Cash in Hand (Opening)	1,300	By Salaries	2,58,000
To Cash at Bank (Opening)	3,850	By Rent	71,500
To Subscriptions	4,94,700	By Printing & Stationery	3,870
To Interest on 8% Govt. Bonds	4,000	By Conveyance	10,600
To Bank Interest	160	By Scooter Purchased	50,000
		By 8% Govt. Bonds	1,00,000
		By Cash in Hand (Closing)	840
		By Cash at Bank (Closing)	9,200
Total	5,04,010	Total	5,04,010

Other Information:

- (i) Salaries paid include ₹ 6,000 paid in advance for April 2018. Monthly Salaries paid were ₹ 21,000.
- (ii) Outstanding Rent on 31st March 2017 and 31st March 2018 amounted to ₹ 5,500 and ₹ 6,000 respectively.
- (iii) Stock of Printing and Stationery Material on 31st March 2017 was ₹ 340, it was ₹ 365 on 31st March 2018.
- (iv) Scooter was purchased on 1st October 2017. Depreciation at 20% per annum is to be provided on it.
- (v) Investments were made on 1st April 2017.
- (vi) Subscriptions due but not received on 31st March 2017 and 31st March 2018 totalled ₹ 14,000 and ₹ 12,800 respectively. On 31st March 2018, Subscriptions amounting to ₹ 700 had been received in advance for April 2018.

Solution:**Income & Expenditure Account for the year ended 31.03.2018**

Expenditure	₹	Income	₹
To Salaries (WN 2)	2,52,000	By Subscriptions Income (WN 1)	4,92,800
To Rent Paid (WN 3)	72,000	By Interest on 8% Government Bonds	
To Printing & Stationery (WN 4)	3,845	– Received 4,000	
To Conveyance	10,600	– Accrued (Note) 4,000	8,000
To Depreciation on Scooter $(50,000 \times 20\% \times 6/12)$	5,000	By Bank Interest Income	160
To Excess of Income over Expenditure – i.e. Surplus (balancing figure)	1,57,515		
Total	5,00,960	Total	5,00,960

Note: Total Interest Income on 8% Government Bonds = 8% on ₹ 1,00,000 = ₹ 8,000 of which ₹ 4,000 is received, hence balance is accrued.

Working Notes:**1. Subscription Account**

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'd)	14,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	–
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	4,92,800	By Cash / Bank – Subscriptions Received during the year	4,94,700
To balance c/d (Clg Bal of Subs. Recd in Adv.)	700	By balance c/d (Clg Bal of Subs. Rec'd)	12,800
Total	5,07,500	Total	5,07,500

2. Salary Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year	2,58,000	By Income and Exp. A/c – Expenditure recognized for the year $(21,000 \times 12)$ (balancing figure)	2,52,000
		By balance c/d (Clg Prepaid Exps)	6,000
Total	2,58,000	Total	2,58,000

3. Rent Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year	71,500	By balance b/d (Opg Exps Outstanding)	5,500
To balance c/d (Clg Exps Outstanding)	6,000	By Income and Expenditure A/c – Expenditure recognized for the year (balancing figure)	72,000
Total	77,500	Total	77,500

4. Printing and Stationery Stock Account

Particulars	₹	Particulars	₹
To balance b/d	340	By Income & Exp. A/c – Stock Consumed (bal. fig.)	3,845
To Payment for Purchases	3,870	By balance c/d	365
Total	4,210	Total	4,210

Illustration 9: Receipts and Payments A/c and Income and Expenditure a/c – Income and Expenditure Recognition RTI
Prepare Receipts and Payments A/c and Income and Exp. A/c of City Club for the year ended 31st March, from following data.

Particulars	₹	Particulars	₹
Subscriptions Collected (including ₹ 4,000 for last year)	30,000	Rent paid	1,800
Donation Received (not to be capitalised)	2,000	Cash and Bank Balance as on 1 st April	6,800
Subscriptions Outstanding at the end of the year	6,000	Investments Purchased	4,000
Purchase of Furniture (life 10 years) on 1 st April	1,000	Interest on Investments Received	1,000
Purchase of Sports Equipments	2,500	Bank Charges	20
Purchase of Magazines and Newspapers	1,200	Postage, Telegrams and Telephones	1,800
Sale of Old Furniture on 1 st April (Book Value ₹ 300)	500	Entrance Fees (50% to be capitalised)	1,400
Printing and Stationery (one bill of ₹ 300 for last year)	1,000	Legacies Received (to be capitalised)	2,000
Honorary Secretary's Allowances paid (including ₹ 200 for last year)	1,800	Outstanding Allowances (Honorary Secretary)	300
		Printer's Bill not yet paid	500

Solution:

A. Receipts and Payments Account for the year ended 31st March

Receipts	₹	Payments	₹
To balances b/d: Cash and Bank	6,800	By Rent	1,800
To Subscriptions (Collections)	30,000	By Furniture	1,000
To Donations (Revenue)	2,000	By Sports Equipments	2,500
To Sale of Old Furniture	500	By Magazines and Newspapers	1,200
To Interest on Investments	1,000	By Investments	4,000
To Entrance Fees (50% Capital)	1,400	By Bank Charges	20
To Legacies (Capital)	2,000	By Postage, Telegram and Telephones	1,800
		By Printing and Stationery	1,000
		By Honorary Secretary's Allowances	1,800
		By balances c/d: Cash and Bank (balancing figure)	28,580
Total	43,700	Total	43,700

B. Income and Expenditure Account for the year ended 31st March

Particulars	₹	Particulars	₹
To Rent	1,800	By Subscription Income for the year (WN 1)	32,000
To Magazine and Newspapers	1,200	By Donations (Revenue)	2,000
To Bank Charges	20	By Profit on Sale of Old Furniture (500 – 300)	200
To Postage, Telegrams, & Telephone	1,800	By Interest on Investments	1,000
To Deprn on Furniture (₹ 1,000 ÷ 10 years)	100	By Entrance Fees (50% of ₹ 1,400)	700
To Printing and Stationery Expense (WN 2)	1,200		
To Honorary Secretary's Allowances (WN 3)	1,900		
To Excess of Income over Exp. i.e. Surplus (bal.fig)	27,880		
Total	35,900	Total	35,900

Working Notes:

1. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	4,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	–
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	32,000	By Cash / Bank – Subs. Received during the year	30,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	–	By balance c/d (Clg Bal of Subs. Rec'dble)	6,000
Total	36,000	Total	36,000

2. Printing Expenses Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year	1,000	By balance b/d (Opg Bal of Exps Payable)	300
To balance c/d (Clg Bal of Exps Payable)	500	By Income and Expenditure A/c – Expenditure recognized for the year (balancing figure)	1,200
Total	1,500	Total	1,500

3. Honorary Secretary's Allowance Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year	1,800	By balance b/d (Opg Bal of Exps Payable)	200
To balance c/d (Ctg Bal of Exps Payable)	300	By Income and Expenditure A/c – Expenditure recognized for the year (balancing figure)	1,900
Total	2,100	Total	2,100

Illustration 10: Receipts & Payments A/c and Income & Expenditure a/c – Income and Expenditure Recognition RTP, M 94
The Accountant of City Club gave the following data about the Receipts & Payments of the Club for the year ended 31.03.2018

Receipts	₹	Payments	₹
Subscriptions	62,130	Premises	30,000
Fair Receipts	7,200	Rent	2,400
Variety Show Receipts (Net)	12,810	Rates and Taxes	3,780
Interest	690	Printing and Stationery	1,410
Bar Collections	22,350	Sundry Expenses	5,350
		Wages	2,520
		Fair Expenses	7,170
		Honorarium to Secretary	11,000
		Bar Purchases (Payments)	17,310
		Repairs	960
		New Car (less Proceeds of Old Car ₹ 9,000)	37,800

The following additional information could be obtained –

Particulars	01.04.2017	31.03.2018
Cash in Hand	450	Nil
Bank Balance as per Cash-Book	24,420	10,350
Cheque issued for Sundry Expenses not presented to the Bank (However, Entry has been duly made in the Cash Book)	270	90
Subscriptions Due	3,600	2,940
Premises (at Cost)	87,000	1,17,000
Provision for Depreciation on Premises	56,400	–
Car (at Cost)	36,570	46,800
Accumulated Depreciation on Car	30,870	–
Bar Stock	2,130	2,610
Creditors for Bar Purchases	1,770	1,290

Annual Honorarium to Secretary is ₹ 12,000. Depreciation on Premises is to be provided at 5% on Written Down Value. Depreciation on New Car is to be provided at 20%.

Prepare the Receipts and Payments Account and Income and Expenditure Account for the year ended 31.03.2018.

Solution: **A. Receipts and Payments Account of City Club for the year ended 31.03.2018**

Receipts	₹	Payments	₹
To balances b/d – Cash in Hand	450	By Premises	30,000
– Bank Balance	24,420	By Rent	2,400
To Subscriptions	62,130	By Rates and Taxes	3,780
To Fair Receipts	7,200	By Printing and Stationery	1,410
To Variety Show Receipts (net)	12,810	By Sundry Expenses	5,350
To Interest Income	690	By Wages	2,520
To Bar Collections	22,350	By Fair Expenses	7,170
To Sale Proceeds of Old Car	9,000	By Honorarium to Secretary	11,000
		By Payments for Bar Purchases	17,310
		By Repairs	960
		By New Car (37,800 + 9,000)	46,800
		By balances c/d – Cash in Hand	Nil
		– Bank Balance	10,350
Total	1,39,050	Total	1,39,050

Note: Since, Bank Balance as per Cash Book is given, no further adjustment is required for cheques received but not presented in the Bank, since entry is already made in the Books.

B. Income and Expenditure Account for the year ended 31.03.2018

Expenditure	₹	Income	₹
To Rent	2,400	By Subscription Income (WN1)	61,470
To Rates and Taxes	3,780	By Surplus from Fair: Receipts	7,200
To Printing & Stationery	1,410	Less: Expenses <u>(7,170)</u>	30
To Sundry Expenses	5,350	By Surplus from Variety Show (given)	12,810
To Wages	2,520	By Interest Income	690
To Honorarium to Secretary (11,000 + 1,000)	12,000	By Profit from Bar	
To Repairs	960	By Bar Operations: (WN 3)	
To Depreciation:		Collections	22,350
Car 46,800 × 20%	9,360	Less: Cost of Stock Consumed <u>(16,350)</u>	6,000
Premises [(87,000 – 56,400) + 30,000] × 5%	3,030	By Profit on Sale of Car (WN 4)	3,300
To Excess of Income over Expenditure i.e. Surplus (balancing figure)	43,490		
Total	84,300	Total	84,300

Working Notes:

1. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	3,600	By balance b/d (Opg Bal of Subs. Recd in Adv.)	–
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	61,470	By Cash / Bank – Subs. Received during the year	62,130
To balance c/d (Clg Bal of Subs. Recd in Adv.)	–	By balance c/d (Clg Bal of Subs. Rec'dble)	2,940
Total	65,070	Total	65,070

2. Creditors for Bar Purchases Account

Particulars	₹	Particulars	₹
To Cash / Bank – Payment	17,310	By balance b/d	1,770
To balance c/d	1,290	By Purchases for the year (balancing figure)	16,830
Total	18,600	Total	18,600

3. Bar Stock Account

Particulars	₹	Particulars	₹
To balance b/d	2,130	By Stock Consumed (balancing figure)	16,350
To Bar Purchases (WN 2)	16,830	By balance c/d	2,610
Total	18,960	Total	18,960

4. Profit on Sale of Car = Sale Proceeds – WDV as per Books

$$= 9,000 - (36,570 - 30,870) = 9,000 - 5,700 = \boxed{₹ 3,300}$$

Illustration 11: Accounting For Not for Profit Organisations

M 19

From the following information supplied by M.B.S. Club prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March 2019.

	01.04.2018 ₹	31.03.2019 ₹
Outstanding subscription	1,40,000	2,00,000
Advance Subscription	25,000	30,000
Outstanding Salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports Goods	15,000	25,000

Subscription for the year amount to ₹ 3,00,000/. Salaries paid ₹ 60,000. Face value of the Investment was ₹ 1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on Investments was received ₹ 14,000. Furniture was sold for ₹ 8000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports Goods and @ 10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹ 50,000

Rent: ₹ 24,000 out of which ₹ 2,000 outstanding

Misc. Expenses: ₹ 5,000

Solution:

A. Receipts and Payments Account of M.B.S Club for the year ended 31.03.2019

Receipts	₹	Payments	₹
To balances b/d – Cash in Hand and at Bank	1,10,000	By Salaries	60,000
To Subscriptions	2,45,000	By Rent	22,000
To Investments	70,000	By Misc. Expenses	5,000
To Interest Income	14,000	By Sports Goods	10,000
To Sale Proceeds of Furniture	8,000	By Machinery	10,000
		By balances c/d – Cash in Hand and at Bank	3,40,000
Total		Total	

B. Income and Expenditure Account for the year ended 31.03.2019

Expenditure	₹	Income	₹
To Rent	24,000	By Subscription Income	(WN1)
To Loss on Sale of Furniture	6,000	By Interest Income	
To Salaries	63,000		
To Misc. Expenses	5,000		
To Depreciation:			
Machine (WN 4)	1,500		
Sports Goods (WN 4)	2,250		
Furniture (WN 4)	1,400		
To Excess of Income over Expenditure i.e. Surplus (balancing figure)	2,10,850		
Total	3,14,000	Total	3,14,000

Working Notes:

1. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'd)	1,40,000	By balance b/d (Opg Bal of Subs. Rec'd in Adv.)	25,000
To Income and Expenditure A/c – Subs. Income recognised during the year	3,00,000	By Cash / Bank – Subs. Received during the year (balancing figure)	2,45,000
To balance c/d (Clg Bal of Subs. Rec'd in Adv.)	30,000	By balance c/d (Clg Bal of Subs. Rec'd)	2,00,000
Total	4,70,000	Total	4,70,000

2. Salary Expenses for the year ended 31st March 2019

Expenses	Salaries
Paid during the year	60,000
Add: Outstanding as on 31.03.2018 (year-end)	18,000
	78,000
Less: Outstanding as on 31.03.2017 (year-beginning)	(15,000)
Expenses recognised for the year	63,000

3. Depreciation on Fixed Assets

Assets	Opening Balance	Additions during the year	Deletions	Total	Deprn Rate	Deprn Amt	Closing Balance
Furniture	28,000		14,000	14,000	10%	1,400	12,600
Sports Goods	15,000	10,000		25,000	15%	2,250 (Note)	22,750
Machine	10,000	10,000		20,000	15%	1,500 (Note)	18,500

Note: Additions to Sports Goods and Machine were made on the last day. Hence, Depreciation is computed on the Opening Balance. Assumed that Value provided on 31.03.2019 is before charging Depreciation for the year 2018-19.

4. Profit/ (Loss) on Sale of Investments = 50% sold at 80% FV = 50% x ₹ 1,75,000 x 80% -(₹ 1,40,000 - ₹ 70,000) = ₹ Nil

5. Profit/ (Loss) on Sale of Furniture = ₹ 8,000 - ₹ 14,000 = ₹ 6,000

2. Final Accounts of Not-For-Profit Organisations

Illustration 11: Final Accounts of Not-For-Profit Organizations

N 98

The following information was obtained from the books of Capital Club as on 31.03.2018, at the end of the first year of the Club. You are required to prepare Receipts and Payments Account, Income and Expenditure Account for the year ended 31.03.2018 and a Balance Sheet as at 31.03.2018 on mercantile basis.

1. Donations received for Building and Library Room ₹ 2,00,000.

2. Other Revenue Income and Actual Receipts:

Particulars	Revenue Income (₹)	Actual Income (₹)
Entrance Fees	17,000	17,000
Subscription	20,000	19,000
Locker Rents	600	600
Sundry Income	1,600	1,060
Refreshment Account	—	16,000

Particulars	Revenue Expenditure(₹)	Actual Payments(₹)
Land (Cost ₹ 10,000)	—	10,000
Furniture (Cost ₹ 1,46,000)	—	1,30,000
Salaries	5,000	4,800
Maintenance	2,000	1,000
Rent	8,000	8,000
Refreshment Account	—	8,000

Donations to the extent of ₹ 25,000 were utilized for the purchase of Library Books, balance was still unutilized. In order to keep it safe, 9% Govt. Bonds of ₹ 1,60,000 were purchased on 31.03.2018. Remaining amount was put in the Bank on 31.03.2018 under Term Deposit. Depreciation at 10% p.a. was to be provided for the whole year on Furniture & Library Books.

Solution: A. Receipts and Payments Account for the year ended 31st March 2018

Receipts	₹	Payments	₹
To Donations for Building & Library Room	2,00,000	By Land	10,000
To Entrance Fees	17,000	By Furniture	1,30,000
To Subscription	19,000	By Salaries	4,800
To Locker Rents	600	By Maintenance Expenses	1,000
To Sundry Income	1,060	By Rent	8,000
To Refreshment Account	16,000	By Refreshment Account	8,000
To balance c/d – Bank Overdraft (balancing figure)	1,08,140	By Library Books	25,000
		By 9% Govt. Bonds	1,60,000
		By Bank Term Deposit(2,00,000–25,000–1,60,000)	15,000
Total	3,61,800	Total	3,61,800

B. Income and Expenditure Account for the year ended 31st March 2018

Expenditure	₹	Income	₹
To Salaries (Paid 4,800 + P'ble 200)	5,000	By Entrance Fees (Note)	17,000
To Maintenance Expenses (Paid 1,000 + P'ble 1,000)	2,000	By Subscription Income	20,000
To Rent	8,000	By Locker Rents	600
To Depreciation – Furniture 10% on 1,46,000	14,600	By Sundry Income	1,600
Library Books 10% on 25,000	2,500	By Refreshment: Receipts	16,000
To Surplus – Excess of Income over Expenditure (balancing figure)	15,100	Less: Payments (8,000)	8,000
Total	47,200	Total	47,200

Note: Entrance Fees which is **not** of Revenue Nature, may be capitalized and added to Capital Fund.

C. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (Surplus for the year)	15,100	Non-Current Assets:	
Building & Library Room Fund	2,00,000	A. Fixed Assets: Land	10,000
Current Liabilities:		Furniture (1,46,000 Less Deprn 14,600)	1,31,400
Bank Overdraft	1,08,140	Library Books (25,000 Less Deprn 2,500)	22,500
Creditors for Furniture (1,46,000 – 1,30,000)	16,000	B. Investments: 9% Government Bonds	1,60,000
Creditors for Expenses:		Current Assets:	
Salaries (5,000 – 4,800)	200	Bank Term Deposits (Library Fund)	15,000
Maintenance Exps (2,000 – 1,000)	1,000	Subscription Rec'ble (20,000 – 19,000)	1,000
		Sundry Income Rec'ble (1600 – 1060)	540
Total	3,40,440	Total	3,40,440

Illustration 12: Final Accounts of Not-For-Profit Organisations

N 01

Summary of Receipts and Payments of Bombay Medical Aid Society for a financial year are as follows –

Opening Cash Balance in Hand ₹ 8,000, Subscription ₹ 50,000, Donation ₹ 15,000, Interest on Investments at 9% p.a. is ₹ 9,000, Payments for Medicine Supply ₹ 30,000. Honorarium to Doctors ₹ 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:

Particulars	Start of Fin. Year	End of Fin. Year
Subscriptions Due	1,500	2,200
Subscriptions 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

Prepare for the year- (a) Receipts & Payments A/c, (b) Income & Expenditure A/c and (c) Balance Sheet.

Solution: A. Receipts and Payments Account for the year ended 31st March

Receipts	₹	Payments	₹
To balance b/d – Cash in Hand	8,000	By Medicine Supply	30,000
To Subscriptions Received	50,000	By Honorarium to Doctors	10,000
To Donations Received (assumed Revenue)	15,000	By Salaries	28,000
To Interest on Investments	9,000	By Sundry Expenses	1,000
To Charity Show Collections	12,500	By Purchase of Equipment	15,000
		By Charity Show Expenses	1,500
		By balance c/d – Cash in Hand	9,000 (balancing figure)
Total	94,500	Total	94,500

B. Income and Expenditure Account for the year ended 31st March

Expenditure	₹	Income	₹
To Medicine Consumed	(WN 4)	By Subscription	(WN 2)
To Honorarium to Doctors	29,000	By Donations (assumed as Revenue)	51,200
To Salaries	10,000	By Interest on Investments	15,000
To Sundry Expenses	28,000	(given)	9,000
To Depreciation (WN 5) (6,000 + 2,000)	1,000	By Profit on Charity Show:	
To Surplus – Excess of Income over Exp.	8,000	Collections	12,500
(balancing figure)	10,200	Less: Expenses	(1,500)
Total	86,200	Total	86,200

C. Balance Sheet as on 31st March (end of Financial Year)

Capital and Liabilities		₹	Properties and Assets	₹
Capital Fund: Opening Balance	1,80,300		Non-Current Assets:	
Add: Surplus during the year	10,200	1,90,500	A. Fixed Assets: Equipments	30,000
Current Liabilities:			Building	48,000
Subscription Received in Advance		700	B. Investments: 9% Investments	1,00,000
Amount due for Medicine Supply		13,000	Current Assets:	
			Stock of Medicines	15,000
			Subscription Receivable	2,200
			Cash in Hand	9,000
Total	2,04,200		Total	2,04,200

Working Notes:

1. Opening Balance Sheet at beginning of Financial Year (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	1,80,300	Non-Current Assets:	
Current Liabilities:		A. Fixed Assets: Equipments	21,000
Subscription Received in Advance	1,200	Building	50,000
Amount due for Medicine Supply	9,000	B. Investments (₹ 9,000 ÷ 9%)	1,00,000
		Current Assets: Stock of Medicines	10,000
		Subscription Receivable	1,500
		Cash in Hand	8,000
Total	1,90,500	Total	1,90,500

2. Subscription Account (To find out Subscription Income recognised for the year)

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	1,500	By balance b/d (Opg Bal of Subs. Recd in Adv.)	1,200
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	51,200	By Cash / Bank – Subs. Received during the year	50,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	700	By balance c/d (Clg Bal of Subs. Rec'dble)	2,200
Total	53,400	Total	53,400

3. Creditors for Medicine Supply (To find out Purchases during the year)

Particulars	₹	Particulars	₹
To Cash / Bank – Payment	30,000	By balance b/d	9,000
To balance c/d	13,000	By Purchases for the year (balancing figure)	34,000
Total	43,000	Total	43,000

4. Medicine Stock (To find out the consumption during the year)

Particulars	₹	Particulars	₹
To balance b/d	10,000	By Stock Consumed (balancing figure)	29,000
To Bar Purchases (WN 3)	34,000	By balance c/d	15,000
Total	44,000	Total	44,000

5. Assets Account (To find out Depreciation for the year)

Particulars	Equipment	Building	Particulars	Equipment	Building
To balance b/d	21,000	50,000	By Depreciation (balancing figure)	6,000	2,000
To Cash / Bank – Purchase	15,000	–	By balance c/d	30,000	48,000
Total	36,000	50,000	Total	36,000	50,000

Illustration 13: Preparation of Income and Expenditure A/c and Balance Sheet
Smart Literary Society showed the following position on 31st March 2017.

M 02

Balance Sheet as on 31st March 2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund	7,93,000	Electrical Fittings	1,50,000
Expenses Payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in Securities	1,50,000
		Cash at Bank	25,000
		Cash in Hand	25,000
Total	8,00,000	Total	8,00,000

The Receipts and Payments Account for the year ended on 31st March 2018 is given below:

Receipts	₹	Payments	₹
To balance b/d: Cash at Bank	25,000	By Electricity Charges	7,200
Cash in Hand	25,000	By Postage and Stationery	5,000
To Entrance Fees	30,000	By Telephone Charges	5,000
To Membership Fees	2,00,000	By Books purchased	60,000
To Sale Proceeds of Old Papers	1,500	By Outstanding Expenses paid	7,000
To Hire of Lecture Hall	20,000	By Rent	88,000
To Interest on Securities	8,000	By Investment in Securities	40,000
		By Salaries	66,000
		By Balance c/d: Cash at Bank	20,000
		Cash in Hand	11,300
Total	3,09,500	Total	3,09,500

You are required to prepare Income and Expenditure Account for the year ended 31st March 2018, and a Balance Sheet as at 31st March 2018 after making the following adjustments:

- Membership Subscription included ₹ 10,000 received in advance.
- Provide for Outstanding Rent ₹ 4,000 and Salaries ₹ 3,000.
- Books to be depreciated at 10% including additions. Electrical Fittings and Furniture are also to be depreciated at the same rate.
- 75% of the Entrance Fee is to be Capitalized.
- Interest on Securities is to be calculated at 5% p.a., including Purchases made on 01.10.2017 for ₹ 40,000.

Solution:**A. Income and Expenditure Account for the year ended 31st March 2018**

Particulars	₹	Particulars	₹
To Electricity Charges	7,200	By Entrance Fees (25% of ₹ 30,000)	7,500
To Postage & Stationery	5,000	By Subscription	2,00,000
To Telephone Charges	5,000	Less: Advance Received (10,000)	1,90,000
To Rent (Paid 88,000 + P'ble 4,000)	92,000	By Sale Proceeds of Old Papers	1,500
To Salaries (Paid 66,000 + P'ble 3,000)	69,000	By Hire of Lecture Hall	20,000
To Depreciation –		By Interest on Securities (See Note)	8,500
Electrical Fittings (1,50,000 × 10%)	15,000	By Deficit – Excess of Expenditure over Income	
Furniture (50,000 × 10%)	5,000	(balancing figure)	16,700
Books (4,60,000 × 10%)	46,000		
Total	2,44,200	Total	2,44,200

Note: Interest Income = (OB ₹ 1,50,000 × 5% × 12 months) 7,500 + (Addns ₹ 40,000 × 5% × 6 months) 1,000 = ₹ 8,500.

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance	7,93,000		
Add: Entrance Fees(75% of 30,000)	22,500		
Less: Deficit during the year	(16,700)	7,98,800	
Current Liabilities:			
Outstanding Rent	4,000		
Outstanding Salaries	3,000		
Subscription Received in Advance	10,000		
Total	8,15,800	Total	8,15,800

Illustration 14: Preparation of Income and Expenditure Account and Balance Sheet

N 90

Given below is the Receipts and Payments Account of the Freedom Club for the year ended 31st March 2018

Receipts	₹	Payments	₹
To balance b/d	1,025	By Salaries	600
To Subscriptions: 2016–2017	40	By General Expenses	80
2017–2018	2,050	By Entertainment Programme Expenses	450
2018–2019	60	By Newspapers	150
To Donations	540	By Municipal Taxes	50
To Proceeds of Entertainment Programme	950	By Charity	350
To Sale of Wastepaper	45	By Investment (Govt. Bonds)	2,000
		By Electricity Charges	140
		By balance c/d	890
Total	4,710	Total	4,710

Prepare the Club's Income & Expenditure Account for the year ended 31st March 2018, and the Balance Sheet on that date –

- There are 500 Members each paying an Annual Subscription of ₹ 5, and ₹ 50 is still in arrears for 2016–2017.
- Municipal Taxes of ₹ 40 p.a. have been paid upto 30th June 2018 and ₹ 50 for Salaries is Outstanding.
- Buildings stand in the books at ₹ 5,000 and it is required to write off depreciation at 5% per annum.
- 6% per annum interest is accrued on Govt. Bonds for 5 months.

Solution:

A. Income and Expenditure Account for the year ended 31.03.2018

Expenditure	₹	Income	₹
To Salaries (Paid 600 + P'ble 50)	650	By Subscriptions (500 × ₹ 5)	2,500
To General Expenses	80	By Donations	540
To Newspapers	150	By Surplus from Entertainment Programme (950 – 450)	500
To Municipal Taxes (Paid 50 – Prepaid 10)	40	By Sale of Wastepaper	45
To Charity	350	By Interest on Govt. Bonds (2,000 × 6% × 5/12)	50
To Electricity Charges	140		
To Depreciation on Building	250		
To Excess of Income over Expenditure i.e. Surplus (balancing figure)	1,975		
Total	3,635	Total	3,635

Note:

1. Donation ₹ 540 can also be treated as a Capital Receipt in the absence of any specific instruction.
2. In the above solution, Net Income from Entertainment Programme has been shown in the Income Side. It is also permissible to show the Gross Income in the Income Side and related expenses in the Expenditure Side.

B. Balance Sheet as at 31.03.2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:		Non-Current Assets:	
Opening Balance (WN) 6,115		A. Fixed Assets: Building (5,000 – Deprn 5%) 4,750	
Add: Surplus for the year 1,975	8,090	B. Investments in Govt. Bonds 2,000	
Current Liabilities:		Current Assets:	
Subscription Received in Advance 60		Interest Receivable 50	
Expenses Outstanding – Salary 50		Subscription Receivable: 2012–2013 (given) 50	
		2013–2014 (Due 2500 – Recd 2050) 450	
		Prepaid Municipal Taxes 10	
		Cash in Hand 890	
Total	8,200	Total	8,200

Working Note:**Opening Balance Sheet as on 1st April 2017 (To find out Opening Balance of Capital Fund)**

Particulars	₹	Particulars	₹
Capital Fund (balancing figure)	6,115	Non-Current Assets: Buildings 5,000	
		Current Assets: Subs. Rec'ble for 2010–11 (₹ 40 + ₹ 50) 90	
		Cash in Hand 1,025	
Total	6,115	Total	6,115

Illustration 15: Preparation of Income and Expenditure Account and Statement of Affairs

From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2017, and a Statement of Affairs as at that date of the Peacock Hospital:

Receipts and Payments Account for the year ended 31st December 2017

Receipts	₹	Payments	₹
To Balances:			
Cash 4,000		By Salaries (₹ 36,000 for 2016) 1,56,000	
Bank 26,000	30,000	By Hospital Equipment 85,000	
To Subscriptions:		By Furniture Purchased 30,000	
For 2016 25,500		By Additions to Building 2,50,000	
For 2017 1,22,500		By Printing and Stationery 12,000	
For 2018 12,000		By Diet Expenses 78,000	
To Government Grant:		By Rent and Rates (₹ 1,500 for 2018) 10,000	
For Building 4,00,000		By Electricity and Water Charges 12,000	
For Maintenance 1,00,000		By Office Expenses 10,000	
To Fees from Sundry Patients	24,000	By Investments 1,00,000	
To Donations (not to be capitalized)	40,000	By Balances:	
To Net Collections from Benefit Shows	30,000	Cash 7,000	
		Bank 34,000	41,000
Total	7,84,000	Total	7,84,000

Additional information:

Particulars	₹
Value of Building under construction as on 31.12.2017	7,00,000
Value of Hospital Equipment on 31.12.2017	2,55,000
Building Fund as on 01.01.2016	4,00,000
Subscriptions in Arrears as on 31.12.2016	32,500

Investments in 8 % Govt. Securities were made on 1st July 2017.

Solution:

A. Income and Expenditure Account for the year ended 31st December 2017

Expenditure	₹	Particulars	₹
To Salaries (1,56,000 – Last Year 36,000)	1,20,000	By Subscriptions	1,22,500
To Printing & Stationery	12,000	By Govt. Grants (Maintenance)	1,00,000
To Diet Expenses	78,000	By Fees from Sundry Patients	24,000
To Rent & Rates (10,000 – Prepaid 1,500)	8,500	By Donations (Revenue)	40,000
To Electricity & Water Charges	12,000	By Benefit Shows (Net)	30,000
To Office Expenses	10,000	By Interest on Invts (1,00,000 × 8% × 6/12)	4,000
To Excess of Income over Expenditure (balancing figure)	80,000		
Total	3,20,500	Total	3,20,500

Note: Depreciation on Equipment & Furniture is not considered, since Rate of Depreciation is not given in question.

B. Balance Sheet of Peacock Hospital as on 31st December 2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund: Opening Balance 2,46,500		Non-Current Assets:	
Add: Surplus for the year 80,000	3,26,500	A. Fixed Assets: Building under Construction 7,00,000	
		Hospital Equipment 2,55,000	
		Furniture 30,000	
Building Fund: (Opg Bal + Govt. Grant) = 4,00,000 + 4,00,000	8,00,000	B. Investments: 8% Govt. Securities 1,00,000	
Current Liabilities: Subscriptions Received in Advance	12,000	Current Assets:	
		Subscription Rec'ble (32,500 – 25,500) 7,000	
		Accrued Interest 4,000	
		Prepaid Expenses (Rent & Rates) 1,500	
		Cash at Bank 34,000	
		Cash in Hand 7,000	
Total	11,38,500	Total	11,38,500

Working Notes:

1. Balance Sheet as on 31st December 2016 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure) 2,46,500		Non-Current Assets: Building (7,00,000 – 2,50,000) 4,50,000	
Building Fund 4,00,000		Equipment (2,55,000 – 85,000) 1,70,000	
Current Liabilities: Salaries Payable 36,000		Current Assets: Subscription Receivable 32,500	
		Cash at Bank 26,000	
		Cash in Hand 4,000	
Total 6,82,500		Total	6,82,500

2. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	12,630	By balance b/d (Opg Bal of Subs. Recd in Adv.)	–
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	2,89,120	By Cash / Bank – Subs. Recd during the year	2,86,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	–	By balance c/d (Clg Bal of Subs. Rec'ble)	15,750
Total	3,01,750	Total	3,01,750

Illustration 16: Preparation of Income and Expenditure A/c and Balance Sheet

RTP, M 96

From the following Receipts & Payments A/c of Excellent Club for the year ended 31.03.2018 and additional information, prepare an Income & Expenditure A/c for the year ended 31.03.2018 and Balance Sheet as on 31.03.2018:

Receipts	₹	Payments	₹
Opening Balance of Cash & Bank	3,180	Secretary's Salary	12,000
Subscription	18,000	Salaries to Staff	25,000
Sale of Old Newspapers	2,500	Charities	1,000
Legacies	4,000	Printing and stationery	600
Interest on investments	2,000	Postage Expenses	120
Endowment Fund Receipts	20,000	Rates and Taxes	1,500
Proceeds of Sport and Concerts	4,020	Upkeep of land	2,000
Advertisement in the year book	5,000	Purchase of Sports Materials	10,000
		Telephone Expenses	3,480
		Closing Balance of Cash & Bank	3,000
Total	58,700	Total	58,700

Assets and Liabilities as on 31.03.2017 and 31.03.2018 were as follows:-

Particulars	31.03.2017	31.03.2018
Subscription in Arrears	2,000	1,000
Subscription Received in Advance	500	400
Furniture	2,000	1,800
Land	10,000	10,000

Additional Information:

- Depreciation is charged at 10% p.a. under the Diminishing Value Method.
- Legacies received shall be capitalized.
- Investments were made in securities, bearing 12% p.a. Interest, the date of investment was 01.06.2016 and the amount of Investments was ₹ 20,000. Due date of interest is 31st March of every year.
- Stock of Sports Materials on 31.03.2018 was useless and valued at NIL Price.

Solution: A. Income and Expenditure Account for the year ended 31st March 2018

Expenditure	₹	Income	₹
To Secretary's Salary	12,000	By Subscription Income	(WN 2)
To Salaries to Staff	25,000	By Sale of Old Newspapers	2,500
To Charities	1,000	By Interest on Securities $(20,000 \times 12\%)$	2,400
To Printing and Stationery	600	By Proceeds of Sport and Concerts	4,020
To Postage Expenses	120	By Advertisement in the Yearbook	5,000
To Rates and Taxes	1,500	By Deficit – Excess of Exp. over Income	
To Upkeep of Land	2,000	(balancing figure)	
To Sports Materials written off	10,000		
To Telephone Expenses	3,480		
To Depreciation on Furniture	200		
Total	55,900	Total	55,900

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:		Non-Current Assets:	
Opening Balance	36,680	A. Fixed Assets: Land	10,000
Less: Deficit for the year	(24,880)	Furniture $(2,000 - 200)$	1,800
Add: Legacies	4,000	B. Investments in Securities	20,000
Endowment Fund		Current Assets:	
Current Liabilities:		Interest Rec'dble $(2,400 - 2,000 \text{ Recd})$	400
Subscription Received in Advance	400	Subscriptions Receivable	1,000
Total	36,200	Cash in Hand and at Bank	3,000
		Total	36,200

Working Notes: 1. Balance Sheet as on 31st March 2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	36,680	Non-Current Assets: A. Fixed Assets:	Land Furniture
Current Liabilities:			10,000 2,000
Subscriptions Received in Advance	500	B. Investments in Securities	20,000
		Current Assets: Subscription Receivable	2,000
		Cash in hand and at bank	3,180
Total	37,180	Total	37,180

2. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	2,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	500
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	17,100	By Cash / Bank – Subs. Received during the year	18,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	400	By balance c/d (Clg Bal of Subs. Rec'ble)	1,000
Total	19,500	Total	19,500

Illustration 17: Preparation of Income and Expenditure A/c and Balance Sheet

N 97

From the following Receipts and Payments account of Mumbai Club, prepare Income and Expenditure Account for the year ended 31.12.2017 and its Balance Sheet as on that date:

Receipts	₹	Payments	₹
Cash in Hand (Opening)	4,000	Salary	2,000
Cash at Bank(Opening)	10,000	Repair Expenses	500
Donations	5,000	Purchase of Furniture	6,000
Subscriptions	12,000	Miscellaneous Expenses	500
Entrance Fees	1,000	Purchase of Investments	6,000
Interest on Investments	100	Insurance Premium	200
Interest Received from Bank	400	Billiards Table	8,000
Sale of Old Newspaper	150	Paper, Ink etc.	150
Sale of Drama Tickets	1,050	Drama Expenses	500
		Cash in Hand (Closing)	2,650
		Cash at Bank (Closing)	7,200
Total	33,700	Total	33,700

Information:

1. Subscriptions in Arrear for 2017 ₹ 900 and Subscriptions in Advance for 2018 – ₹ 350.
2. Insurance Premium Outstanding ₹ 40, Miscellaneous Expenses Prepaid ₹ 90.
3. 50% of Donation is to be capitalized.
4. Entrance Fees are to be treated as Revenue Income.
5. 8% Interest has Accrued on Investments for 5 months.
6. Billiards Table costing ₹ 30,000 were purchased during the last year and ₹ 22,000 were paid for it.

Solution: A. Income and Expenditure Account for the year ended 31st December 2017

Expenditure	₹	Income	₹
To Salary	2,000	By Donation (50% of 5,000)	2,500
To Repair Expenses	500	By Subscriptions (WN 2)	12,550
To Misc. Expenses (500 – Prepaid 90)	410	By Entrance Fees	1,000
To Insurance Premium (200 + O/s 40)	240	By Interest on Investment	200
To Paper, Ink, etc.	150	[8% on ₹ 6,000 × 5/12]	
To Surplus – Excess of Income over Exp. (balancing figure)	14,050	By Interest Received from Bank	400
		By Sale of Old Newspapers	150
		By Drama: Tickets Sale	1,050
		Less: Expenses (500)	550
Total	17,350	Total	17,350

B. Balance Sheet as on 31st December 2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 1)	36,000	Non-Current Assets: A. Fixed Assets: Billiards Table	30,000
Add: Surplus	14,050	Furniture	6,000
Add: Donations (50% of 5,000)	2,500	B. Investments	6,000
	52,550	Current Assets: Interest Receivable	100
		(Accrued 200 – Received 100)	
		Subscriptions Receivable	900
Current Liabilities:		Cash in Hand	2,650
Insurance Premium Payable	40	Cash at Bank	7,200
Subscription received in Advance	350	Prepaid Expenses	90
Total	52,940	Total	52,940

Working Notes: 1. Balance Sheet as on 31st December 2016 (To find Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	36,000	Billiards Table	30,000
Creditors for Billiards Table (30,000 – 22,000)	8,000	Cash in Hand	4,000
Total	44,000	Cash at Bank	10,000

2. Subscription Account (To find out Subscription Income recognised for the year)

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	Nil	By balance b/d (Opg Bal of Subs. Recd in Adv.)	Nil
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	12,550	By Cash / Bank – Subs. Received during the year	12,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	350	By balance c/d (Clg Bal of Subs. Rec'dble)	900
Total	12,900	Total	12,900

Illustration 18: Preparation of Income and Expenditure Account and Balance Sheet**N 04 (Modified)****The Accountant of Raman Club furnishes you the Receipts & Payments A/c for the year ending 31st March 2018:**

Receipts	₹	Payments	₹
Opening Balance: Cash and Bank	16,760	Honorarium to Secretary	9,600
Subscription	21,420	Misc. Expenses	3,060
Sale of Old Newspapers	4,800	Rates and Taxes	2,520
Entertainment Fees	8,540	Groundman's Wages	1,680
Bank Interest	460	Printing and Stationery	940
Bar Receipts	14,900	Telephone Expenses	4,780
		Payment for Bar Purchases	11,540
		Repairs	640
		New Car (Less Sale Proceeds of Old Car – ₹ 6,000)	25,200
		Closing Balance of Cash and Bank	6,920
Total	66,880	Total	66,880

Additional Information:

Particulars	01.04.2017	31.03.2018
Subscription due (not received)	2,400	1,960
Cheques issued but not presented, for payment for printing	180	60
Club Premises at Cost	58,000	–
Depreciation on Club Premises provided so far	37,600	–
Car at Cost	24,380	–
Depreciation on Car provided so far	20,580	–
Value of Bar Stock	1,420	1,740
Amount unpaid for Bar Purchases	1,180	860

Depreciation is to be provided at 5% p.a. on the Written Down Value of the Club Premises and at 15% on car for the whole year. Prepare an Income and Expenditure Account of Raman Club for the year ending 31st March 2018, and a Balance Sheet as on that date.

Solution:

A. Income and Expenditure Account for the year ended 31st March 2018

Expenditure	₹	Income	₹
To Honorarium to Secretary	9,600	By Subscription (WN 3)	20,980
To Miscellaneous Expenses	3,060	By Sale of Old Newspapers	4,800
To Rates and Taxes	2,520	By Entertainment Fees	8,540
To Groundman's Wages	1,680	By Bank Interest	460
To Printing and Stationery (Note)	940	By Surplus from Bar Operations (WN 2)	4,000
To Telephone Expenses	4,780	By Profit on Sale of Car	2,200
To Repairs	640	Sale Proceeds – Book Value = 6,000 – 3,800	
To Depreciation:			
– Club Premises $(20,400 \times 5\%)$	1,020		
– Car $(25,200 + 6,000) \times 15\%$	4,680		
To Excess of Income over Expenditure (balancing figure)	12,060		
Total	40,980	Total	40,980

Note: Opening and Closing Balances of Cash and Bank shown in the Receipts and Payments A/c (given in the Question), the Bank Balance as per **Cash Book**. Therefore, no adjustment is required in the above solution on account of cheques issued, but not presented for payment, since entries would already have been made in Cash Book.

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 1)	43,600	Non-Current Assets: Fixed Assets	
Add: Surplus during the year	12,060	Club Premises (Cost)	58,000
	55,660	Less: Accumulated Depreciation	(38,620)
Current Liabilities:		(37,600 + 1,020)	19,380
Amount due for Bar Purchases	860	Car (Cost) $(25,200 + 6,000)$	31,200
		Less: Depreciation	(4,680)
Total	56,520	Current Assets: Bar Stock	26,520
		Subscription Receivable	1,740
		Cash and Bank	1,960
		Total	6,920
			Total
			56,520

Working Notes:

1. Balance Sheet as on 1st April 2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	43,600	Non-Current Assets: Fixed Assets	
		Club Premises $(58,000 - 37,600)$	20,400
Current Liabilities:		Car $(24,380 - 20,580)$	3,800
Amount due for Bar Purchases	1,180	Current Assets: Bar Stock	1,420
		Subscription Receivable	2,400
Total	44,780	Cash at Bank	16,760
		Total	44,780

2. Bar Operations

(a) Bar Purchases for the year = Payment + Due at end – Due at beginning = $11,540 + 860 - 1,180 =$	₹ 11,220
(b) Bar Stock consumed for the year = Opg Stock + Purchases – Clg Stock = $1,420 + 11,220 - 1,740 =$	₹ 10,900
(c) Surplus from Bar Operations = Receipts – Cost of Stock consumed = $14,900 - 10,900 =$	₹ 4,000

Note: Alternatively, the computations can be made by preparing "Creditors for Bar Purchases Account" and "Bar Stock Account" – Refer Illustration 9 in this regard.

3. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	2,400	By balance b/d (Opg Bal of Subs. Recd in Adv.)	—
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	20,980	By Cash / Bank – Subs. Received during the year	21,420
To balance c/d (Clg Bal of Subs. Recd in Adv.)	—	By balance c/d (Clg Bal of Subs. Rec'ble)	1,960
Total	23,380	Total	23,380

Illustration 19: Preparation of Income and Expenditure Account and Balance Sheet**N 91**The Receipts and Payments Account of Navkar Football Club for the year ended 31st March 2018 was as under:

Particulars	₹	Particulars	₹
To balance b/d	48,000	By Purchase of Balls	80,000
To Subscriptions	2,46,000	By Tournament Fees	10,000
To Interest	2,000	By Affiliation Fees	2,000
To Sale of Furniture	10,000	By Rent of Playground	5,000
To Donations for Club building	60,000	By Refreshment to players	4,000
		By Travelling Expenses	30,000
		By Investment Purchased at Face Value	1,00,000
		By Salary	12,000
		By Miscellaneous Expenses	8,000
		By balance c/d	1,15,000
Total	3,66,000	Total	3,66,000

Prepare the Club's Income and Expenditure Account for the year ended 31st March 2018, and the Balance Sheet as on that date, after taking the following information into account —

- The Subscription received includes ₹ 10,000 Outstanding Subscription of the year 2012–2017. Subscription for the year 2017–2018 amounting to ₹ 16,000 is still outstanding from Members. Some Members have paid Subscription for the year 2018–2019 amounting to ₹ 8,000 which is included in the Subscriptions Received.
- Interest accrued but not received ₹ 500.
- Book Value of the Furniture sold was ₹ 14,000.
- Rent of Playground ₹ 6,000 and Salary ₹ 5,000 of the year 2017–2018 are still outstanding, and Rent of Playground of the year 2012–2017 ₹ 1,000 has been paid during this year.
- There is Stock of Balls with the Club ₹ 4,000 on 31st March 2018.

Solution:**A. Income and Expenditure Account for the year ended 31st March 2018**

Particulars	₹	Particulars	₹
To Balls Used (Purc 80,000 – Clg. Sk 4,000)	76,000	By Subscription (WN 3)	2,44,000
To Tournament Fees	10,000	By Interest (Received 2,000 + Accrued 500)	2,500
To Affiliation fees	2,000		
To Rent of Playground (WN 2)	10,000		
To Refreshment to Players	4,000		
To Players Travelling Expenses	30,000		
To Salary (Paid 12,000 + O/s 5,000)	17,000		
To Miscellaneous Expenses	8,000		
To Loss on Sale of Furn. (14,000 – 10,000)	4,000		
To Excess of Income over Expenditure (balancing figure)	85,500		
Total	2,46,500	Total	2,46,500

B. Balance Sheet as on 31st March 2018

Capital and Liabilities		₹	Properties and Assets		₹
Capital Fund:			Non-Current Assets: Investments		1,00,000
Opening Balance	71,000				
Add: Surplus for the year	85,500	1,56,500			
			Current Assets:		
			Stock of Balls	4,000	
			Interest Receivable	500	
			Subscription Receivable	16,000	
			Cash & Bank Balances	1,15,000	
Total	2,35,500		Total		2,35,500

Working Notes:

1. Balance Sheet as on 01.04.2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities		₹	Properties and Assets		₹
Capital Fund	(balancing figure)	71,000	Non-Current Assets: Furniture		14,000
Current Liabilities: Outstanding Rent		1,000	Current Assets: Subscription Receivable		10,000
			Cash		48,000
Total		72,000	Total		72,000

2. Playground Rent Account

Particulars	₹	Particulars	₹
To Cash / Bank – Payment	5,000	By balance b/d	1,000
To balance c/d	6,000	By Expenses for the year – tfr to I&E A/c	10,000
Total	11,000	(balancing figure)	
		Total	11,000

3. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	10,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	Nil
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	2,44,000	By Cash / Bank – Subs. Received during the year	2,46,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	8,000	By balance c/d (Clg Bal of Subs. Rec'dble)	16,000
Total	2,62,000	Total	2,62,000

Illustration 20: Preparation of Income and Expenditure A/c and Balance Sheet

M 11

The following is the Receipts and Payment Account of Park View Club in respect of the year ended 31st March 2018 –

Receipts	₹	Payments	₹
To balance b/d	1,02,500	By Salaries	2,08,000
To Subscriptions:		By Stationery	40,000
2016–2017	4,500	By Rent	60,000
2017–2018	2,11,000	By Telephone Expenses	10,000
2018–2019	7,500	By Investments	1,25,000
To Profit on Sports Meet	1,55,000	By Sundry Expenses	92,500
To Income from Investments	1,00,000	By balance c/d	45,000
Total	5,80,500	Total	5,80,500

Additional Information:

- There are 450 Members each paying an Annual Subscription of ₹ 500. On 1st April 2017, Outstanding Subscription was ₹ 5,000.
- There was an Outstanding Telephone Bill for ₹ 3,500 on 31st March 2018.
- Outstanding Sundry Expenses as on 31st March 2017 totalled ₹ 7,000.
- Stock of Stationery: on 31st March 2017 – ₹ 5,000, on 31st March 2018 – ₹ 9,000.
- On 31st March 2017, Building stood in the books at ₹ 10,00,000 and it was subject to Depreciation at 5% per annum.

6. Investment on 31st March 2017 stood at ₹ 20,00,000.
 7. On 31st March 2018, Income accrued on the Investments purchased during the year amounted to ₹ 3,750.

Prepare an Income and Expenditure Account for the year ended 31st March 2018, and the Balance Sheet as at that date.

Solution:

A. Income and Expenditure Account for the year ended 31st March 2018

Particulars	₹	Particulars	₹
To Salaries	2,08,000	By Subscriptions for the Year	2,25,000
To Stationery Consumed (WN 3)	36,000	By Income from Investments	
To Rent Expenses	60,000	Received	1,00,000
To Telephone Expenses (Paid 10,000 + P'ble 3,500)	13,500	Accrued (given)	3,750
To Sundry Expenses (WN 4)	85,500	By Profit on Sports Meet	
To Depreciation on Building (5% × 10,00,000)	50,000		1,03,750
To Excess of Income over Expenditure (balancing figure)	30,750		1,55,000
Total	4,83,750	Total	4,83,750

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 1)	31,05,500	Non-Current Assets:	
Add: Surplus for the year	30,750	FA-Buildings (Cost 10,00,000 – Depn 50,000)	9,50,000
		Investments (Opg 20,00,000+ New 1,25,000)	21,25,000
Current Liabilities:		Current Assets: Stationery Stock	9,000
Outstanding Telephone Bills	3,500	Interest Accrued on Investments	3,750
Subscription Received in Advance	7,500	Subscriptions Rec'ble (14,000 + 500)	14,500
Total	31,47,250	Cash in Hand	45,000
		Total	31,47,250

Working Notes: 1. Balance Sheet as on 31.03.2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	31,05,500	Non-Current Assets: Buildings	10,00,000
		Investments	20,00,000
Current Liabilities:		Current Assets: Stationery Stock	5,000
Sundry Expenses Payable	7,000	Subscription Receivable	5,000
Total	31,12,500	Cash in Hand	1,02,500
		Total	31,12,500

2. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opening Subscription Receivable)	5,000	By Bank – Collections for –	
To Subscriptions for the Year (450 Mmbrs × ₹ 500)	2,25,000	2016–2017	4,500
To balance c/d (Advance for 2018–2019)	7,500	2017–2018	2,11,000
		2018–2019	7,500
		By balance c/d – Subscriptions Receivable	
		2016–2017 (5,000 – 4,500)	500
		2017–2018 (2,25,000 – 2,11,000)	14,000
Total	2,37,500	Total	2,37,500

3. Stationery Stock Account

Particulars	₹	Particulars	₹
To Opening Balance of Stationery Stock	5,000	By Stationery Consumed during the year	
To Bank – Purchases during the year	40,000	(balancing figure)	36,000
		By Closing Balance Stationery Stock	9,000
Total	45,000	Total	45,000

4. Expenses Payable Account

Particulars	₹	Particulars	₹
To Bank – Payment during the year	92,500	By balance b/d By Expenses for the year – tfr to I&E A/c (balancing figure)	7,000 85,500
Total	92,500	Total	92,500

Illustration 21: Preparation of Income and Expenditure A/c and Balance Sheet

N 99, N 12(Modified)

Mahaveer Sports Club gives the following Receipts and Payments Account for the year ended 31st March 2018:

Receipts and Payments Account

Receipts	₹	Payments	₹
To Opening Cash and Bank balances	5,200	By Salaries	15,000
To Subscription	34,800	By Rent and Taxes	5,400
To Donations	10,000	By Electricity Charges	600
To Interest on Investments	1,200	By Sports Goods	2,000
To Sundry Receipts	300	By Library Books	10,000
		By Newspapers and Periodicals	1,080
		By Miscellaneous Expenses	5,400
		By Closing Cash and Bank Balances	12,020
Total	51,500	Total	51,500

The following information regarding the Assets and Liabilities of the Club is also available –

Particulars	As on 31.03.2017	As on 31.03.2018
Outstanding Expenses:		
Salaries	1,000	2,000
Newspapers and Periodicals	400	500
Rent and Taxes	600	600
Electricity Charges	800	1,000
Library Books	10,000	?
Sports Goods	8,000	?
Furniture and Fixtures	10,000	?
Subscription Receivable	5,000	12,000
Investment Government Securities	50,000	?
Accrued Interest	600	600

Provide Depreciation on: Library Books at 10% p.a. Furniture and Fixtures at 10% p.a. Sports Goods at 20% p.a.

You are required to prepare the Club's Opening Balance Sheet as on 01.04.2017, Income and Expenditure Account for the year ended 31.03.2018 and Balance Sheet as on that date.

Solution:

A. Income and Expenditure Account for the year ended on 31st March 2018

Expenditure	₹	Income	₹
To Salaries (WN 3)	16,000	By Subscription (WN 2)	41,800
To Electricity Charges (WN 3)	800	By Donations (assumed Revenue)	10,000
To Rent and Taxes (WN 3)	5,400	By Interest on Investments (1200 + 600 – 600)	1,200
To Newspapers and Periodicals (WN 3)	1,180	By Sundry Receipts	300
To Misc. Expenses	5,400		
To Depreciation on Fixed Assets (WN 4)	5,000		
To Excess of Income over Expenditure (balancing figure)	19,520		
Total	53,300	Total	53,300

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:		Non-Current Assets:	
Opening Balance (WN 1) 86,000		Furniture and Fixtures 9,000	
Add: Surplus during the year 19,520	1,05,520	Sports Goods 8,000	
		Library Books 18,000	35,000
Outstanding Expenses:		B. Investments in Govt. Securities	50,000
Salaries 2,000		Subscriptions Receivable 12,000	
Newspapers and Periodicals 500		Interest Receivable 600	
Rent and Taxes 600		Cash and Bank Balances 12,020	
Electricity Charges 1,000			
Total 1,09,620		Total	1,09,620

Note: Alternatively, Donations can be capitalized and directly added to Capital Fund.

Working Notes:**1. Balance Sheet as on 01.04.2017** (To find Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	86,000	Non-Current Assets:	
		A. Fixed Assets: Library Books	10,000
		Sports Goods	8,000
		Furniture and Fixtures	10,000
Outstanding Expenses:		B. Investments in Govt. Securities	50,000
Salaries 1,000		Current Assets: Subscriptions Receivable	5,000
Newspapers and Periodicals 400		Interest Receivable	600
Rent and Taxes 600		Cash and Bank Balances	5,200
Electricity Charges 800			
Total 88,800		Total	88,800

2. Subscription Account (To find out Subscription Income recognised for the year)

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	5,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	—
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	41,800	By Cash / Bank – Subs. Received during the year	34,800
To balance c/d (Clg Bal of Subs. Recd in Adv.)	—	By balance c/d (Clg Bal of Subs. Rec'ble)	12,000
Total 46,800		Total	46,800

3. Expenses for the year ended 31st March 2018

Expenses	Salaries	Newspapers	Rent & Taxes	Elec. Charges
Paid during the year	15,000	1,080	5,400	600
Add: Outstanding as on 31.03.2018 (year-end)	2,000	500	600	1,000
	17,000	1,580	6,000	1,600
Less: Outstanding as on 31.03.2017 (year-beginning)	(1,000)	(400)	(600)	(800)
Expenses recognised for the year	16,000	1,180	5,400	800

4. Depreciation on Fixed Assets

Assets	Opening Balance	Additions during the year	Total	Deprn Rate	Deprn Amt	Closing Balance
Furniture	10,000	—	10,000	10%	1,000	9,000
Sports Goods	8,000	2,000	10,000	20%	2,000	8,000
Library Books	10,000	10,000	20,000	10%	2,000	18,000
	28,000	12,000	40,000		5,000	35,000

Illustration 22: Preparation of Income and Expenditure Account & Balance Sheet

The Sports Club gives the following Receipts and Payments for the year ended 31st March 2018:

Receipts	₹	Payments	₹
To balance b/d	48,200	By Salaries	1,20,000
To Subscription	2,86,000	By Rent and Electricity	72,200
To Miscellaneous Income	7,000	By Library Books	10,000
To Interest on Fixed Deposit	20,000	By Magazines and Newspapers	21,720
		By Sundry Expenses	1,02,780
		By Sports Equipments	10,000
		By balance c/d	24,500
Total	3,61,200	Total	3,61,200

Figures of other Assets and Liabilities are furnished as follows –

Particulars	31.03.2017	31.03.2018
Salaries Outstanding	7,100	1,700
Outstanding Rent & Electricity	8,640	9,730
Outstanding for Magazines and Newspapers	2,260	3,400
Fixed Deposit (10 %) with Bank	2,00,000	2,00,000
Interest Accrued thereon	5,000	5,000
Subscription Receivable	12,630	15,750
Prepaid Expenses	4,170	6,200
Furniture	96,000	–
Sports Equipments	72,000	–
Library Books	50,000	–

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 31st March 2018 was ₹ 52,500.

From the above information, prepares the Club's – (a) Balance Sheet as at 1st April 2017, (b) Income and Expenditure Account for the year ended 31st March 2018, and (c) Closing Balance Sheet as at 31st March 2018. Show all your workings clearly.

Solution:

A. Income and Expenditure Account for the year ending 31st March 2018

Expenditure	₹	Income	₹		
To Salaries	(WN 2)	1,14,600	By Subscription	(WN 4)	2,89,120
To Rent & Electricity	(WN 2)	73,290	By Interest	(20,000 + 5,000 – 5,000)	20,000
To Magazines & Newspapers	(WN 2)	22,860	By Misc. Income		7,000
To Sundry Expenses	(WN 2)	1,00,750	By Excess of Expenditure over Income		28,880
To Depreciation	(WN 3)	33,500	(balancing figure)		
Total	3,45,000	Total	3,45,000		

B. Balance Sheet of Sports Club as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance	4,70,000	Non-Current Assets:	
Less: Deficit for the year	(28,880)	A. Fixed Assets: (WN 3) Furniture	86,400
	4,41,120	Sports Equipments	65,600
		Library Books	52,500
Current Liabilities: Payables		B. Investments: Fixed Deposit (10% Interest)	2,00,000
Salaries	1,700	Current Assets: Subscription Receivable	15,750
Rent & Electricity	9,730	Interest Receivable	5,000
Newspapers & Magazines	3,400	Cash in Hand & at Bank	24,500
Total	4,55,950	Prepaid Expenses	6,200
		Total	4,55,950

Working Notes: 1. Balance Sheet as on 1st April 2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities		₹	Properties and Assets		₹
Capital Fund	(balancing figure)	4,70,000	Non-Current Assets:		
			A. Fixed Assets:	Furniture	96,000
				Sports Equipments	72,000
				Library Books	50,000
			B. Investments:	Fixed Deposit	2,00,000
			Current Assets:	Interest Accrued	5,000
				Prepaid Expenses	4,170
				Subscription Receivable	12,630
				Cash in Hand & at Bank	48,200
Total		4,88,000	Total		4,88,000

2. Expenses for the year

Particulars		Salaries	Rent & Elec.	Magazines & Newspapers	Sundry Exps.
Paid during the year		1,20,000	72,200	21,720	1,02,780
Add: Outstanding at year end		1,700	9,730	3,400	–
Add: Prepaid at year beginning		–	–	–	4170
Total of above		1,21,700	81,930	25,120	1,06,950
Less: Outstanding at year beginning		(7,100)	(8,640)	(2,260)	–
Less: Prepaid at year end		–	–	–	(6,200)
Expenses for the year		1,14,600	73,290	22,860	1,00,750

3. Fixed Assets and Depreciation

Item	Opg Bal.	Additions	Total Value	Depreciation	Cig Bal.
Furniture	96,000	–	96,000	10% on 96,000 = 9,600	86,400
Sports Equipment	72,000	10,000	82,000	20% on 82,000 = 16,400	65,600
Library Books	50,000	10,000	60,000	60,000 – 52,500 = 7,500 (given) 52,500	
Total	2,18,000	20,000	2,38,000	33,500	2,04,500

4. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	12,630	By balance b/d (Opg Bal of Subs. Recd in Adv.)	–
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	2,89,120	By Cash / Bank – Subs. Recd during the year	2,86,000
To balance c/d (Cig Bal of Subs. Recd in Adv.)	–	By balance c/d (Cig Bal of Subs. Rec'dble)	15,750
Total	3,01,750	Total	3,01,750

Illustration 23: Preparation of Income and Expenditure A/c and Balance Sheet

M 08

Following is the Receipts and Payments Account of Mayur Club for the year ended 31st March 2018:

Receipts	₹	Payments	₹
Opening Balance (01.04.2017) Cash in Hand	39,100	Sports Materials	3,04,500
Cash at Bank	50,000	Salaries	3,15,000
Receipts:		Equipment purchased on 01.10.2017	60,000
Subscriptions		Bank Fixed Deposits on 31.03.2018	1,50,000
For the year 2016–2017	18,000	Rent	1,48,500
For the year 2017–2018	9,63,000	Ground Maintenance	22,120
For the year 2018–2019	4,500	Insurance	38,400
Interest on Bank		Stationery	3,450
Fixed Deposits at 10%	45,000	Sundry Expenses	5,880
		Closing Balance as on 31.03.2018: Cash in Hand	31,750
		Cash at Bank	40,000
Total	11,19,600	Total	11,19,600

Following additional information is provided to you:

1. The Club has 220 Members. The annual subscription is ₹ 4,500 per Member.
2. Depreciation to be provided on Furniture at 10% p.a. and on Sports Equipment at 15% p.a.
3. On 31st March 2018, Stock of Sports Material in hand (after Members used during the year) is valued at ₹ 78,000 and Stock of Stationery at ₹ 3,150. Rent for 1 month is outstanding. Unexpired Insurance amounts to ₹ 9,600.
4. On 31st March 2017, the Club had the following Assets –

Note: There was no liability on 31.3.2017.

Furniture	₹ 2,70,000
Sports Equipment	₹ 1,80,000
Bank Fixed Deposit	₹ 4,50,000
Stock of Stationery	₹ 1,500
Stock of Sports Material	₹ 73,500
Unexpired Insurance	₹ 8,400
Subscription in Arrear	₹ 22,500

You are required to prepare – (1) Income and Expenditure Account, and (2) Balance Sheet as at 31st March 2018.

Solution:

A. Income and Expenditure Account for the year ended 31st March 2018

Expenditure	₹	Income	₹
To Salaries	3,15,000	By Subscription Income	9,90,000
To Rent (WN 2)	1,62,000	(₹ 4,500 × 220 Members)	
To Ground Maintenance	22,120	By Interest on Fixed Deposit	45,000
To Insurance (WN 3)	37,200		
To Sports Materials used (WN 4)	3,00,000		
To Stationery used (WN 4)	1,800		
To Sundry Expenses	5,880		
To Depreciation (WN 5)	58,500		
To Excess of Income over Expenditure i.e. Surplus (balancing figure)	1,32,500		
Total	10,35,000	Total	10,35,000

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 1)	10,95,000	Non-Current Assets: A. Fixed Assets:	
Add: Surplus for the year	1,32,500	Equipments (WN 5)	2,08,500
		Furniture (WN 5)	2,43,000
Current Liabilities:		B. Investments: Fixed Deposit in Bank	6,00,000
Rent Outstanding (WN 2)	13,500	(4,50,000 + 1,50,000)	
Subscription Received in Advance	4,500	Current Assets:	
		Stock of Sports Material	78,000
		Stock of Stationery	3,150
		Subscription Receivable:	31,500
		For 2016–2017	4,500
		(OB 22,500 – Recd 18,000)	
		For 2017–2018	27,000
		(Due 9,90,000 – Recd 9,63,000)	
		Cash at Bank	40,000
		Cash in Hand	31,750
		Prepaid Insurance	9,600
Total	12,45,500	Total	12,45,500

Note: Interest on Bank FD is fully received on Opening Balance. Additional FD is made only on last day of financial year, hence no Accrued Interest.

Working Notes: 1. Balance Sheet as at 31.03.2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities		₹	Properties and Assets	₹
Capital Fund	(balancing figure)	10,95,000	Non-Current Assets:	
			A. Fixed Assets: Sports Equipment	1,80,000
			Furniture	2,70,000
			B. Investments: Fixed Deposits in Bank	4,50,000
			Current Assets: Stock of Sports Materials	73,500
			Stock of Stationery	1,500
			Subscription Receivable	22,500
			Prepaid Insurance	8,400
			Cash at Bank	50,000
			Cash on Hand	39,100
Total		10,95,000	Total	10,95,000

2. Rent for 1 month is Outstanding at year-end. So, Rent paid for 11 months = given ₹ 1,48,500.

$$\text{So, Rent per month} = \frac{1,48,500}{11} = ₹ 13,500. \text{ Total Rent Expense for the year} = 13,500 \times 12 = ₹ 1,62,000.$$

3. Insurance Account

Particulars	₹	Particulars	₹
To balance b/d	8,400	By Expenses for the year (balancing figure)	37,200
To Cash / Bank – Payment during the year	38,400	By balance c/d	9,600
Total	46,800	Total	46,800

4. Consumption of Sports Material and Stationery

Particulars	Sports Matl	Stationery	Particulars	Sports Matl	Stationery
To balance b/d	73,500	1,500	By I&E A/c – Consumption / Expense tfr (bal. fig.)	3,00,000	1,800
To Cash / Bank – Purchases during the year	3,04,500	3,450	By balance c/d	78,000	3,150
Total	3,78,000	4,950	Total	3,78,000	4,950

5. Depreciation on Fixed Assets

Item	Opg Bal.	Addns	Total	Depreciation	Ctg Bal.
Furniture	2,70,000	–	2,70,000	$2,70,000 \times 10\% = 27,000$	2,43,000
Sports Equipment	1,80,000	60,000	2,40,000	$(1,80,000 \times 15\%) + (60,000 \times 15\% \times 6/12) = 31,500$	2,08,500
Total	4,50,000	60,000	5,10,000	58,500	4,51,500

Illustration 24: Preparation of Income and Expenditure A/c and Balance Sheet

N 06 (Modified)

Following is the Receipts and Payments Account of Perfect Club for the year ended 31st March 2018:

Receipts	₹	Payments	₹
To Cash in Hand on 1 st April 2017	9,000	By Payments for Cosmetics	15,000
To Subscription	45,000	By Honorarium to Beautician	8,000
To Donation	4,500	By Salaries	18,000
To Interest on Investments at 6% for the year	3,000	By Sundry Expenses	1,000
To Fashion Show Proceeds	50,500	By Rent for Building	12,000
		By Equipments Purchased	13,000
		By Fashion Show Expenses	34,000
		By Cash in hand on 31 st March 2018	11,000
Total	1,12,000	Total	1,12,000

You are required to prepare Income and Expenditure Account for the year ended 31st March 2018, and Balance Sheet as on date of Perfect Club from the above and the following additional information –

Particulars	On 01.04.2017 (₹)	On 31.03.2018 (₹)
(i) Subscription Due	500	2,000
(ii) Subscription Received in Advance	1,500	1,000
(iii) Stock of Cosmetics	10,000	7,000
(iv) Amount due to Cosmetics Suppliers	8,000	11,000
(v) Rent paid in Advance	1,000	1,500
(vi) Salary Outstanding	1,500	2,000
(vii) Value of Equipments	21,500	29,000
(viii) Value of Furniture and Fixtures	40,000	36,000

Solution: A. Income and Expenditure Account for the year ended 31st March 2018

Expenditure	₹	Income	₹
To Cosmetics Consumed (WN 4)	21,000	By Subscription Income (WN 2)	47,000
To Honorarium to Beautician	8,000	By Donation	4,500
To Salaries (WN 5)	18,500	By Interest on Investments	3,000
To Sundry Expenses	1,000	By Fashion Show Proceeds	50,500
To Rent for Building (WN 6)	11,500	Less: Fashion Show Expenses (34,000)	16,500
To Depreciation (5,500 + 4,000) (WN 7)	9,500		
To Excess of Income over Expenditure i.e. Surplus (balancing figure)	1,500		
Total	71,000	Total	71,000

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 1)	1,21,000	Non-Current Assets: A.FA: Equipments	29,000
Add: Surplus for the year	1,500	Furniture & Fixtures	36,000
	1,22,500	B. Investments (6% Interest)	50,000
Current Liabilities:		Current Assets: Subscription Receivable	2,000
Subscription Received in Advance	1,000	Stock of Cosmetics	7,000
Amount due to Cosmetics Suppliers	11,000	Cash in Hand	11,000
Salary Outstanding	2,000	Prepaid Rent	1,500
Total	1,36,500	Total	1,36,500

Working Notes: 1. Balance Sheet as on 31st March 2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	1,21,000	Non-Current Assets: A.FA: Equipments	21,500
Current Liabilities:		Furniture & Fixtures	40,000
Subscription Received in Advance	1,500	B.Investments (₹ 3,000 Interest ÷ 6%)	50,000
Amount due to Cosmetics Suppliers	8,000	Current Assets: Subscription Receivable	500
Salary Outstanding	1,500	Stock of Cosmetics	10,000
		Cash in Hand	9,000
		Prepaid Rent	1,000
Total	1,32,000	Total	1,32,000

2. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	500	By balance b/d (Opg Bal of Subs. Recd in Adv.)	1,500
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	47,000	By Cash / Bank – Subs. Received during the year	45,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	1,000	By balance c/d (Clg Bal of Subs. Rec'ble)	2,000
Total	48,500	Total	48,500

3. Creditors for Cosmetics (To find out Purchases during the year)

Particulars	₹	Particulars	₹
To Cash / Bank – Payment	15,000	By balance b/d	8,000
To balance c/d	11,000	By Purchases for the year (balancing figure)	18,000
Total	26,000	Total	26,000

4. Cosmetic Stock (To find out the consumption during the year)

Particulars	₹	Particulars	₹
To balance b/d	10,000	By Stock Consumed (balancing figure)	21,000
To Bar Purchases (WN 3)	18,000	By balance c/d	7,000
Total	28,000	Total	28,000

5. Salary Account

Particulars	₹	Particulars	₹
To Cash / Bank – Paid	18,000	By balance b/d	1,500
To balance c/d	2,000	By Expenses for the year – tfr to I&E A/c (balancing figure)	18,500
Total	20,000	Total	20,000

6. Rent Expense Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Balance Prepaid Rent)	1,000	By Expenses for the year – tfr to I&E A/c (balancing figure)	11,500
To Cash / Bank – Payment during the year	12,000	By balance b/d (Closing Balance Prepaid Rent)	1,500
Total	13,000	Total	13,000

7. Assets Account (To find out Depreciation for the year)

Particulars	Equipment	F & F	Particulars	Equipment	F & F
To balance b/d	21,500	40,000	By Depreciation (balancing figure)	5,500	4,000
To Cash / Bank – Purchase	13,000	–	By balance c/d	29,000	36,000
Total	34,500	40,000	Total	34,500	40,000

Illustration 25: Final Accounts of Not-For-Profit Organisations

RTP, M 93, M 09

The following is the Receipts and Payments Account of Sydney Club for the year ended 31.03.2018.

Receipts	₹	Payments	₹
Opening Balance		Salaries	1,20,000
– Cash	10,000	Creditors	15,20,000
– Bank	3,850	Printing and Stationery	70,000
Subscription Received	2,02,750	Postage	40,000
Entrance Donation	1,00,000	Telephone and Telex	52,000
Interest Received	58,000	Repairs and Maintenance	48,000
Sale of Assets	8,000	Glass and Table Linen	12,000
Miscellaneous Income	9,000	Crockery and Cutlery	14,000
Receipts at		Garden Upkeep	8,000
– Coffee Room	10,70,000	Membership Fees	4,000
– Wines and Spirits	5,10,000	Insurance	5,000
– Swimming Pool	80,000	Electricity	28,000
– Tennis Court	1,02,000	Closing Balance	
		– Cash	8,000
		– Bank	2,24,600
Total	21,53,600	Total	21,53,600

The Assets and Liabilities as on 01.04.2017 were as follows –

Particulars	₹	Particulars	₹
Fixed Assets (Net)	5,00,000	Sundry Creditors	1,12,000
Stock	3,80,000	Subscription received in advance	15,000
Investment in 12% Govt. Securities	5,00,000	Entrance Donation received pending Membership	1,00,000
Outstanding Subscription	12,000	Gratuity Fund	1,50,000
Prepaid Insurance	1,000		

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

1. Subscriptions Received in Advance as on 31.03.2018 was ₹ 18,000.
2. Outstanding Subscription as on 31st March 2018 was ₹ 7,000.
3. Outstanding Expenses at year-end are Salaries ₹ 8,000 and Electricity ₹ 15,000.
4. 50% of the Entrance Donation was to be capitalized. There was no pending Membership as on 31st March 2018.
5. Cost of Assets Sold Net as on 01.04.2017 was ₹ 10,000.
6. Depreciation is to be provided at the rate of 10% on the Assets.
7. A sum of ₹ 20,000 received in October 2017 as Entrance Donation from an applicant was to be refunded, as he has not fulfilled the requisite Membership qualifications. The refund was made on 03.06.2018.
8. Purchases made during the year amounted to ₹ 15,00,000. Value of Closing Stock was ₹ 2,10,000.
9. 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.

Prepare an Income and Expenditure Account for the year ended 31.03.2018, and the Balance Sheet as on 31.03.2018.

Solution: A. Income and Expenditure Account for the year ended 31.03.2018

Expenditure	₹	Income	₹
To Salaries (Paid 1,20,000 + P'ble 8,000)	1,28,000	By Subscription (WN 2)	1,94,750
To Printing and Stationery	70,000	By Entrance Donation (WN 3)	90,000
To Postage	40,000	By Interest (₹ 5,00,000 × 12%)	60,000
To Telephone and Telex	52,000	By Miscellaneous Income	9,000
To Repairs and Maintenance	48,000	By Receipts from	
To Glass and Table Linen	12,000	– Coffee Room	10,70,000
To Crockery and Cutlery	14,000	– Wine and Spirits	5,10,000
To Garden Upkeep	8,000	– Swimming Pool	80,000
To Membership Fee Expense	4,000	– Tennis Court	1,02,000
To Insurance (5,000 + Opg Prepaid 1,000)	6,000	By Excess of Expenditure over Income	
To Electricity Charges (Paid 28,000 + P'ble 15,000)	43,000	(balancing figure)	30,250
To Cost of Goods Sold (Coffee, etc) (WN 5)	16,70,000		
To Loss on Sale of Assets (10,000 – 8,000)	2,000		
To Depreciation (WN 6)	49,000		
Total	21,46,000	Total	21,46,000

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (WN 7)	10,89,600	Non-Current Assets:	
Gratuity Fund (same as Opening Balance)	1,50,000	A. Fixed Assets (WN 6)	4,41,000
Current Liabilities:		B. Investments (12% Securities)	5,00,000
Sundry Creditors (WN 4)	92,000	Current Assets: Stock	2,10,000
Subscriptions Received in Advance	18,000	Subscription Outstanding	7,000
Entrance Donation Refundable	20,000	Interest Accrued	2,000
Outstanding Expenses (Salaries + Electricity) (8,000 + 15,000)	23,000	(Due 60,000 – Recd 58,000)	
		Bank	2,24,600
		Cash	8,000
Total	13,92,600	Total	13,92,600

Working Notes:**1. Balance Sheet as on 1st April 2017 (To find out Opening Balance of Capital Fund)**

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	10,29,850	Non-Current Assets:	
Gratuity Fund	1,50,000	A. Fixed Assets (WN 6)	5,00,000
Current Liabilities:		B. Investments (12% Securities)	5,00,000
Sundry Creditors	1,12,000	Current Assets: Stock	3,80,000
Subscriptions Received in Advance	15,000	Subscription Receivable	12,000
Entrance Donation recd in advance	1,00,000	Bank	3,850
		Cash	10,000
		Prepaid Insurance	1,000
Total	14,06,850	Total	14,06,850

2. Subscription Account (To find out Subscription Income recognised for the year)

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'd)	12,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	15,000
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	1,94,750	By Cash / Bank – Subs. Recd during the year	2,02,750
To balance c/d (Clg Bal of Subs. Recd in Adv.)	18,000	By balance c/d (Clg Bal of Subs. Rec'd)	7,000
Total	2,24,750	Total	2,24,750

3. Entrance Donation

Particulars	₹
Entrance Donation Received during the year	1,00,000
Add: Received in Advance as on 01.04.2017	1,00,000
Total Entrance Donation relating to this year	2,00,000
Less: Transfer to Sundry Payable in respect of Ineligible Member (Refundable, i.e. Liability)	(20,000)
Less: 50% Capitalized and transfer to Capital Fund	(90,000)
Taken to Income and Expenditure Account	90,000

4. Creditors Account

Particulars	₹	Particulars	₹
To Cash / Bank – Payment	15,20,000	By balance b/d	1,12,000
To balance c/d (balancing figure)	92,000	By Purchases for the year	15,00,000
Total	16,12,000	Total	16,12,000

5. Cost of Goods Sold / Consumed = Opening Stock + Purchases – Closing Stock
 $= 3,80,000 + 15,00,000 - 2,10,000 = ₹ 16,70,000.$

6. Fixed Asset and Depreciation

Net Fixed Asset (Opening Balance – Assets Sold) = 5,00,000 – 10,000	4,90,000
Less: Depreciation at 10%	(49,000)
Closing Balance of Fixed Assets	4,41,000

7. Capital Fund

Particulars	₹	Particulars	₹
To Deficit – Excess of Exp. over Income	30,250	By balance b/d (WN 1)	10,29,850
To balance c/d (balancing figure)	10,89,600	By Entrance Donation – 50% Capitalised	90,000
Total	11,19,850	Total	11,19,850

3. Rectification of R&P A/c & Preparation of Final A/cs

Illustration 26: Rectification of Receipts and Payments A/c and Preparation of Final Accounts

RTP, M 03

The Receipts and Payments Account of Trustwell Club prepared on 31st March 2018 is as follows:

Receipts	₹	Payments	₹
To balance b/d		450	By Expenses (including Payment for Sports Material ₹ 2,700)
To Annual Income from Subscription	4,590		6,300
Add: O/s of last year recd this year	180	By Loss on Sale of Furniture (Cost Price ₹ 450)	180
Less: Prepaid of last year	(90)	By balance c/d	90,450
To Other Fees		1,800	
To Donation for Building		90,000	
Total	96,930	Total	96,930

Additional information:

- On 01.04.2017, Trustwell Club had – Furniture ₹ 1,800, Investment at 5% ₹ 27,000 and Sports Material ₹ 6,660.
- Balances as on 31.03.2018 were as under –

Subscription Receivable	₹ 270
Subscription Received in Advance	₹ 90
Stock of Sports Material	₹ 1,800

Do you agree with above Receipts and Payments Account? If not, prepare correct Receipts and Payments Account and Income and Expenditure Account for the year ended 31st March 2018, and Balance Sheet on that date.

Solution:

A. Corrected Receipts & Payments Account for the year ended 31st March 2018

Receipts	₹	Payments	₹
To balance b/d (given)	450	By Expenses (₹ 6,300 – ₹ 2,700)	3,600
To Subscription Received (WN 2)	4,500	By Sports Material	2,700
To Other Fees	1,800	By balance c/d (balancing figure)	90,720
To Donation for Building	90,000		
To Sale of Furniture (450 – 180)	270		
Total	97,020	Total	97,020

B. Income & Expenditure Account for the year ended 31st March 2018

Expenditure	₹	Income	₹
To Sundry Expenses	3,600	By Subscription Income	4,590
To Sports Material Consumed	7,560	By Other Fees	1,800
Op Stock + Purchases – Cl. Stock (6,660 + 2,700 – 1,800)		By Interest on Investment (5% on 27,000)	1,350
To Loss on Sale of Furniture	180	By Excess of Expenditure over Income i.e. Deficit (balancing figure)	3,600
Total	11,340	Total	11,340

C. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:		Non-Current Assets:	
Opening Balance (WN 1) 36,000		A. Fixed Assets: Furniture (1,800 – Sold 450)	1,350
Less: Deficit for the year (3,600)	32,400	B. 5% Investments	27,000
Building Fund	90,000	Current Assets: Stock of Sports Material	1,800
Current Liabilities:		Subscription Receivable	270
Subscription Received in Advance	90	Interest Receivable	1,350
Total	1,22,490	Cash in Hand and at Bank	90,720
		Total	1,22,490

Working Notes:**1. Balance Sheet as on 1st April 2017 (To find out Opening Balance of Capital Fund)**

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	36,000	Non-Current Assets: A. Fixed Assets: Furniture	1,800
Current Liabilities:		B. Investments	27,000
Subscription Received in Advance	90	Current Assets: Stock of Sports Material	6,660
		Subscription Receivable	180
		Cash in Hand and at Bank	450
Total	36,090	Total	36,090

2. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	180	By balance b/d (Opg Bal of Subs. Recd in Adv.)	90
To Income and Expenditure A/c – Subs. Income recognised during the year	4,590	By Cash / Bank – Subs. Received during the year	4,500
To balance c/d (Clg Bal of Subs. Recd in Adv.)	90	(balancing figure) By balance c/d (Clg Bal of Subs. Rec'ble)	270
Total	4,860	Total	4,860

Illustration 27: Rectification of Receipts and Payments A/c and Preparation of Final Accounts

N 13

Highend Club appointed a new Accountant for maintaining books of account. He prepared following Receipts and Payments A/c for the year ended as on 31st March 2018.

Receipts and Payments Account

Receipts	₹	Payments	₹	
To balance b/d		9,000	By Printing & Stationery	21,000
To Annual Subscription for current yr	9,18,000	By Telephone Expenses	45,000	
Add: Outstanding of last year received this yr	36,000	By Repair & Maintenance Expenses (incl Payment for Sports Material ₹ 54,000)	1,26,000	
	9,54,000	By Garden Upkeep	55,000	
Less: Subscription received in Advance as on 31–03–2017	18,000	By Electricity Charges	36,000	
	9,36,000	By Loss on Sale of Furniture (Cost as per Books ₹ 90,000)	36,000	
To Sale of Old Newspaper	36,000			
To 5% Interest on Investments	27,000			
To Entrance Fees	68,000			
To Donation for Building	18,00,000	By balance c/d	25,57,000	
Total	28,76,000	Total	28,76,000	

Additional Information:

Highend Club had balances	01–04–2017 ₹	01–04–2018 ₹
Furniture	3,60,000	
Stock of Sports Material	1,33,200	36,000
Subscription Receivable		54,000
Subscription Received in Advance		18,000
Outstanding Printing & Stationery Expenses	1,500	2,500
Outstanding Electricity Charges		3,200
50% Entrance Fees is to be capitalized.		

Do you agree with above Receipts and Payment Account? If not, prepare correct Receipts and Payments Account and Income and Expenditure Account for the year ended 31st March 2018, and Balance Sheet as on that date.

Solution:

A. Receipts & Payments Account for the year ended 31st March 2018

Receipts	₹	Payments	₹
To balance b/d	9,000	By Printing & Stationery Expenses	21,000
To Subscription Received (WN 2)	9,00,000	By Telephone Expenses	45,000
To Sale of Old Newspaper	36,000	By Garden Upkeep	55,000
To 5% Interest on Investments	27,000	By Repairs & Maint. (1,26,000 – 54,000)	72,000
To Entrance Fees	68,000	By Sports Material	54,000
To Donation for Building	18,00,000	By Electricity Charges	36,000
To Sale Proceeds of Furniture (90,000 – 36,000)	54,000	By balance c/d (bal. fig)	26,11,000
Total	28,94,000	Total	28,94,000

2. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Subscription rec'dable opg Bal)	36,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	18,000
To Income and Expenditure A/c (for the yr given)	9,18,000	By Cash / Bank (balancing figure) (received)	9,00,000
To balance c/d (Clg Bal of Subs. Recd in Adv)	18,000	By balance c/d (Subs. Rec'dable at the year-end)	54,000
Total	9,72,000	Total	9,72,000

3. Printing & Stationery Expenses

Particulars	₹	Particulars	₹
To Cash / Bank A/c (paid given)	21,000	By Opening Balance (Opg O/s Exps)	1,500
To Closing Balance (Closing o/s Exps)	2,500	By P & L A/c (bal. fig) Exps for the year	22,000
Total	23,500	Total	23,500

4. Sports Material Consumed = Opening Stock + Purchases – Closing Stock
 $= 1,33,200 + 54,000 - 36,000 = ₹ 1,51,200.$

B. Income & Expenditure Account for the year ended 31st March 2018

Expenditure	₹	Income	₹
To Printing & Stationery (WN 3)	22,000	By Subscription for the year (given)	9,18,000
To Telephone Expenses	45,000	By Sale of Old Newspapers	36,000
To Garden Upkeep	55,000	By 5% Interest on Investments	27,000
To Repairs & Maintenance	72,000	By Entrance Fees (50% of 68,000)	34,000
To Loss on Sale of Furniture	36,000		
To Electricity Charges (paid + p'ble) = 36,000 + 3,200	39,200		
To Sports Material Consumed (WN 4)	1,51,200		
To Surplus (excess of Income over Expenditure)	5,94,600		
Total	10,15,000	Total	10,15,000

Working Note 1. Balance Sheet as on 1st April 2017 (to ascertain OB of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	10,58,700	Non-Current Assets:	
Current Liabilities:		A. Fixed Assets – Furniture (given)	3,60,000
Subscription received in Advance	18,000	B. Investments (27,000 \div 5%)	5,40,000
Printing & Stationery Expenses o/s	1,500	Current Assets:	
		Stock of Sports Material (given)	1,33,200
		Subscription Receivable	36,000
		Cash and Bank Balances	9,000
Total	10,78,200	Total	10,78,200

C. Balance Sheet as @ 31st March 2018

Capital and Liabilities		₹	Properties and Assets		₹
Capital Fund			Non-Current Assets:		
Capital Fund	10,58,700		A. Fixed Assets	2,70,000	
Add: Surplus	5,94,600		Furniture (3,60,000 – 90,000)		
Entrance Fees 50%	34,000	16,87,300	B. Investments (same as OB)	5,40,000	
Building Fund (Donation for Building)		18,00,000	Current Assets:		
Current Liabilities:			Stock of Sports Materials (given)	36,000	
Subscription Received in Advance		18,000	Subscription Receivable (given)	54,000	
Expenses Payable			Cash and Bank Balances	26,11,000	
– Printing & Stationery Expenses	2,500				
– Electricity Charges	3,200	5,700			
Total		35,11,000	Total		35,11,000

Illustration 28: Rectification of Receipts and Payments A/c and Preparation of Final Accounts

The following was the Receipts and Payments Account of Excellent Club for the year ended 31st December 2017.

Receipts	₹	Payments	₹
Cash in Hand	1,000	Groundman's Fee	7,500
Balance at Bank as per Pass Book:		Mowing Machine	15,000
Deposit Account	22,300	Rent of Ground	2,500
Current Account	6,000	Cost of Tea purchased	2,500
Bank Interest	300	Fares	4,000
Donations and Subscriptions	26,000	Printing & Office Expenses	2,800
Receipts from Tea Supply	3,000	Repairs to Equipment	5,000
Contribution to Fares	1,000	Honoraria to Secretary and Treasurer of 2016	4,000
Sale of Equipment	800	Balance at Bank as per Pass Book:	
Net proceeds of Variety Entertainment	7,800	Deposit Account	30,900
Donation for forthcoming tournament	10,000	Current Account	1,500
		Cash in Hand	2,500
Total	78,200	Total	78,200

You are given the following additional information:

Particulars	1st Jan 2017	31st Dec 2017
Subscription Due	1,500	1,000
Amount due for Printing, etc.	1,000	800
Cheques unpresented being payment for Repairs	3,000	2,600
Estimated Value of Machinery and Equipment	8,000	17,500
Interest not yet entered in the Pass Book		200
Bonus to Groundsman		3,000

For the year ended 31st December 2017, the Honoraria to the Secretary and Treasurer are to be increased by a total of ₹ 2,000. From the above, prepare the Income and Expenditure Account for 2014 and the relevant Balance Sheet.

Solution:

Since Balance as per Pass Book is given, the entries relating to Interest Income and Unpresented cheques should be recorded first. The revised Receipts and Payments Account is shown in WN 1 below.

A. Income & Expenditure Account for the year ending 31st December 2017

Particulars	₹	Particulars	₹
To Groundman's Fee	7,500	By Donations & Subscription	(WN 3) 25,500
To Rent of Ground	2,500	By Surplus from Tea Supply:	
To Fares (Exps 4,000– Contribution 1,000)	3,000	Receipts	3,000
To Printing & Office Expenses (WN 5)	2,600	Less: Expenses	(2,500) 500
To Depreciation on Machinery (WN 4)	4,700	By Proceeds of Variety Entertainment	7,800
To Honoraria to Sect. & Treasurer (4000 + 2000)	6,000	By Interest	(300 + 200) 500
To Bonus to Groundsman	3,000		
To Repair to Equipment	4,600		
To Excess of Income over Expenditure (balancing figure)	400		
Total	34,300	Total	34,300

B. Balance Sheet as on 31st December 2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 2) 30,800		Non-Current Assets:	
Add: Surplus for the year 400	31,200	Fixed Assets: Machinery (given)	17,500
Tournament Fund (Donation)	10,000		
Current Liabilities:		Current Assets:	
Groundsman Bonus Payable 3,000		Subscription Receivable 1,000	
Printing Payable 800		Cash in Deposit A/c 30,900	
Honoraria to Sec. & Treasurer Payable 6,000		Cash in Hand 2,500	
Bank Overdraft (WN 1) 900			
Total	51,900	Total	51,900

Working Notes:

1. Corrected Receipts and Payments Account

Receipts	₹	Payments	₹
To Cash in Hand (OB) b/d	1,000	By Groundman's Fee	7,500
To Balance at Bank as per Cash Book (OB) b/d		By Mowing Machine	15,000
Deposit Account 22,300		By Rent of Ground	2,500
Current Account (6,000 – 3,000) 3,000		By Cost of Tea purchased	2,500
To Bank Interest Income (300 + 200) 500		By Fares	4,000
To Donations and Subscriptions 26,000		By Printing & Office Expenses	2,800
To Receipts from Tea Supply 3,000		By Repairs to Eqipment (5,000 – 3,000 + 2,600) 4,600	
To Contribution to Fares 1,000		By Honoraria to Secretary and Treasurer of 2017 4,000	
To Sale of Equipment 800		By Balance at Bank as per Cash Book:	
To Net proceeds of Variety Entertainment 7,800		Deposit Account 30,900	
To Donation for forthcoming tournament 10,000		By Cash in Hand 2,500	
To Balance at Bank as per Cash Book: (Note)			
Current Account (1,500 + 200 – 2,600) 900			
Total	76,300	Total	76,300

Note: Rectified Balance as per Cash Book is negative, hence it is a Bank OD balance b/fd on the Debit side.

2. Balance Sheet as on 1st January 2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	30,800	Non-Current Assets: Machinery	8,000
Current Liabilities: Expenses Payable		Current Assets: Subscription Receivable	1,500
Printing & Stationery 1,000		Balance in Deposit A/c 22,300	
Honoraria (for Year 2016) 4,000	5,000	Bal. in Current A/c (6,000 – Chq 3,000) 3,000	
Total	35,800	Cash in Hand 1,000	
		Total	35,800

3. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	1,500	By balance b/d (Opg Bal of Subs. Recd in Adv.)	—
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	25,500	By Cash / Bank – Subs. Received during the year	26,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	—	By balance c/d (Clg Bal of Subs. Rec'ble)	1,000
Total	27,000	Total	27,000

4. Equipment Account

Particulars	₹	Particulars	₹
To balance b/d	8,000	By Depreciation (balancing figure)	4,700
To Cash / Bank – Purchase of Mowing machine	15,000	By Cash / Bank – Sale	800
Total	23,000	By balance c/d	17,500

Note: In the absence of information, it is assumed that the asset sold at Book Value, hence no Gain / Loss on Sale.

5. Printing Expenses Account

Particulars	₹	Particulars	₹
To Cash / Bank – Payment during the year	2,800	By balance b/d (Opg Bal. Exps Payable)	1,000
To balance c/d (Clg Bal. Exps Payable)	800	By Expenses for the year – tfr to I&E A/c (balancing figure)	2,600
Total	3,600	Total	3,600

Illustration 29: Rectification of Receipts and Payments A/c and Preparation of Final Accounts

N 11

Bear Bar Club was registered in a city and the Accountant prepared the following Receipts and Payments Account for the year ended 31st March 2018 and showed a deficit of ₹ 14,520.

Receipts	₹	Payments	₹
Subscriptions	62,130	Premises	30,000
Fair Receipts	7,200	Honorarium to Secretary	12,000
Variety Show Receipts (Net)	12,810	Rent	2,400
Interest	690	Rates and Taxes	3,780
Bar Collections	22,350	Printing and Stationery	1,410
Excess Cash spent	1,000	Sundry Expenses	5,350
Deficit	14,520	Wages	2,520
		Fair Expenses	7,170
		Bar Purchases (Payments)	17,310
		Repairs	960
		New Car (less Proceeds of Old Car ₹ 9,000)	37,800
Total	1,20,700	Total	1,20,700

The following additional information are:

Particulars	01.04.2017	31.03.2018
Cash in Hand	450	Nil
Bank Balance as per Pass-Book	24,690	10,440
Cheque issued for not presented for Sundry Expenses	270	90
Subscriptions Due	3,600	2,940
Premises (at Cost)	87,000	1,17,000
Provision for Depreciation on Premises	56,400	—
Car (at Cost)	36,570	46,800
Accumulated Depreciation on Car	30,870	—
Bar Stock	2,130	2,610
Creditors for Bar Purchases	1,770	1,290

- Cash excess spent represent Honorarium to Secretary not withdrawn due to Cash Deficit.
- Annual Honorarium to Secretary is ₹ 12,000.
- Depreciation on Premises is to be provided at 5% on Written Down Value. Depreciation on New Car to be provided at 20%.

You are required to prepare the Correct Receipts and Payments Account, and Income and Expenditure Account, and Balance Sheet on 31st March 2018.

Solution:

A. Corrected Receipts & Payments Account for the year ended 31.03.2018

Receipts	₹	Payments	₹
To balance b/d		By Premises	30,000
– Cash in Hand	450	By Rent	2,400
– Bank Balance (Note 1)	24,420	By Rates and Taxes	3,780
To Subscriptions	62,130	By Printing and Stationery	1,410
To Fair Receipts	7,200	By Sundry Expenses (See Note 2)	5,350
To Variety Show Receipts (Net)	12,810	By Wages	2,520
To Interest Income	690	By Fair Expenses	7,170
To Bar Collections	22,350	By Honorarium to Secretary (12,000 – O/s 1,000)	11,000
To Sale Proceeds of Old Car	9,000	By Payments for Bar Purchases	17,310
		By Repairs	960
		By New Car (37,800 + 9,000)	46,800
		By balance c/d	
		– Cash in Hand	Nil
		– Bank Balance (Note 1)	10,350
Total	1,39,050	Total	1,39,050

Note: 1. Cheques issued but not presented for payment is adjusted for the purpose of determining the Bank Balance as per Cash Book. The Bank Reconciliation Statement will be as under –

Particulars	31.03.2017 (OB)	31.03.2018 (CB)
Balance as per Pass Book	24,690	10,440
Less: Cheques issued but not presented	270	90
Balance as per Cash Book	24,420	10,350

2. It is assumed that the figure of 5,350 for Sundry Expenses is after considering the above unpresented cheques, which have been correctly recorded in Cash Book.

B. Income and Expenditure Account for the year ended 31.03.2018

Expenditure	₹	Income	₹
To Rent	2,400	By Subscription Income (WN 1)	61,470
To Rates and Taxes	3,780	By Surplus from Fair: Receipts 7,200	
To Printing & Stationery	1,410	Less: Expenses (7,170) 30	
To Sundry Expenses	5,350	By Surplus from Variety Show (given) 12,810	
To Wages	2,520	By Interest Income 690	
To Honorarium to Secretary	12,000	By Profit from Bar Operations: (WN 3) 22,350	
To Repairs	960	Collections 22,350	
To Depreciation:		Less: Cost of Stock Consumed (16,350) 6,000	
Car 46,800 × 20%	9,360	By Profit from Sale of Car (WN 4) 3,300	
Premises [(87,000 – 56,400) + 30,000] × 5%	3,030		
To Excess of Income over Expenditure (balancing figure)	43,490		
Total	84,300	Total	84,300

C. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 5)	65,130	Non-Current Assets: Premises (WN 6)	57,570
Add: Surplus for the year	43,490	Car (WN 6)	37,440
Current Liabilities:		Current Assets: Bar Stock	2,610
Creditors for Bar Purchases	1,290	Subscription Receivable	2,940
Outstanding Honorarium to Secretary	1,000	Cash in Bank	10,350
		Cash in Hand	Nil
Total	1,10,910	Total	1,10,910

Working Notes:**1. Subscription Account**

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	3,600	By balance b/d (Opg Bal of Subs. Rec'd in Adv.)	—
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	61,470	By Cash / Bank – Subs. Received during the year	62,130
To balance c/d (Clg Bal of Subs. Rec'd in Adv.)	—	By balance c/d (Clg Bal of Subs. Rec'dble)	2,940
Total	65,070	Total	65,070

2. Creditors for Bar Purchases Account

Particulars	₹	Particulars	₹
To Cash / Bank – Payment	17,310	By balance b/d	1,770
To balance c/d	1,290	By Purchases for the year (balancing figure)	16,830
Total	18,600	Total	18,600

3. Bar Stock Account

Particulars	₹	Particulars	₹
To balance b/d	2,130	By Stock Consumed (balancing figure)	16,350
To Bar Purchases (WN 2)	16,830	By balance c/d	2,610
Total	18,960	Total	18,960

4. Profit on Sale of Car = Sale Proceeds – WDV as per Books = 9,000 – (36,570 – 30,870) = 9,000 – 5,700 = ₹ 3,300.

5. Balance Sheet as on 1st April 2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	65,130	Non-Current Assets:	
		Premises (at Cost)	87,000
Current Liabilities:		Less: Accumulated Depreciation	(56,400)
Creditors for Bar Purchases	1,770	Car (at Cost)	36,570
		Less: Accumulated Depreciation	(30,870)
		Current Assets: Bar Stock	2,130
		Subscription Receivable	3,600
		Cash in Bank	24,420
		Cash in Hand	450
Total	66,900	Total	66,900

6. Fixed Assets and Depreciation

Particulars & Rate	Premises (5%)	New Car (20%)
Opening Balance	87,000	46,800
Add: Additions	30,000	—
Gross Value	1,17,000	46,800
Less: Accumulated Depreciation (OB)	(given)	(56,400)
Less: Depreciation for Current Year (from I&E A/c)		(3,030)
Closing Balance Net Block	57,570	37,440

Illustration 30: Cash Defalcation – Preparation of Cash Account and Final Accounts

The Managing Committee of a Social Club is concerned about the financial position of the Club, following the sudden absence of the Treasurer from 31st December 2017, the date on which the annual accounts are closed.

On 1st January 2017, the Balance Sheet of the Club was as follows:

Balance Sheet as at 1st January 2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund	2,66,980	Fixtures and Equipments:	
Sundry Liabilities	22,920	Cost	1,34,000
Subscription Received in Advance	600	Less: Depreciation	(64,000)
			70,000
		Stock of Provisions	46,480
		Subscription Due	1,200
		Bank Balance	1,69,440
		Cash in Hand	3,380
Total	2,90,500	Total	2,90,500

On examination of the records, papers, etc. you obtain the following information:

1. Members pay an Annual Subscription of ₹ 100. An examination of duplicates of Receipts Books showed that during the year ended 31st December 2017, 540 Members had paid for the year 2017 and 5 Members paid in advance for 2018. Two Members have resigned without paying previous year's subscription and at the end of the year there were 550 Members on the Register.

2. The Cash Book has not been written-up but an analysis of the Petty Cash Vouchers showed the following:

Particulars	₹
Purchase of Stores and Provision	58,240
Sundry Expenses	9,520
Repairs and Renewals	4,200
Casual Labour Charges	64,200
Postage and Stationery	4,000

3. The Refreshment Room Incharge used to hand over the collection daily to the Treasurer with Bill Rolls, which could not be found. He, however, informed that the Average Gross Profit on Sales would be 45%. The Stock of Stores and Provisions on 31st December 2017 was ₹ 52,960 and Cash left was ₹ 200.

4. A summary of the Bank Statement for the year showed the following:

Particulars	₹	Particulars	₹
Opening Balance	1,69,440	Payment for Stores and Provisions	4,18,320
Bank Deposits	6,86,540	Wages	2,09,040
		Rent and Rates	1,09,240
		Light and Power	22,000
		Telephone	1,600
		Repairs and Renewals	32,400
		Dish-Washing Machine	10,400
		Balance on 31.12.2017	52,980
Total	8,55,980	Total	8,55,980

5. A bundle of Unpaid Bills have been found in the Treasurer's Desk on 31st December 2017, the summary of which is – Stores and Provisions purchased ₹ 1,09,440, Electricity Bills ₹ 3,200, Printing and Stationery ₹ 3,800, Telephone ₹ 800
6. Depreciation is to be provided on Fixtures and Equipment at 20% on cost, including acquisitions during the year.

You are required to prepare –

- (a) Cash Account for the year ended 31st December 2017.
- (b) An Income and Expenditure Account for the year ended 31st December 2017.
- (c) A Balance Sheet as on that date.

Solution:**A. Cash Account for the year ended 31st December 2017**

Particulars	₹	Particulars	₹
To balance b/d	3,380	By Purchase of Stores and Provisions	58,240
To Subscriptions at ₹ 100 per Member (WN 1)		By Sundry Expenses	9,520
– 2012 (12 – 2) = 10 Members 1,000		By Repairs and Renewals	4,200
– 2017 (540 Members) 54,000		By Casual Labour Charges	64,200
– 2014 (5 Members) 500	55,500	By Postage and Stationery	4,000
To Refreshment Room Receipts (WN 3)	10,12,000	By Bank – Deposit into Bank	6,86,540
		By Amount defalcated (balancing figure)	2,43,980
		By balance c/d	200
Total	10,70,880	Total	10,70,880

Note: Based on the language employed in the question, it is assumed that the Treasurer has absconded with the available Cash. Alternatively, it can also be assumed the Treasurer is holding the Cash "in Trust" for the Club.

B. Income and Expenditure Account for the year ended 31st December 2017

Particulars	₹	Particulars	₹
To Wages	2,09,040	By Subscriptions (WN 1)	55,000
To Rent and Rates	1,09,240	By GP on Sale of Provisions (WN 3)	4,55,400
To Light and Power (22,000 + 3,200)	25,200		
To Telephone (1,600 + 800)	2,400		
To Repair and Renewals (32,400 + 4,200)	36,600		
To Casual Labour Charges	64,200		
To Postage and Stationery (4,000 + 3,800)	7,800		
To Bad Debts – Subscription w/off	200		
To Sundry Expenses	9,520		
To Depreciation [20% on (1,34,000 + 10,400)]	28,880		
To Excess of Income over Expenditure (balancing figure)	17,320		
Total	5,10,400	Total	5,10,400

C. Balance Sheet as at 31st December 2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:		Non-Current Assets:	
Opening Balance 2,66,980		Fixtures and Equipments 1,34,000	
Add: Surplus for the year 17,320	40,320	Add: Additions 10,400	
Less: Defalcation of Cash (2,43,980)		Less: Depreciation (92,880)	51,520
Current Liabilities:		(64,000 + 28,880)	
Electricity Bills O/s 3,200		Current Assets:	
Printing and Stnry O/s 3,800		Stock of Provisions 52,960	
Telephone O/s 800		Subscription Due (WN 1) 400	
Provisions O/s 1,09,440	1,17,240	Bank Balance 52,980	
Subscription Recd in Advance (WN 1)	500	Cash in Hand 200	
Total	1,58,060	Total	1,58,060

Note: Alternatively, Cash Defalcation may be written off in Income and Expenditure Account, or shown as "Recoverable from Treasurer", etc.

Working Notes:**1. Subscription Account**

Particulars	No. of Members	₹	Particulars	No. of Members	₹
To balance b/d (Opg Bal Rec'dble)	12	1,200	By balance b/d (OB Recd in Adv)	6	600
To Income & Exp. A/c – Income	550	55,000	By Cash A/c (540 + 10 + 5)	555	55,500
To balance c/d (Clg Bal Recd in Adv)	5	500	By Bad Debts – Income & Exp A/c	2	200
			By balance c/d (550 – 540 – 6)	4	400
Total	567	56,700	Total	567	56,700

2. Creditors for Purchase of Stores and Provisions Account

Particulars	₹	Particulars	₹
To Bank	4,18,320	By balance b/d	22,920
To balance c/d	1,09,440	By Credit Purchases	(balancing figure)
Total	5,27,760	Total	5,27,760

3. GP on Sale of Provisions (i.e. Refreshment Room Operations)

(a) Cost of Goods Sold	= Opening Stock + Cash & Credit Purchases – Closing Stock = 46,480 + (58,240 + 5,04,840) – 52,960 =	₹ 5,56,600
(b) Sales	Since GP = 45%, COGS = 100% – 45% = 55% on Sales = ₹ 5,56,600 So, Sales = $\frac{5,56,600}{55\%} \times 100\% =$	₹ 10,12,000
(c) Gross Profit	= Sales – COGS = (b) – (a)	₹ 4,55,400

Note:

1. Alternatively, Provisions Trading Account may be prepared.
2. It is assumed that 55% COGS represents Materials Cost only. Wages / Casual Labour, etc. are not considered in the above computation, but are directly debited to Income and Expenditure Account.
3. It is assumed that Opening Balance of Sundry Liabilities pertains to Purchase of Stores and Provisions.

4. Activity-wise Income and Expenditure A/c

Illustration 31: Preparation of Activity-wise Income and Expenditure A/c and Balance Sheet

RTP (Modified)

The Rajarajan Club closes its accounts on calendar year basis. It runs a Pantry and General services. On 1st January 2017, on the persuasion of some members, it laid a Tennis Court on the understanding that half of the cost of laying the Court would be met by the said Members individually and that the maintenance of the Court would be subsidized fully by them. The following figures are furnished to you by the Accountant of the Club for the year ended 31st December 2017:

Particulars	₹	Particulars	₹
General Fund	1,25,000	Salaries and Wages	30,000
Admission Fees from Members	10,000	Tennis Court Laying Expenses	4,000
Membership Subscriptions	57,000	Marker's Wages	1,800
Audit Fees	250	Salaries of Stewards, Bearers and Cooks	24,080
Subscriptions Outstanding on 01.01.2017	3,000	Sundry Creditors for Pantry Purchases	2,630
Subscriptions to Books and Periodicals	17,060	Pantry Stock on 01.01.2017	300
Sports Equipments (General)	19,800	Bank Balance	1,275
Furniture & Fittings (Pantry)	24,770	Cash in Hand	95
Fixed Deposits with Bank	70,000	Pantry Sales	70,000
Library	8,000	Tennis Court Maintenance Collections	5,000
Rent	21,000	Rent Outstanding on 01.01.2017	1,500
Printing and Stationery	5,700	Pantry Purchases	40,000

Other Information:

1. 2017 Subscriptions in Arrears are ₹ 1,400, and 2018 subscriptions received during the year are ₹ 480.
2. Monthly Rent is ₹ 1,500.
3. Fixed Deposits in Banks were made: ₹ 15,000 on 1st April 2017, ₹ 30,000 on 1st Sep 2017 and the balance on 1st Oct 2017. Interest on these Deposits or the current year has not been received and is at 8% p.a.
4. Depreciation at 15% on Library, 10% on Furniture and 30% on Sports Equipments is to be provided.
5. In connection with the inauguration of the Tennis Court, the Club on its own brought out a Souvenir. Printing Expenses on this came to ₹ 2,000 and these remains unpaid on 31st December. Amounts due from the Advertisers are ₹ 1,500. These figures have not been taken into account by the Accountant.
6. Salaries and Wages of ₹ 30,000 include Salary of ₹ 9,000 to the Manager of the Club. Manager's Salary is to be distributed between Pantry, General and Tennis Court in the ratio of 3: 2 : 1, and the rest among the Departments in the ratio 5 : 4 : 1.
7. Bills of Supplies of Provisions to the Pantry in Dec. 2017, amounting to ₹ 1,750 have not been paid and taken into account.

8. Pantry Stock on 31st December 2017 is valued at cost of ₹ 250.
 9. Subscriptions to Periodicals to the extent of ₹ 3,950 have been paid in advance.

You are required to prepare the Income and Expenditure Account in columnar form for the year ended 31st December 2017 and the Balance Sheet on that date.

Solution:

A. Income and Expenditure Account for the year ended 31.12.2017

Expenditure	General	Pantry	Tennis	Total	Income	General	Pantry	Tennis	Total
To Provisions (WN 1)	—	41,800	—	41,800	By Subscription (WN 4)	52,920	—	5,000	57,920
To Salaries & Wages (WN 5)	11,400	39,080	5,400	55,880	By Sales	—	70,000	—	70,000
To Printing & Stationery	5,700	—	2,000	7,700	By Advt.	—	—	1,500	1,500
To Deprn:					By Interest on Dep. (WN 6)	2,200	—	—	2,200
Library 15%	1,200	—	—	1,200	By Deficit Recoverable from Members (bal.figure)	—	—	900	900
Fittings 10%	—	2,477	—	2,477	By Deficit (bal.figure)	480	13,357	—	13,837
Eqpm't 30%	5,940	—	—	5,940					
To Periodicals (WN 2)	13,110	—	—	13,110					
To Audit Fee	250	—	—	250					
To Rent (WN 3)	18,000	—	—	18,000					
Total	55,600	83,357	7,400	1,46,357		Total	55,600	83,357	7,400
									1,46,357

B. Balance Sheet as on 31.12.2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:		Non-Current Assets:	
Opening Balance 1,25,000		A. Fixed Assets:	
Add: Admission Fee 10,000		Furniture and Fittings (24,770 – 10%) 22,293	
Less: Deficit for the year (13,837)	1,21,163	Sports Equipment (19,800 – 30%) 13,860	
Sundry Creditors:		Library (8,000 – 15%) 6,800	
For Purchases (2,630 + 1,750) 4,380		Tennis Court, Cost Less Contribution of Members (4,000 – 2,000) 2,000	
For Printing and Stationery 2,000		B. Investments:	
Subscriptions Recd in Advance 480		Fixed Deposit 70,000	
		Interest accrued on Dep. (WN 6) 2,200	72,200
		Current Assets:	
		Pantry Stock 250	
		Receivables: Subscriptions 1,400	
		Advertisers 1,500	
		Tennis Players 900	
		Prepaid Expenses:	
		Rent (WN 3) 1,500	
		Periodicals Expenses 3,950	
		Cash at Bank 1,275	
		Cash in Hand 95	
Total	1,28,023	Total	1,28,023

Note: Alternatively, Tennis Court can be Capitalised at full Capital Cost of ₹ 4,000, and Members Contribution may be added to Capital Fund.

Working Notes:

- Total Purchases = Given ₹ 40,000 + Omitted Bill ₹ 1,750 = ₹ 41,750.
 - Provisions Consumed = Opg Stock + Purchases – Closing Stock = 300 + 41,750 – 250 = ₹ 41,800.
- Subscriptions to Periodicals = Amount paid Less Prepaid Expenses = 17,060 – 3,950 = ₹ 13,110.

3. Rent Account

Particulars	₹	Particulars	₹
To Cash / Bank – Paid	21,000	By balance b/d By I&E A/c – Rent for the year $(1,500 \times 12)$ By balance c/d	1,500 18,000 (balancing figure) 1,500
Total	21,000	Total	21,000

4. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	3,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	–
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	52,920	By Cash / Bank – Subs. Received during the year	57,000
To Tennis Court A/c (See Note)	2,000	By balance c/d (Clg Bal of Subs. Rec'ble)	1,400
To balance c/d (Clg Bal of Subs. Recd in Adv.)	480	Total	58,400
Total	58,400	Total	58,400

Note: It is assumed that Subscriptions received includes Receipts from Members towards their Contribution for Tennis Court Laying Cost. (50% of ₹ 4,000)

5. Salaries and Wages

Particulars	General	Pantry	Tennis
Marker's Wages	–	–	1,800
Steward, Bearers, Cooks, etc.	–	24,080	–
Manager's Salaries (₹ 9,000 as 2 : 3 : 1) (Note the order in Question)	3,000	4,500	1,500
Other Salaries (₹ 30,000 – ₹ 9,000) 4 : 5 : 1. (Note the order in Question)	8,400	10,500	2,100
Total Salaries and Wages	11,400	39,080	5,400

$$6. \text{ Interest Income} = (15,000 \times 8\% \times \frac{9}{12}) + (30,000 \times 8\% \times \frac{4}{12}) + (25,000 \times 8\% \times \frac{3}{12}) = ₹ 2,200.$$

Illustration 32: Preparation of Activity-wise Income & Expenditure Account and Balance Sheet

N 10

The Young Trust runs a Charitable Hospital and a Dispensary. The following information is available for the year ended 31st March 2018 from the books of accounts: Trial Balance as on 31.03.2018

Particulars	Debit (₹)	Credit (₹)
Capital Fund		9,00,000
Donations received during the year		6,00,000
Recovery of the Rent		2,75,000
Fees Received from Patients		3,00,000
Surgical Equipments	4,55,000	
Recovery of Food Supplies		1,40,000
Building & Operation Theatres	3,20,000	
Consumption in the Hospital of:		
Medicines	1,20,000	
Food Stuff	90,000	
Chemicals	30,000	
Closing Stock of Hospital		
Medicines	20,000	
Food Stuff	4,000	
Chemicals	1,000	
Sales of Medicines (Dispensary)		3,10,000
Opening Stock of Medicines (Dispensary)	55,000	
Purchase of Medicines (Dispensary)	3,00,000	
Salaries:		
Administrative Staff	30,000	
Doctors / Nurses	1,50,000	
Assistant at the Dispensary	15,000	

Particulars	Debit (₹)	Credit (₹)
Electricity & Power Charges:		
Hospital	1,05,000	
Dispensary	2,000	
Furniture & Equipments	80,000	
Ambulance	30,000	
Postage & Telephone Expenses less recovery	26,000	
Subscription to Medical Journals	21,000	
Ambulance Maintenance Charges less recovery		800
Consumption of Bed Sheets	90,000	
Fixed Deposits made on 01–04–2017 for three years at interest at 11% p.a.	5,00,000	
Cash & Bank Balances	41,300	
Sundry Debtors (Dispensary)	60,500	
Sundry Creditors (Dispensary)		41,000
Remuneration to Trustees, Trust Office Expenses, etc.	21,000	
Total	25,66,800	25,66,800

Additional Information:

- (a) The Dispensary supplied Medicines to the Hospital worth ₹ 60,000, for which no adjustment was made in the books.
- (b) The Closing Stock of the Medicines was ₹ 40,000 at the Dispensary.
- (c) The Stock of Medicines on 31st March 2018 at the Hospital included ₹ 4,000 worth of medicines belonging to the Patients, which has not been considered while arriving at the figure of consumption of medicines.
- (d) Donations were received towards Corpus of the Trust.
- (e) On 15th August 2017, Surgical Equipments were donated having Market Value of ₹ 40,000.
- (f) The Hospital is to receive the grant of 25% of the amount spent on treatment of the poor patients from the Red Cross Society. Such expenditure was ₹ 50,000.
- (g) Out of the Fees recovered from the Patients, 10% is to be given to the Specialist retained by the Hospital.
- (h) Depreciation on the Assets on the closing balances: Surgical Equipments at 20%, Building at 5%, Furniture and Equipments at 10%, Ambulance at 30%

You are required to prepare –

- (i) Income and Expenditure Account of the Hospital, Dispensary and Trust.
- (ii) Statement of Affairs of the Trust for the year ended 31st March 2018.

Solution:**A. Income and Expenditure Account of Hospital, Dispensary for the year ended 31.03.2018**

Particulars	Hospital	Dispensary	Particulars	Hospital	Dispensary
To Salaries	1,50,000	15,000	By Rent (Net)	2,75,000	
To Electricity Charges	1,05,000	2,000	By Fees from patients	3,00,000	
To Postage and Telephone			By Profit from Food Supplies (1,40,000 – 90,000)	50,000	
To Subscription to Med. Journals	21,000		By GP on Sale of Med. (WN 1)		55,000
To Consumption of Bed Sheets	90,000		By Ambulance Charges (Net)	800	
To Consumption of Medicines (1,20,000 + 60,000 + 4,000)	1,84,000		By Revenue Grant from Red Cross Society (50,000 × 25%)	12,500	
To Consumption of Chemicals	30,000		By Deficit from Hospitals (balancing figure)		95,700
To Splist Fees (3,00,000 × 10%)	30,000				
To Depreciation (as per FA Sch)	1,24,000				
To Surplus from Dispensary (balancing figure)		38,000			
Total	7,34,000	55,000	Total	7,34,000	55,000

B. Income and Expenditure Account of Young Trust for the year ended 31.03.2018

Particulars	₹	Particulars	₹
To Deficit from Hospitals Activity	95,700	By Surplus from Dispensary Activity	38,000
To Salaries (Admin Staff)	30,000	By Interest Accrued on FD ($5,00,000 \times 11\%$)	55,000
To Postage and Telephone (Net)	26,000	By Deficit (transferred to Capital Fund)	79,700
To Remuneration to Trustees	21,000	(balancing figure)	
Total	1,72,700	Total	1,72,700

C. Balance Sheet of Young Trust as at 31.03.2018

Capital and Liabilities		₹	Properties and Assets	₹
Capital Fund:			Non-Current Assets:	
Opening	9,00,000		A. Fixed Assets (WN 2)	7,61,001
Add: Corpus Donations	6,00,000		B. Investments: 11% Fixed Deposits	5,00,000
Add: Surgical Instruments			Current Assets:	
Donations (Note)	1		Stock at:	
Less: Deficit during the year	(79,700)	14,20,301	Hospital [(20000 – 4000) + 4000+ 1000]	21,000
			Dispensary	40,000
Current Liabilities:			Revenue Grant Receivable	12,500
Sundry Creditors (Dispensary)	41,000		Interest Accrued on FD (5,00,000 × 11%)	55,000
Specialist Fees Payable	30,000		Sundry Debtors (Dispensary)	60,500
Total	14,91,301		Cash and Bank Balances	41,300
			Total	14,91,301

Working Notes:

1. Medicine Stock (Dispensary) Account or Dispensary Trading Account

Particulars	₹	Particulars	₹
To Opening Stock of Med. at Dispensary	55,000	By Sale of Medicines	3,10,000
To Purchases (3,00,000 – 60,000 tfr to Hospital)	2,40,000	By Closing Stock of Medicines at Dispensary	40,000
To GP on Sale of Medicine (balancing figure)	55,000		
Total	3,50,000	Total	3,50,000

2. Fixed Assets and Depreciation

Fixed Assets and Depreciation					
Particulars	Building & Oprn Theatres	Surgical Equipments	Furniture & Fittings	Ambulance	Total
Rate of Depreciation	5%	20%	10%	30%	
Opening WDV	3,20,000	4,55,000	80,000	30,000	8,85,000
Add: Donations Received	—	1	—	—	1
Total	3,20,000	4,55,001	80,000	30,000	8,85,001
Less: Depreciation	(16,000)	(91,000)	(8,000)	(9,000)	(1,24,000)
Closing WDV	3,04,000	3,64,001	72,000	21,000	7,61,001

Note: It is assumed that all Assets relate to Hospital and hence Depreciation is entirely debited in Hospital Account.

Surgical Instruments received free of Cost is accounted at a Nominal Value of ₹ 1 for Control Purpose. No depreciation is charged thereon.

5. Preparation of Receipts & Payments A/c (from I&E given)

Illustration 33: Preparation of Receipts & Payments Account

From the following Income and Expenditure Account and the Balance Sheet of a Club, prepare its Receipts and Payments and Subscription Account for the year ended 31st March 2018:

Income and Expenditure Account for the year 2017–2018

Particulars	₹	Particulars	₹
To Upkeep of Ground	20,000	By Subscription	34,640
To Printing	2,000	By Sale of Newspapers (Old)	520
To Salaries	22,000	By Lectures	3,000
To Depreciation on Furniture	2,000	By Entrance Fee	2,600
To Rent	1,200	By Misc. Income	800
		By Deficit	5,640
Total	47,200	Total	47,200

Balance Sheet as at 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Subscription in Advance(2018–2019)	200	Furniture	18,000
Prize Fund:		Ground and Building	94,000
Opening Balance	50,000	Prize Fund Investment	40,000
Add: Interest	2,000	Cash in Hand	4,600
Less: Prizes	(4,000)	Subscription Receivable (2017–2018)	1,400
General Fund:			
Opening Balance	1,12,840		
Less: Deficit	(5,640)		
Add: Entrance Fee	2,600		
Total	1,58,000	Total	1,58,000

The following adjustments have been made in the above Accounts:

- (1) Upkeep of Ground ₹ 1,200 and Printing ₹ 480 relating to 2016–2017 were paid in 2017–2018.
- (2) One half of Entrance Fee has been capitalized by transfer to General Fund.
- (3) Subscription Outstanding in 2016–2017 was ₹ 1,600 and for 2017–2018 ₹ 1,400.
- (4) Subscription Received in Advance in 2016–2017 was ₹ 400, and in 2017–2018 for the year 2018–2019 ₹ 200.

Solution: Receipts and Payments Account for the year ending 31st March 2018

Receipts	₹	Payments	₹
To balance b/d (balancing figure)	9,320	By Upkeep of Ground (20,000 + 1,200)	21,200
To Subscription	34,640	By Printing (2000 + 480)	2,480
To Interest on Prize Fund Investments	2,000	By Salaries	22,000
To Lecture (Fee)	3,000	By Rent	1,200
To Entrance Fee (2,600 + 2,600)	5,200	By Prizes	4,000
To Sale of Newspapers (Old)	520	By balance c/d (as per B/S given)	4,600
To Misc. Income	800		
Total	55,480	Total	55,480

Working Notes:

Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'd)	1,600	By balance b/d (Opg Bal of Subs. Recd in Adv.)	400
To Income and Expenditure A/c – Subs. Income recognised during the year	34,640	By Cash / Bank – Subs. Received during the year	
To balance c/d (Clg Bal of Subs. Recd in Adv.)	200	(balancing figure)	34,640
Total	36,440	By balance c/d (Clg Bal of Subs. Rec'd)	1,400
		Total	36,440

Illustration 34: Preparation of Receipts and Payments Account

N 10

The Income and Expenditure Account for the year ended 31st March 2018 of South Asia Club is given below –

Expenditure	₹	Income	₹
To Salaries & Wages	47,500	By Subscription	75,000
To Misc. Expenses	5,000	By Entrance fees	2,500
To Audit Fees	2,500	By Contribution for Annual Day	7,500
To Executive's Honorarium	10,000	(After deducting Expenses ₹ 7,500)	
To Sports Day Expenses	5,000		
To Printing & Stationery	4,500		
To Interest on Bank Loan	1,500		
To Depreciation on Sports Equipment	3,000		
To Excess of Income over Expenditure	6,000		
Total	85,000	Total	85,000

Following additional information are also available –

Particulars	31.03.2017 (₹)	31.03.2018 (₹)
Subscription Received in Advance	4,500	2,700
Subscription Outstanding	6,000	7,500
Salaries Outstanding	4,000	4,500
Sports Equipment (after deducting Depreciation)	26,000	27,000
Cash in Hand on 31 st March	?	16,000

The Club took a 5% Loan of ₹ 30,000 from a Bank during 2012–2017 for which Interest was not paid in F.Y.2017–2018.

Prepare Receipts and Payments Account of South Asia Club for the year ending 31st March 2018.

Solution:

A. Receipts and Payments Account for year ended 31.3.2018

Particulars		₹	Particulars		₹
To balance b/d	(balancing figure)	12,300	By Salaries & Wages	(WN 2)	47,000
To Subscription	(WN 1)	71,700	By Misc. Expenses		5,000
To Entrance Fees		2,500	By Audit Fees		2,500
To Contribution for Annual Day (7500 + 7500)		15,000	By Executives Honorarium		10,000
			By Sports day Expenses		5,000
			By Printing and Stationary		4,500
			By Annual Day Expenses		7,500
			By Sports Equipment	(WN 3)	4,000
			By balance c/d	(Given)	16,000
Total		1,01,500	Total		1,01,500

Working Notes:

1. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'ble)	6,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	4,500
To Income and Expenditure A/c – Subs. Income recognised during the year	75,000	By Cash / Bank – Subs. Received during the year (balancing figure)	71,700
To balance c/d (Clg Bal of Subs. Recd in Adv.)	2,700	By balance c/d (Clg Bal of Subs. Rec'ble)	7,500
Total	83,700	Total	83,700

2. Salary Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year (balancing figure)	47,000	By balance b/d (Opg Bal. Exps Payable)	4,000
To balance c/d (Clg Bal. Exps Payable)	4,500	By Income and Expenditure A/c – Expenditure recognized for the year	47,500
Total	51,500	Total	51,500

3. Sports Equipment Account

Particulars	₹	Particulars	₹
To balance b/d	26,000	By Depreciation	3,000
To Bank – Purchase	(balancing figure)	By balance c/d	27,000
Total	30,000	Total	30,000

Illustration 35: Preparation of Receipts and Payments Account

N 89

From the following Income and Expenditure Account of Calcutta Club for the year ended 31st March 2018, and the Balance Sheet as on that date, you are required to prepare Receipts & Payments Account for the year ended 31.03.2018.

Expenditure	₹	Income	₹
To Salaries	4,200	By Subscription	5,500
To Stationery	680	By Surplus on Sports Meet	2,400
To Rates	1,240	By Dividends	2,700
To Telephone	270		
To Sundry Expenses	1,710		
To Depreciation on Building	1,000		
To Excess of Income over Expenditure	1,500		
Total	10,600	Total	10,600

Balance Sheet as at 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance	61,440	Buildings: 01.04.2017	20,000
Add: Income	1,500	Less: Depreciation	(1,000)
		Investments: 01.04.2017	40,000
	62,940	Add: Additions during the year	(2,500)
Current Liabilities:		Stock of Stationery	180
Subscription in Advance	630	Rates Prepaid	300
Telephone Bill–Outstanding	70	Subscriptions Outstanding	300
		Cash in Hand	1,360
Total	63,640	Total	63,640

Additional Information:

- (a) Subscription of ₹ 100 was in arrears on 01.04.2017.
- (b) On 01.04.2017, Stock of Stationery was worth ₹ 100.
- (c) On 01.04.2017, Sundry Expenses outstanding were ₹ 190.
- (d) On 01.04.2017, Rates Prepaid were ₹ 300.

Solution: Receipts and Payments Account for the year ended 31.03.2018

Receipts	₹	Payments	₹
To balance b/d		By Salaries	4,200
(balancing figure)	1,130	By Stationery	760
To Subscriptions	5,930	By Rates	1,240
(WN 1)		By Telephone (Due 270 – Payable at end 70)	200
To Surplus on Sports Meet	2,400	By Sundry Expenses (1,710 + Opg O/s 190)	1,900
To Dividends	2,700	By Investment (as per given Balance Sheet)	2,500
		By balance c/d (as per given Balance Sheet)	1,360
Total	12,160	Total	12,160

Working Notes:**1. Subscription Account**

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'd)	100	By balance b/d (Opg Bal of Subs. Recd in Adv.)	Nil
To Income and Expenditure A/c – Subs. Income recognised during the year	5,500	By Cash / Bank – Subs. Received during the year	
To balance c/d (Clg Bal of Subs. Recd in Adv.)	630	(balancing figure)	5,930
Total	6,230	By balance c/d (Clg Bal of Subs. Rec'd)	300
		Total	6,230

2. Stationery Stock Account

Particulars	₹	Particulars	₹
To balance b/d	100	By Income & Expenditure A/c – Stock Consumed	680
To Cash / Bank – Purchase (balancing figure)	760	By balance c/d (as per given Balance Sheet)	180
Total	860	Total	860

3. Rates Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Balance Prepaid Exps)	300	By I&E A/c – Expenses recognised for the year	1,240
To Cash / Bank – Paid during the year (bal.fig)	1,240	By balance c/d (Clg Balance Prepaid Exps)	300
Total	1,540	Total	1,540

Illustration 36: Preparation of Receipts and Payments Account

N 11

The Income & Expenditure Accounts of Neo Sports Club for the year ending 31st March 2018 is as follows:

Expenditure	₹	Income	₹
To Salaries	7,20,000	By Subscription	9,00,000
To Depreciation	90,000		
To Bank Interest	38,400		
To Audit Fee	20,000		
To Insurance	9,000		
To Surplus transferred to Balance Sheet	22,600		
Total	9,00,000	Total	9,00,000

The following adjustments have been made while preparing the Income & Expenditure Account as above –

- Subscription Outstanding as on 31.03.2017 amounting to ₹ 72,000 and as on 31.03.2018 amounting to ₹ 90,000.
- Subscription Received in Advance as on 31.03.2017 amounting to ₹ 54,000 and as on 31.03.2018 amounting to ₹ 32,400.
- Salary Outstanding as on 31.03.2017 amounting to ₹ 55,000 and as on 31.03.2018 amounting ₹ 60,000.
- Audit Fee is same for FY 2012–2017 and FY 2017–2018. As a standard practice, Audit Fee of one FY is paid during the next FY, after completion of audit.
- A Loan amounting to ₹ 3,20,000 was taken from the Bank by the Club on 01.10.2012. Interest on Loan is payable at 12% p.a. Interest of one FY is paid on April 1st of next FY. No amount of Principal has been repaid by the Club till 31.03.2018.
- Assets of the Club as on 31.03.2017, were as under –

Land at Cost	₹ 10,00,000
Building at WDV (Original Cost ₹ 7,00,000)	₹ 6,65,000
Sports Equipments WDV (Original Cost ₹ 5,00,000)	₹ 4,50,000
- Depreciation on Building is at 5% on Straight Line Basis. There is no addition to Building during FY 2017–2018.
- Depreciation on Sports Equipments is at 10% on Straight Line Basis. Fresh Sports Equipments purchased during FY 2017–2018 were on 01.10.2017.
- Insurance paid on 1st October during each FY and remains valid till 30th September of next FY. Prepaid Insurance as on 31.03.2017 was ₹ 4,200.
- Cash & Bank Balances as on 31.03.2018 amounting to ₹ 1,56,000 and as on 31.03.2017 amounting to ₹ 1,59,400.

Prepare Receipts and Payments A/c for the year ending on 31st March 2018.

Solution: Receipts and Payments Account for the year ended 31.03.2018

Receipts	₹	Payments	₹
To balance b/d (given)	1,59,400	By Salaries paid (WN 2)	7,15,000
To Subscriptions (WN 1)	8,60,400	By Audit Fees Paid (for Prev. FY)	20,000
		By Interest on Bank Loan Paid (for Prev. FY) (WN 3)	19,200
		By Insurance paid (WN 4)	9,600
		By Sports Equipment Purchased (WN 5)	1,00,000
		By balance c/d (given)	1,56,000
Total	10,19,800	Total	10,19,800

Working Notes:**1. Subscription Account**

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	72,000	By balance b/d (OB of Subs. Recd in Adv.)	54,000
To Income and Expenditure A/c – Subs. Income recognised during the year	9,00,000	By Cash / Bank – Subs. Received during the year (balancing figure)	8,60,400
To balance c/d (Clg Bal of Subs. Recd in Adv.)	32,400	By balance c/d (Clg Bal of Subs. Rec'dble)	90,000
Total	10,04,400	Total	10,04,400

2. Salary Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year (balancing figure)	7,15,000	By balance b/d (Opg Bal. Exps Payable)	55,000
To balance c/d (Clg Bal. Exps Payable)	60,000	By Income and Expenditure A/c – Expenditure recognized for the year	7,20,000
Total	7,75,000	Total	7,75,000

3. Interest on Bank Loan for Previous FY (for half year) = ₹ 3,20,000 × 12% × ½ year = ₹ **38,400**

4. Insurance Premium Account

Particulars	₹	Particulars	₹
To balance b/d (OB Prepaid Exps Given)	4,200	By I&E A/c–Exps recognised for the year (Given)	9,000
To Cash / Bank – Paid during the year (Note)	9,600	By balance c/d (CB Prepaid Exps Note)	4,800
Total	13,800	Total	13,800

Note: Out of Total Insurance Expense recognised during current FY ₹ 9,000, Prepaid Exps b/fd = ₹ 4,200. So, balance Insurance Expense for half of current FY = ₹ 9,000 – ₹ 4,200 = ₹ **4,800**. Since this amount relates to half of the current FY, total Insurance Premium paid during current FY = ₹ 4,800 × 2 = ₹ 9,600, out of which half is prepaid for next FY.

5. Computation of Sports Equipment Purchased during the year

Particulars	Computation	₹
(a) Total Depreciation for the year in I&E A/c	Given	90,000
(b) Depreciation relating to Building	5% on Original Cost ₹ 7,00,000	35,000
(c) Balance Depreciation relating to Sports Equipment	(a – b)	55,000
(d) Depreciation on Existing Sports Equipment	10% on Original Cost ₹ 5,00,000	50,000
(e) Balance being Depreciation on Additional Sports Equipment	(d – e)	5,000
(f) Since this Depreciation relates to half-year (at 10% p.a.), the Cost of Additional Sports Equipment purchased during the year =	$\frac{5,000 \times 2}{10\%}$	1,00,000

Illustration 37: Preparation of Receipts and Payments Account and Balance Sheet

M 06

Following is the Income and Expenditure Account of Victoria Club for the year ending 31st March 2018:

Expenditure	₹	Income	₹
To Salaries & Wages	19,000	By Subscription	30,000
To Misc. Expenses (including Insurance)	2,000	By Entrance Fees Received	1,000
To Audit Fees	1,000	By Annual Sports Income Receipts	6,000
To Chief Executives' Honorarium	4,000	Less: Expenses	(3,000)
To Printing & Stationery	1,800		3,000
To Annual Day Celebration Expenses	6,000		
Less: Donation	(4,000)		
To Interest on Bank Loan	2,000		
To Depreciation on Sports Equipment	600		
To Excess of Income over Expenditure	1,200		
	2,400		
Total	34,000	Total	34,000

Additional Information:

(i) The following information is also available –

Particulars	31.03.2017 (₹)	31.03.2018 (₹)
Subscription Outstanding	2,400	3,000
Subscription Received in Advance	1,800	1,080
Salaries Outstanding	1,600	1,800
Sports Equipment (after deducting Depreciation)	10,400	10,800
Prepaid Insurance	–	240
Cash in Hand	?	6,400

(ii) The Club owned a Sports Ground of ₹ 40,000.

(iii) The Club took a Loan of ₹ 8,000 from a Bank during the year 2012–2017, which was not paid in 2017–2018.

(iv) Audit Fee of 2017–2018 was outstanding, but the Audit fee of ₹ 800 for 2012–2017 was paid in 2017–2018.

Prepare Receipts and Payments Account for the year ending 31st March 2018, and a Balance Sheet on that date.

Solution:

A. Receipts and Payments Account for the year ended on 31st March 2018

Receipts	₹	Payments	₹
To balance b/d (balancing figure)	5,560	By Salaries and Wages (WN 2)	18,800
To Subscription (WN 1)	28,680	By Audit Fees (for 2012–2017)	800
To Annual Day Donation	4,000	By Misc. Exp & Insurance (Due 2,000 + Prepaid 240)	2,240
To Entrance Fees	1,000	By Chief Executive's Honorarium	4,000
To Receipts on Annual Sports	6,000	By Printing and Stationery	1,800
		By Expenses on Annual Sports	3,000
		By Annual Day Celebration Expenses	6,000
		By Interest on Bank Loan	600
		By Sports Equipments Purchased (WN 3)	1,600
		By balance c/d (given)	6,400
Total	45,240	Total	45,240

B. Balance Sheet as on 31st March 2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 4)	46,160	Non-Current Assets: Sports Ground	40,000
Add: Surplus for the year	2,400	Sports Equipments	10,800
Non-Current Liabilities: Bank Loan	8,000	Current Assets: Subscription Receivable	3,000
Current Liabilities: Subs. Received in Advance	1,080	Prepaid Insurance	240
Salaries Payable	1,800	Cash in Hand	6,400
Audit Fees Payable	1,000		
Total	60,440	Total	60,440

Working Notes:

1. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	2,400	By balance b/d (Opg Bal of Subs. Recd in Adv.)	1,800
To Income and Expenditure A/c – Subs. Income recognised during the year	30,000	By Cash / Bank – Subs. Received during the year (balancing figure)	28,680
To balance c/d (Clg Bal of Subs. Recd in Adv.)	1,080	By balance c/d (Clg Bal of Subs. Rec'dble)	3,000
Total	33,480	Total	33,480

2. Salary Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year (balancing figure)	18,800	By balance b/d (Opg Bal. Exps Payable)	1,600
To balance c/d (Clg Bal. Exps Payable)	1,800	By Income and Expenditure A/c – Expenditure recognized for the year	19,000
Total	20,600	Total	20,600

3. Sports Equipment Account

Particulars	₹	Particulars	₹
To balance b/d	10,400	By Depreciation	1,200
To Bank – Purchase (balancing figure)	1,600	By balance c/d	10,800
Total	12,000	Total	12,000

4. Balance Sheet as on 31st March 2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	46,160	Non-Current Assets: Sports Ground	40,000
Non-Current Liabilities: Bank Loan	8,000	Sports Equipments after Deprn	10,400
Current Liabilities: Subs.Received in Advance	1,800	Current Assets:	
Salaries Payable	1,600	Subscription Receivable	2,400
Audit Fees Payable	800	Cash (from Rcpts & Pymts A/c)	5,560
Total	58,360	Total	58,360

Illustration 38: Preparation of Receipts and Payments Account and Balance Sheet

N 09

The Income and Expenditure Account of City Sports Club for the year ended 31st March 2018 was as follows –

Expenditure	₹	Income	₹
To Salaries	1,20,000	By Subscriptions	1,60,000
To Printing and Stationery	6,000	By Entrance Fees	10,000
To Rent	12,000	By Contribution for Annual Dinner	20,000
To Repairs	10,000	By Profit on Annual Sports meet	20,000
To Sundry Expenses	8,000		
To Annual Dinner Expenses	30,000		
To Interest to Bank	6,000		
To Depreciation on Sports Equipment	6,000		
To Excess of Income over Expenditure	12,000		
Total	2,10,000	Total	2,10,000

The above account had been prepared after the following adjustments –

Particulars	₹	Particulars	₹
Subscriptions Outstanding (on 01.04.2017)	12,000	Subscriptions Received in Advance (on 31.03.2018)	5,400
Subscriptions Received in Advance (on 01.04.2017)	9,000	Subscriptions Outstanding (on 31.03.2018)	15,000

Salaries Outstanding at the beginning and at the end of the Financial Year were ₹ 8,000 and ₹ 10,000 respectively.

Sundry Expenses included Prepaid Insurance Expenses of ₹ 1,200.

The Club owned a Freehold Ground valued at ₹ 2,00,000.

The Club has Sports Equipment on 01.04.2017 valued at ₹ 52,000. At the end of the year, after depreciation, the Sports Equipment amounted to ₹ 54,000.

The Club had raised a Loan of ₹ 40,000 from a Bank on 01.01.2010, which was unpaid till 31.03.2018.

On 31.03.2018, Cash in Hand was ₹ 32,000.

Prepare Receipts & Payments Account of the Club for the year ended 31st March 2018 and Balance Sheet as on that Date.

Solution:

A. Receipts and Payments Account for the year ended 31.03.2018

Receipts	₹	Payments	₹
To balance b/d (balancing figure)	27,800	By Salaries (WN 2)	1,18,000
To Subscriptions (WN 1)	1,53,400	By Printing and Stationery	6,000
To Entrance Fees	10,000	By Rent	12,000
To Annual Dinner Receipts	20,000	By Repairs	10,000
To Profit on Annual Sports Meet	20,000	By Sundry Expenses (8000 + Prepaid 1200)	9,200
		By Annual Dinner Expenses	30,000
		By Interest to Bank	6,000
		By Sports Equipment (WN 3)	8,000
		By balance c/d (given)	32,000
Total	2,31,200	Total	2,31,200

B. Balance Sheet as on 31.03.2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:			
Opening Balance (WN 4)	2,34,800	Non-Current Assets: Freehold Ground	2,00,000
Add: Surplus	12,000	Sports Equipments	54,000
Non-Current Liabilities: Bank Loan	40,000	Current Assets: Subscription Receivable	15,000
Current Liabilities: Subs. Received in Advance	5,400	Prepaid Insurance	1,200
Salary Outstanding	10,000	Cash in Hand	32,000
Total	3,02,200	Total	3,02,200

Working Notes:

1. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	12,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	9,000
To Income and Expenditure A/c – Subs. Income recognised during the year	1,60,000	By Cash / Bank – Subs. Received during the year (balancing figure)	1,53,400
To balance c/d (Clg Bal of Subs. Recd in Adv.)	5,400	By balance c/d (Clg Bal of Subs. Rec'dble)	15,000
Total	1,77,400	Total	1,77,400

2. Salary Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year (balancing figure)	1,18,000	By balance b/d (Opg Bal. Exps Payable)	8,000
To balance c/d (Clg Bal. Exps Payable)	10,000	By Income and Expenditure A/c – Expenditure recognized for the year	1,20,000
Total	1,28,000	Total	1,28,000

3. Sports Equipment Account

Particulars	₹	Particulars	₹
To balance b/d	52,000	By Depreciation	6,000
To Bank – Purchase (balancing figure)	8,000	By balance c/d	54,000
Total	60,000	Total	60,000

4. Balance Sheet as at 01.04.2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	2,34,800	Non-Current Assets: Freehold Ground	2,00,000
Non-Current Liabilities: Bank Loan	40,000	Sports Equipments	52,000
Current Liabilities: Subs. Received in Advance	9,000	Current Assets: Subscription Receivable	12,000
Salary Outstanding	8,000	Cash in Hand (from Receipts & Payments A/c)	27,800
Total	2,91,800	Total	2,91,800

Illustration 39: Preparation of Receipts and Payments A/c and B/Sheet**M 12**

From the following Income & Expenditure A/c of Premium Club for the year ended 31st March 2018, you are required to prepare Receipts & Payments A/c for the year ended 31st March 2018, and Balance Sheet as on that date:

Expenditure	₹	Income	₹
To Salaries	1,18,800	By Subscriptions	4,20,000
To Rent	2,16,000	By Entrance Fee	1,20,000
To Printing & Telephone	28,000	By Profit on sale of Sports Material	5,500
To Postage & Telephone	41,600	By Interest on 8% Government Bonds	12,000
To Electricity Charges	38,500	By Sale of Old Newspaper	11,600
To Garden Upkeep	19,300		
To Membership Fee of State TT Association	3,200		
To Sports Material Utilized	62,800		
To Repairs & Maintenance	18,700		
To Depreciation	13,000		
To Miscellaneous Expenses	5,700		
To Surplus carried to Capital Fund	3,500		
Total	5,69,100	Total	5,69,100

The following additional information is provided to you:

(i) Position at Year Beginning and End –

	Balances as on 01.04.2017	Balances as on 31.03.2018
Fixed Assets	2,40,000	?
Bank Balance	8,300	?
Stock of Sports Material	43,450	35,670
Outstanding Subscription	10,200	5,700
Subscription received in advance	2,400	4,900
8% Government Bonds	1,50,000	1,50,000
Outstanding Salaries	16,000	14,300
Outstanding Rent	21,000	15,000
Advance for Stationery	1,350	1,550
Outstanding Repairs & Maintenance	1,200	Nil
Creditors for Purchase of Sports Material	3,400	4,200

- (ii) Some of Fixed Assets were purchased on 01.10.2017 and Depreciation is to be charged at 5% p.a.
- (iii) Sports Material worth ₹ 72,000 was purchased on credit during the year.
- (iv) The Club became a Member of State Table Tennis Association on 01.01.2018 when it paid fee up to 31.12.2018.
- (v) 50% of Entrance Fee is to be capitalized.
- (vi) Interest on 8% Government Bonds was received for two quarters only.
- (vii) A Fixed Deposit of ₹ 80,000 was made on 31st March 2018.

Solution: A. Receipts and Payments Account for the year ended 31.03.2018

Receipts	₹	Payments	₹
To balance b/d	8,300	By Fixed Assets (WN 3 Note)	40,000
To Sale of Sports Material (WN 4)	22,480	By Salary (WN 2)	1,20,500
To Entrance Fees (1,20,000 ÷ 50%)	2,40,000	By Rent (WN 2)	2,22,000
To Interest on Government Bonds received (1,50,000 × 8% × 2 / 4)	6,000	By Repairs (WN 2)	19,900
To Subscriptions A/c (received) (WN 1)	4,27,000	By Stationery (WN 5)	28,200
To Sale of Old Newspapers	11,600	By Creditors for Sports Materials (WN 6)	71,200
		By Membership Fees (3,200 × 4 Qtrs.)	12,800
		By Fixed Deposit	80,000
		By Postage & Telephone	41,600
		By Electricity	38,500
		By Garden Upkeep	19,300
		By Miscellaneous Expenses	5,700
		By balance c/d (bal. fig.)	15,680
Total	7,15,380	Total	7,15,380

B. Balance Sheet as on 31.03.2018

Capital and Liabilities		₹	Properties and Assets		₹
Capital Fund:			Non-Current Assets:	Fixed Assets	2,67,000
Opening Balance	4,09,300			8% Govt Bonds	1,50,000
Add: Surplus	3,500			Fixed Deposits	80,000
Add: Entrance Fee capitalized	1,20,000	5,32,800	Current Assets:	Stock of Sports Materials	35,670
Current Liabilities:				Subscriptions Receivable	5,700
Creditors for Sports Materials	4,200			Advance for Stationery	1,550
Subscriptions Received in Advance	4,900			Int. Rec'ble ($1,50,000 \times 8\% \times 2/4$)	6,000
Salary Expenses Outstanding	14,300			Prepaid Membership Fee ($3,200 \times 9/3$)	9,600
Rent Expenses Outstanding	15,000			Cash at Bank	15,680
Total	5,71,200		Total		5,71,200

Working Notes:

1. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'dble)	10,200	By balance b/d (Opg Bal of Subs. Recd in Adv.)	2,400
To Income and Expenditure A/c – Subs. Income recognised during the year	4,20,000	By Cash / Bank – Subscription Received during the year	(balancing figure)
To balance c/d (Clg Bal of Subs. Recd in Adv.)	4,900	By balance c/d (Clg Bal of Subs. Rec'dble)	5,700
Total	4,35,100	Total	4,35,100

2. Expenses Outstanding (in ₹)

Particulars	Salary	Rent	R & M	Particulars	Salary	Rent	R & M
To Receipts & Pymts A/c (Paid during the year)	1,20,500	2,22,000	19,900	By balance b/d	16,000	21,000	1,200
To balance c/d	14,300	15,000	Nil	By Income & Exp. A/c (Exps for the year)	1,18,800	2,16,000	18,700
Total	1,34,800	2,37,000	19,900	Total	1,34,800	2,37,000	19,900

3. Fixed Assets Account

Particulars	₹	Particulars	₹
To balance b/d	2,40,000	By Depreciation A/c (Note)	13,000
To Bank – FA Purchases during the year (Note)	40,000	By balance c/d (balancing figure)	2,67,000
Total	2,80,000	Total	2,80,000

Note: Depreciation on existing Fixed Asset = ₹ $2,40,000 \times 5\% = ₹ 12,000$

Depreciation on New Fixed Asset = ₹ $13,000 - ₹ 12,000 = ₹ 1,000 = 5\%$ for 6 months = 2.5% Rate

Cost of New Asset = $\frac{1000 \times 100}{2.5} = ₹ 40,000$

4. Sports Equipment Account

Particulars	₹	Particulars	₹
To balance b/d	43,450	By Income & Exp. A/c – Consumption (Given)	62,800
To Bank – Purchase	72,000	By Bank (Sale Proceeds) (bal.figure)	22,480
To Income & Expenditure A/c (Gain on Sale of Sports Material) (Given)	5,500	By balance c/d (Given)	35,670
Total	1,20,950	Total	1,20,950

5. Stationery Account

Particulars	₹	Particulars	₹
To balance b/d (Advance at year beginning)	1,350	By Income & Expenditure A/c – given	28,000
To Bank (paid during the year) (bal. fig.)	28,200	By balance c/d (Advance at year end)	1,550
Total	29,550	Total	29,550

6. Creditors for Sports Material Account

Particulars	₹	Particulars	₹
To Bank (paid during the year) (bal. fig.)	71,200	By balance b/d (given)	3,400
To balance c/d (given)	4,200	By Purchases (given)	72,000
Total	75,400	Total	75,400

7. Balance Sheet as at 01.04.2017 (To find out Opening Balance of Capital Fund)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	4,09,300	Non-Current Assets:	
Current Liabilities:		Fixed Assets	2,40,000
Creditors for Sports Material	3,400	8% Govt Bonds	1,50,000
Subscriptions Received in Advance	2,400	Current Assets:	
Salary Expenses Outstanding	16,000	Stock of Sports Materials	43,450
Rent Expenses Outstanding	21,000	Subscriptions Receivable	10,200
Repairs Expenses Outstanding	1,200	Advance for Stationery	1,350
		Cash at Bank	8,300
Total	4,53,300	Total	4,53,300

Illustration 40: Accounting for Not for Profit Organisation: Receipts and Payments A/c

N 19

From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March 2019:**Income & Expenditure Account for the year 2018–19**

Particulars	₹	Particulars	₹
To Unkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	25,960		25,960

Balance sheet as at 31st March 2019

Liabilities	₹	Assets	₹
Subscription in advance (2019–20)	110	Furniture	9,900
Prize fund:		Ground and Building	51,700
Opening balance	27,500	Prize Fund Investment	22,000
Add: Interest	1,100	Cash in Hand	2,530
	28,600	Subscription (outstanding)(2018–2019)	770
Less: Prizes given	2,200		
General Fund:			
Opening balance	62,062		
Less: Deficit	2,387		
	59,675		
Add: Entrance Fee	715		
	60,390		
	86,900		86,900

The following adjustments have been made in the above accounts:

- (i) Unkeep of ground ₹ 660 and printing ₹ 264 relating to 2017–18 were paid in 2018–19
- (ii) One fourth of entrance fee has been capitalized by transfer to General Fund
- (iii) Subscription outstanding in 2017–18 was ₹ 880 and for 2018–19 ₹ 770
- (iv) Subscription received in advance in 2017–18 was ₹ 220 and in 2018–19 for 2019–20 was ₹ 110
- (v) Furniture was purchased during the year

Solution**Similar to various illustrations in Chapter 10**

A. Receipts & Payments Account for the year ended 31st March 2018

Receipts	₹	Payments	₹
To balance b/d(bal. fig)	16,126	By Printing (1,100 + 264)	1,364
To Subscription Received (B)	19,052	By Upkeep of Ground (11,000+660)	11,660
To Sale of Old Newspaper	286	By Salaries	11,100
To Lecture Fees	1,650	By Furniture (9,900+1,100)	11,000
To Entrance Fees (715+2145) or (715 x 4)	2,860	By Rent	1,660
To Miscellaneous Income	440	By Prizes Given	2,200
To Prize Fund Interest	1,100	By balance c/d	2,530
Total	41,514	Total	41,514

2. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Subscription rec'ble opg Bal)	880	By balance b/d (Opg Bal of Subs. Recd in Adv.)	220
To Income and Expenditure A/c (for the yr given)	19,052	By Cash / Bank (balancing figure) (received)	19,052
To balance c/d (Clg Bal of Subs. Recd in Adv)	110	By balance c/d (Subs. Rec'ble at the year-end)	770
Total	20,042	Total	20,042

6. Preparation of Opening and Closing Balance Sheets

Illustration 41: Preparation of Opening and Closing Balance Sheet

RTP

The following particulars relate to Win Sports Club:

Income and Expenditure Account for the year ended 31.12.2017

Expenditure	₹	Income	₹
To Salaries	5,000	By Admission Fees	15,000
To Printing and Stationery	2,500	By Subscriptions	25,000
To Advertising	1,000	By Rent Receipts	3,800
To Insurance Charges	900		
To Electricity Charges	500		
To Depreciation on Sports Equipment	12,000		
To Excess of Income over Expenditure	21,900		
Total	43,800	Total	43,800

Receipts and Payments Account for the year ended 31.12.2017

Receipts	₹	Payments	₹
To balance b/d	5,000	By Salaries (including Advances)	6,500
To Admission Fees:	2,500	By Printing and Stationery	2,500
2016	13,500	By Advertising	1,000
To Subscription:	1,000	By Insurance Charges (Partly for next year)	1,200
2017	23,000	By Electricity Charges	500
2018	2,000	By Purchase of Fixed Assets	20,000
To Rent	2,600	By balance c/d	17,900
Total	49,600	Total	49,600

On 1st January 2017, the Club had the following assets – Land and Building ₹ 50,000, Sports Equipments ₹ 30,000, Furniture ₹ 4,500.

Prepare Opening and Closing Balance Sheets of Win Sports Club.

Solution:**A. Balance Sheet as on 1st January 2017**

Capital and Liabilities		₹	Properties and Assets	₹
Capital Fund	(balancing figure)	93,000	Non-Current Assets: Land and Building	50,000
			Sports Equipments	30,000
			Furniture	4,500
			Current Assets: Subscriptions Receivable	1,000
			Admission Fees Receivable	2,500
			Cash & Bank	5,000
Total		93,000	Total	93,000

B. Balance Sheet as on 31st December 2017

Capital and Liabilities		₹	Properties and Assets	₹
Capital Fund:			Non-Current Assets: Land and Building	50,000
Opening Balance	93,000		Sports Equipments (30,000 – 12,000)	18,000
Add: Surplus during the year	<u>21,900</u>	1,14,900	Furniture	4,500
			Other Fixed Assets	20,000
Current Liabilities:			Current Assets:	
Subscriptions Received in Advance		2,000	Salary Advance (6,500 – 5,000)	1,500
			Prepaid Insurance (1,200 – 900)	300
			Subscriptions Receivable (25,000 – 23,000)	2,000
			Rent Receivable (3,800 – 2,600)	1,200
			Admission Fees Receivable (15,000 – 13,500)	1,500
			Cash & Bank	17,900
Total		1,16,900	Total	1,16,900

Illustration 42: Preparation of Opening and Closing Balance Sheet

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The Receipts and Payments Account, Income and Expenditure Account and additional information of a Sports Club for the year ended 31.03.2018 were as follows –

Receipts and Payments Account for the year ending on 31.03.2018

Receipts	₹	Payments	₹
To Balance b/d	42,000	By Secretary Salary	10,000
To Entrance Fees 2012–2017	10,000	By Printing & Stationery	26,000
To Entrance Fees 2017–2018	1,00,000	By Advertising	16,000
To Subscription 2012–2017	6,000	By Fire Insurance	12,000
To Subscription 2017–2018	1,50,000	By 12% Investments (Purchased on 01.10.2017)	2,00,000
To Subscription 2018–2015	4,000	By Furniture	20,000
To Rent Received	24,000	By Balance c/d	58,000
To Interest Received	6,000		
Total	3,42,000	Total	3,42,000

Income and Expenditure Account for the year ending on 31.03.2018

Expenditure	₹	Income	₹
To Secretary Salary	15,000	By Entrance Fees	1,05,000
To Printing and Stationery	22,000	By Subscription	1,56,000
To Advertising	16,000	By Rent	28,000
To Audit Fees	5,000	By Interest on Investments	12,000
To Fire Insurance	10,000		
To Depreciation on Sports Equipment	90,000		
To Depreciation on Furniture	5,000		
To Surplus	1,38,000		
Total	3,01,000	Total	3,01,000

Additional Information: The Assets and Liabilities as on 31.03.2017 include –

1. Club Grounds & Pavilion ₹ 4,40,000,
2. Sports Equipment ₹ 2,50,000,
3. Furniture & Fixtures ₹ 40,000,
4. Subscription in Arrear ₹ 8,000,
5. Subscription Received in Advance ₹ 2,000 and
6. Creditors for Printing & Stationery ₹ 5,000.

You are required to prepare the Balance Sheet of the Club as on 31.03.2017 and 31.03.2018.

Solution:

A. Balance Sheet as on 31.03.2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (Bal. Fig.)	7,83,000	Non-Current Assets:	
Creditors for Printing and Stationery	5,000	Club Ground & Pavilion	4,40,000
Subscription Received in Advance	2,000	Sports Equipment	2,50,000
		Furniture& Fixtures	40,000
		Current Assets:	
		Subscriptions Receivable	8,000
		Entrance Fees Receivable	10,000
		Cash in Hand	42,000
Total	7,90,000	Total	7,90,000

B. Balance Sheet as on 31.03.2018

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund:		Non-Current Assets:	
Opening Balance	7,83,000	Club Ground and Pavilion	4,40,000
Add: Surplus during the year	<u>1,38,000</u>	Sports Equipment (2,50,000 – 90,000)	1,60,000
		Furniture& Fixtures (40,000–5,000+20,000)	55,000
Current Liabilities:		Current Assets:	
Subscriptions Received in Advance	4,000	12% Investments	2,00,000
Secretary Salary Due	5,000	Rent Receivable	4,000
Creditors for Printing (5,000 + 22,000 – 26,000)	1,000	Accrued Interest	6,000
Audit Fees Payable	5,000	Fire Insurance paid in advance	2,000
		Entrance Fees Receivable	5,000
		Subscription Receivable	
		(a) 2011–2012	2,000
		(b) 2012–2017	4,000
		Cash in Hand	58,000
Total	9,36,000	Total	9,36,000

Illustration 43: Preparation of Opening and Closing Balance Sheet

The Receipts and Payments Account and the Income and Expenditure Account of a Club for the year ended 31st December 2017 were as follows:

Receipts	₹	Payments	₹	
To balance b/d		25,000	By Books purchased	10,000
To Subscriptions: 2016	6,000	By Printing and Stationery	2,000	
2017	<u>43,000</u>	By Salary	15,000	
To Interest		5,000	By Advertisement	2,000
To Donation for Special Fund		3,000	By Electricity Charges	4,000
To Rent: 2016	1,500	4,500	By balance c/d	73,500
2017	<u>3,000</u>	20,000		
To Govt. Grants				
Total	1,06,500	Total	1,06,500	

Income and Expenditure Account			
Expenditure	₹	Income	₹
To Salary	28,000	By Interest	4,000
To Tent Hire	2,000	By Subscription	48,000
To Electricity Charges	4,000	By Rent	23,000
To Depreciation on Building	7,500	By Govt. Grant	20,000
To Printing and Stationery	2,000		
To Advertisement	1,500		
To Surplus	50,000		
Total	95,000	Total	95,000

The Club's Assets as on 1st January 2017 were: Building ₹ 1,50,000, Books ₹ 1,00,000, Furniture ₹ 40,000, Investments ₹ 1,00,000. Liabilities as on that date were ₹ 500 for Advertisement and ₹ 1,000 for Salary.

Prepare the Balance Sheet of the Club on 31st December 2016 and 31st December 2017.

Solution:

A. Balance Sheet as at 31st December 2016

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund (balancing figure)	4,22,000	Non-Current Assets: A. Fixed Assets: Buildings Books Furniture	1,50,000 1,00,000 40,000
Current Liabilities: Expenses Payable: Advertisement Salary	500 1,000	B. Investments Current Assets: Subscription Receivable Interest Receivable (5,000 – 4,000) Rent Receivable Cash & Bank Balances	1,00,000 6,000 1,000 1,500 25,000
Total	4,23,500	Total	4,23,500

B. Balance Sheet as at 31st December 2017

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund: (from Opg B/s) Opening Balance Add: Surplus	4,22,000 50,000	Non-Current Assets: A. Fixed Assets Building (1,50,000 – Deprn. 7,500) Furniture Books (1,00,000 + Purc. 10,000)	1,42,500 40,000 1,10,000
Donation for Special Fund	3,000	B. Investments	1,00,000
Current Liabilities: Expenses Payable: Salary (WN 1) Tent Hire	14,000 2,000	Current Assets: Subscription Receivable (48,000 – 43,000) Rent Receivable (23,000 – 3,000) Cash & Bank Balances	5,000 20,000 73,500
Total	4,91,000	Total	4,91,000

Working Notes:

Salary Account

Particulars	₹	Particulars	₹
To Cash / Bank – Exps paid during the year	15,000	By balance b/d (Opg Bal. Exps Payable)	1,000
To balance c/d (Clg Bal. Exps Payable) (balancing figure)	14,000	By Income and Expenditure A/c – Expenditure recognized for the year	28,000
Total	29,000	Total	29,000

7. Accounting for Educational Institutions

Illustration 44: Financial Statements Educational Institutions

From the following Trial Balance of Good Education Society as on 31st March 2018, prepare an Income and Expenditure Account and a Balance Sheet:

Particulars	Dr.	Cr.
Furniture & Fittings	25,000	
Additions to Furniture (during the year)	6,400	
Library Books	35,000	
Additions to Library (during the year)	8,600	
Building	5,50,000	
General Investments	3,00,000	
Investment Reserve Fund		30,000
Sundry Debtors and Creditors	10,000	29,000
Entrance Fee		30,400
Examination Fee		4,800
Subscription Received		40,000
Certificate Fee		1,000
Hire of Society's Hall		13,000
Interest on Investment		11,000
Sundry Receipts		1,200
Staff Salaries	20,400	
Printing, Stationery and Advertising	2,000	
Taxes & Insurance	1,600	
Examination Expenses	1,200	
Subscription of Periodicals	2,400	
Prize Trust Fund		32,000
Prize Trust Investment	31,600	
Prize Trust Income		1,300
Prize Awarded	900	
Prize Fund Bank	550	
Donations received (to be capitalized)		36,000
General Expenses	750	
Capital Fund		7,78,300
Cash at Bank	11,000	
Cash in Hand	600	
Total	10,08,000	10,08,000

The following further information is supplied to enable you to make the necessary adjustments:

Particulars	₹	Particulars	₹
Subscriptions Receivable	9,000	Staff Salaries Outstanding	3,600
Subscription Received in Advance	1,000	Taxes & Insurance paid in Advance	1,000
Interest on General Investment Accrued	900		

Provide depreciation at the following rates (including additions): Library Books – 15% p.a Furniture – 5% p.a Building – 5% p.a. Market Value of General Investments on 31st March 2018 was ₹ 1,30,000. You are not required to make any provision for this fall in value.

Solution: A. Income & Expenditure Account for the year ended at 31st March 2018

Particulars	₹	Particulars	₹
To Staff Salaries (Paid 20,400 + Pble 3,600)	24,000	By Subscription Income (WN 1)	48,000
To Printing, Stationery & Advertising	2,000	By Entrance Fee	30,400
To Taxes & Insurance (1,600 – Prepaid 1,000)	600	By Examination Fee	4,800
To Examination Expenses	1,200	By Certificate Fee	1,000
To Subscription to Periodicals	2,400	By Hire of Society's Hall	13,000
To General Expenses	750	By Interest on Investment	11,900
To Depreciation (WN 2)	35,610	(Recd 11,000 + Accrued 900)	
To Excess of Income over Exp. (bal.figure)	43,740	By Sundry Receipts	1,200
Total	1,10,300	Total	1,10,300

B. Balance Sheet as on 31st March 2018

Capital and Liabilities		₹	Properties and Assets		₹
Capital Fund:			Non-Current Assets:	A. Fixed Assets(WN 2)	5,89,390
Opening Balance	7,78,300			B. General Investments (M.V. 1,30,000)	3,00,000
Add: Surplus for the year	43,740	8,22,040			
Investment Reserve Fund		30,000	Prize Trust Fund:	Investments	31,600
Prize Trust Fund	32,000			Prize Fund Cash at Bank	550
Add: Income Less Prizes	400	32,400	Current Assets:	Sundry Debtors	10,000
(1,200 – 900)				Subscription Receivable	9,000
Special Fund (Donations) (Note)		36,000		Interest Accrued on Gen. Invts	900
Current Liabilities:	Subs. Recd in Advance	1,000		Cash at Bank	11,000
	Salaries Payable	3,600		Cash in Hand	600
	Sundry Creditors	29,000		Taxes & Insurance Prepaid	1,000
Total	9,54,040		Total		9,54,040

Note: Alternatively, the Donations can be added to Capital Fund.

Working Notes:**1. Subscription Account**

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'd)	Nil	By balance b/d (Opg Bal of Subs. Recd in Adv.)	Nil
To Income and Expenditure A/c – Subs. Income recognised during the year (balancing figure)	48,000	By Cash / Bank – Subs. Received during the year	40,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	1,000	By balance c/d (Clg Bal of Subs. Rec'd)	9,000
Total	49,000	Total	49,000

2. Fixed Assets and Depreciation

Particulars & Rate	Furniture (5%)	Books (15%)	Building (5%)	Total
Opening Balance	25,000	35,000	5,50,000	6,10,000
Add: Additions	6,400	8,600	–	15,000
Total Value	31,400	43,600	5,50,000	6,25,000
Less: Depreciation	(1,570)	(6,540)	(27,500)	(35,610)
Closing Balance	29,830	37,060	5,22,500	5,89,390

Illustration 45: Financial Statements of Educational Institutions

From the following balances and particulars of Democratic College, prepare Income & Expenditure Account for the year ended 31st March 2018 and a Balance Sheet as on that date:

Particulars	Debit (₹)	Credit (₹)
Seminars & Conference Receipts		9,60,000
Consultancy Receipts		2,56,000
Security Deposit – Students		3,00,000
Capital Fund		32,12,000
Research Fund		16,00,000
Building Fund		50,00,000
Provident Fund		10,20,000
Tuition Fee Received		16,00,000
Government Grants		10,00,000
Donations		1,00,000
Interest & Dividends on Investments		3,70,000
Hostel Room Rent		3,50,000
Mess Receipts (Net)		4,00,000
College Stores – Sales		15,00,000

Particulars	Debit (₹)	Credit (₹)
Outstanding Expenses		4,50,000
Stock of Stores and Supplies	6,00,000	
Purchase Stores and Supplies	16,00,000	
Salaries Teaching	17,00,000	
Research	2,40,000	
Scholarships	1,60,000	
Students Welfare Expenses	76,000	
Repair & Maintenance	2,24,000	
Games & Sports Expenses	100,000	
Misc. Expenses	130,000	
Research Fund Investments	16,00,000	
Other Investments	37,00,000	
Provident Fund Investment	10,20,000	
Seminar & Conference Expenses	9,00,000	
Consultancy Expenses	56,000	
Land	2,00,000	
Building	32,00,000	
Plant and Machinery	17,00,000	
Furniture and Fittings	12,00,000	
Motor Vehicles	3,60,000	
Provision for Depreciation: Building		9,60,000
Plant and Machinery		10,20,000
Furniture		6,72,000
Cash at Bank	12,84,000	
Library	7,20,000	
Total	2,07,70,000	2,07,70,000

Adjustments:

- Materials & Supplies Consumed: Teaching – ₹ 1,00,000, Research – ₹ 3,00,000, Students Welfare – ₹ 1,50,000, Games or Sports – ₹ 50,000
- Tuition Fee Receivable from Government for Backward Class Scholars – ₹ 1,60,000
- Stores Selling Prices are fixed to give a Net Profit of 10% on Selling Price
- Depreciation is provided on Straight Line basis at the following rates:
Building – 5%, Plant & Machinery – 10%, Furniture & Fixtures – 10% and Motor Vehicle – 20%

Solution:

A. Income and Expenditure Account for the year ending 31st March 2018

Expenditure	₹	Income	₹
To Cost of Activities: (WN 3)		By Tuition Fee (Received 16,00,000 + R'ble 1,60,000)	17,60,000
Teaching	18,00,000	By Govt. Grants	10,00,000
Research	5,40,000	By Income from Investments	3,70,000
Sports & Games	1,50,000	By Hostel Room Rent	3,50,000
Students Welfare	2,26,000	By Mess Receipts (Net)	4,00,000
To Repairs & Maintenance	2,24,000	By Profit from Stores Sales (10% of 15,00,000)	1,50,000
To Scholarships	1,60,000	By Seminar & Conferences: Income	9,60,000
To Misc. Expenditure	1,30,000	Less: Expenses	(9,00,000)
To Depreciation (WN 1)	5,22,000	By Consultancy Activity: Receipts	2,56,000
To Excess of Income over Expenditure (balancing figure)	6,38,000	Less: Expenses	<u>(56,000)</u>
		By Donations	1,00,000
Total	43,90,000	Total	43,90,000

B. Balance Sheet of Democratic College as on 31st March 2018

Capital and Liabilities		₹	Properties and Assets		₹
Capital Fund:			Non-Current Assets:		
Opening Balance	32,12,000		A. Fixed Assets: (WN 1)		42,06,000
Add: Surplus for the year	6,38,000	38,50,000	B. Investments:		
Research Fund		16,00,000	Investments (General)		37,00,000
Building Fund		50,00,000	Research Fund Investment		16,00,000
Current Liabilities:			P.F. Investment		10,20,000
Outstanding Expenses		4,50,000	Current Assets:		
Provident Fund		10,20,000	Material & Supplies Stock (WN 2)		2,50,000
Security Deposit (Students)		3,00,000	Tuition Fee Receivable		1,60,000
Total	1,22,20,000		Cash in Hand & at Bank		12,84,000
			Total		1,22,20,000

Working Notes:**1. Fixed Assets and Depreciation**

Asset	SLM Rate	Original Cost	Depreciation for Current Year	Accumulated Depreciation	Closing Balance
(1)	(2)	(3)	(4) = (2) × (3)	(5)	(6) = (3) – (4) – (5)
Land	–	2,00,000	–	–	2,00,000
Library	–	7,20,000	–	–	7,20,000
Building	5%	32,00,000	1,60,000	9,60,000	20,80,000
Plant & Machinery	10%	17,00,000	1,70,000	10,20,000	5,10,000
Furniture	10%	12,00,000	1,20,000	6,72,000	4,08,000
Motor Vehicle	20%	3,60,000	72,000	–	2,88,000
Total		73,80,000	5,22,000	26,52,000	42,06,000

2. Stores and Supplies Stock Account

Particulars	₹	Particulars	₹
To balance b/d – Opening Stock	6,00,000	By Sales (College Stores)	15,00,000
To Purchases	16,00,000	By Materials & Supplies Consumed for 4 items	6,00,000
To GP on Sales at 10% on 15,00,000	1,50,000	By balance c/d – Closing Stock	2,50,000
(balancing figure)			
Total	23,50,000		23,50,000

3. Cost of Activities

Particulars	Teaching	Research	Sports & Games	Students Welfare
Given Salaries / Expenses	17,00,000	2,40,000	1,00,000	76,000
Add: Materials & Supplies Consumed	1,00,000	3,00,000	50,000	1,50,000
Total	18,00,000	5,40,000	1,50,000	2,26,000

Illustration 46: Building Fund Accounting

Saraswathi School maintains separate Building Fund. As on 31.03.2017, balance of Building Fund was ₹ 10,00,000 and it was represented by Fixed Deposit (15% p.a) of ₹ 6,00,000 and Current Account Balance of ₹ 4,00,000. During the year 2017–2018, the School collected as Donations towards the Building Fund ₹ 5,60,000 and transferred 40% of Developmental Fees collected ₹ 22,56,500 to Building Fund. Capital Work-in-Progress as on 31.03.2017 was ₹ 8,25,000 for which Contractors' Bill upto 75% was paid on 14.04.2017. The extension of Building was finished on 31.12.2017 costing ₹ 7,25,000 for which Contractors' Bill was fully met. It was decided to transfer the cost of the completed Building (₹ 15,50,000) to the corresponding Asset Account.

You are required to pass Journal Entries to incorporate the above transactions in the books of Saraswathi School for the year 2017–2018 and show the Trial Balance of Building Fund Ledger.

Solution:**1. Journal Entries in Building Fund Ledger**

S.No.	Particulars	Debit(₹)	Credit(₹)
1.	Bank A/c To Building Fund A/c (Being Collection of Donations)	Dr. 5,60,000	5,60,000
2.	Bank A/c To Building Fund A/c (Being 40% of the Development Fees directly transferred to Building Fund)	Dr. 9,02,600	9,02,600
3.	Fixed Deposit A/c To Interest A/c (Being accrual of Interest)	Dr. 90,000	90,000
4.	Interest A/c To Building Fund A/c (Being Interest accrued on Fixed Deposit transferred)	Dr. 90,000	90,000
5.	Capital Work-in-Progress A/c To Contractors' A/c (Being Work completed and certified during the year)	Dr. 7,25,000	7,25,000
6.	Contractors' A/c ($8,25,000 \times 75\% + 7,25,000$) To Bank A/c (Being payments made during the year)	Dr. 13,43,750	13,43,750
7.	Building A/c To Capital Work-in-Progress A/c (Being transfer of completed Buildings to Asset A/c)	Dr. 15,50,000	15,50,000
8.	Building Fund A/c To General Fund A/c (Being transfer of corresponding Building Fund to General Fund)	Dr. 15,50,000	15,50,000

2. Trial Balance of Building Fund as on 31st March 2018

Particulars	Debit(₹)	Credit(₹)
Building Fund [$10,00,000 + 5,69,000 + 9,02,600 + 90,000 - 15,50,000$]		10,02,600
Contractors' A/c [$8,25,000 \times 25\%$]		2,06,250
Fixed Deposit A/c [$6,00,000 + 90,000$]	6,90,000	
Current A/c [$4,00,000 + 5,60,000 + 9,02,600 - 13,43,750$]	5,18,850	
Total	12,08,850	12,08,850

Illustration 47: Prize Fund Accounting

At a year-beginning, the Prize Fund of a School was ₹ 3,00,000, represented by ₹ 2,75,000 in 10% Bank Deposit and ₹ 25,000 in Prize Fund Bank Account. During the year, the Bank credited Interest after deducting TDS at 10%. Cost of Prizes distributed during the year is ₹ 29,000. As per the School's regulations, shortfall in Prize Fund (Current Year Revenue less Expenses) shall be met out of General Fund, upto a maximum of ₹ 2,500. Prepare the Prize Fund Balance Sheet as at the year-end.

Solution:**Prize Fund Balance Sheet as at year-end**

Capital and Liabilities	₹	Properties and Assets	₹
Prize Fund (WN 1)	3,00,000	Prize Fund Bank Fixed Deposit	2,75,000
		Prize Fund Bank Account (WN 2)	20,750
		Receivable from General Fund ($29,000 - 27,500$)	1,500
		TDS Recoverable	2,750
Total	3,00,000	Total	3,00,000

Note: It is assumed that the Institution is exempt from Income Tax, and hence TDS is shown as an Asset recoverable. It can also be transferred to General Fund and shown as a recoverable in the General Balance Sheet of the Institution.

Working Notes:**1. Prize Fund Account**

Particulars	₹	Particulars	₹
To Cost of Prizes distributed	29,000	By balance b/d	3,00,000
To balance c/d (balancing figure)	3,00,000	By Interest Income	27,500
		By Shortfall Receivable from General Fund	1,500
Total	3,29,000	Total	3,29,000

2. Prize Fund Bank Account

Particulars	₹	Particulars	₹
To balance b/d	25,000	By Cost of Prizes distributed	29,000
To Interest on Deposits (10% on 2,75,000 – 10% TDS)	24,750	By balance c/d (balancing figure)	20,750
Total	49,750	Total	49,750

Illustration 48: Receipts and Payments and Income & Expenditure

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From the following information supplied by M.B.S. Club prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March 2019.

	01.04.2018 ₹	31.03.2019 ₹
Outstanding subscription	1,40,000	2,00,000
Advance Subscription	25,000	30,000
Outstanding Salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports Goods	15,000	25,000

Subscription for the year amount to ₹ 3,00,000/-. Salaries paid ₹ 60,000. Face value of the Investment was ₹ 1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on Investments was received ₹ 14,000. Furniture was sold for ₹ 8000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports Goods and @ 10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹ 50,000

Rent: ₹ 24,000 out of which ₹ 2,000 outstanding

Misc. Expenses: ₹ 5,000

Solution:**A. Receipts and Payments Account of M.B.S Club for the year ended 31.03.2019**

Receipts	₹	Payments	₹
To balances b/d – Cash in Hand and at Bank	1,10,000	By Salaries	60,000
To Subscriptions	2,45,000	By Rent	22,000
To Investments	70,000	By Misc. Expenses	5,000
To Interest Income	14,000	By Sports Goods	10,000
To Sale Proceeds of Furniture	8,000	By Machinery	10,000
		By balances c/d – Cash in Hand and at Bank	3,40,000
Total		Total	

B. Income and Expenditure Account for the year ended 31.03.2019

Expenditure	₹	Income	₹
To Rent	24,000	By Subscription Income	(WN1)
To Loss on Sale of Furniture	6,000	By Interest Income	14,000
To Salaries	63,000		
To Misc. Expenses	5,000		
To Depreciation:			

Expenditure	₹	Income	₹
Machine (WN 4)	1,500		
Sports Goods (WN 4)	2,250		
Furniture (WN 4)	1,400		
To Excess of Income over Expenditure i.e. Surplus (balancing figure)	2,10,850		
Total	3,14,000	Total	3,14,000

Working Notes:
1. Subscription Account

Particulars	₹	Particulars	₹
To balance b/d (Opg Bal of Subs. Rec'd)	1,40,000	By balance b/d (Opg Bal of Subs. Recd in Adv.)	25,000
To Income and Expenditure A/c – Subs. Income recognised during the year	3,00,000	By Cash / Bank – Subs. Received during the year (balancing figure)	2,45,000
To balance c/d (Clg Bal of Subs. Recd in Adv.)	30,000	By balance c/d (Clg Bal of Subs. Rec'd)	2,00,000
Total	4,70,000	Total	4,70,000

2. Salary Expenses for the year ended 31st March 2019

Expenses	Salaries
Paid during the year	60,000
Add: Outstanding as on 31.03.2018 (year-end)	18,000
	78,000
Less: Outstanding as on 31.03.2017 (year-beginning)	(15,000)
Expenses recognised for the year	63,000

3. Depreciation on Fixed Assets

Assets	Opening Balance	Additions during the year	Deletions	Total	Deprn Rate	Deprn Amt	Closing Balance
Furniture	28,000		14,000	14,000	10%	1,400	12,600
Sports Goods	15,000	10,000		25,000	15%	2,250 (Note)	22,750
Machine	10,000	10,000		20,000	15%	1,500 (Note)	18,500

Note: Additions to Sports Goods and Machine were made on the last day. Hence, Depreciation is computed on the Opening Balance.

Assumed that Value provided on 31.03.2019 is before charging Depreciation for the year 2018-19.

4. Profit/ (Loss) on Sale of Investments = 50% sold at 80% FV = 50% x ₹1,75,000 x 80% -(₹1,40,000 – ₹70,000) = ₹ Nil

5. Profit/ (Loss) on Sale of Furniture = ₹8,000 - ₹ 14,000 = ₹ 6,000

Illustration 49: Receipts & Payments
N 18

You are provided with the followings – **Balance Sheet as on 31st March 2017**

Liabilities	₹	Assets	₹
Capital Fund	1,06,200	Building	1,50,000
Subscription received in Advance	6,000	Outstanding Subscription	3,800
Outstanding Expenses	14,000	Outstanding Locker Rent	2,400
Loan	40,000	Cash in Hand	20,000
Sundry Creditors	10,000		
Total	1,76,200	Total	1,76,200

Receipts and Payments Account for the year ended on 31st March 2018

Receipts	₹	Payments	₹
To Balance b/d – Cash in Hand	20,000	By Expenses: For 2017	12,000
To Subscriptions: For 2017	2,000	For 2018	<u>20,000</u>
For 2018	21,000	By Land	40,000
For 2019	<u>1,000</u>	By Interest	4,000
To Entrance Fees	38,000	By Miscellaneous Expenses	4,700
To Locker Rent	7,000	By Balance c/d – Cash in Hand	18,300
To Sale Proceeds of Old Newspapers	1,000		
To Miscellaneous Income	9,000		
	99,000		99,000

You are required to prepare Income and Expenditure A/c for the year ended 31st March 2018 and a Balance Sheet as at 31st March 2018. (Workings should form part of your answer)

Solution:

A. Income & Expenditure Account for the year ended 31st March 2018

A. Income & Expenditure Account for the year ended 31 March 2018				
Expenditure	₹	Income	₹	₹
To Expenses	20,000	By Subscription Income for 2018	21,000	
To Interest	4,000	Add: Received in Advance in 2017	6,000	27,000
To Miscellaneous Expenses	4,700	By Locker Rent	7,000	
To Excess of Income over Expenditure		Less: Outstanding in 2017	2,400	4,600
i.e. Surplus (balancing figure)	12,900	By Sale Proceeds of Old Newspaper	1,000	
		By Miscellaneous Income	9,000	
Total	41,600	Total		41,600

B. Balance Sheet as on 31st March 2018

B. Balance Sheet as on 31 March 2018					
Capital and Liabilities		₹	Properties and Assets		₹
Capital Fund:			Non-Current Assets:		
Opening Balance	1,06,200		Property, Plant & Equipment:	Land	40,000
Add: Entrance Fees	38,000			Building	1,50,000
Less: Surplus for the year	12,900	1,57,100	Current Assets:	Subscription Receivable (2017) (O/s in PY 3,800 – Received in CY 2,000)	1,800
Current Liabilities:				Cash in Hand	18,300
Subscription Received in Advance		1,000			
Outstanding Expenses (2017)					
(O/s in PY 14,000 – Paid in CY 12,000)		2,000			
Loan	40,000				
Sundry Creditors	10,000				
Total	2,10,100			Total	2,10,100

Note: Alternatively, Entrance Fees can be credited in Income & Expenditure Account.

State with reasons, whether the following statements are True or False

Statements	T/F	Reasoning
1. Scholarship granted to Students out of funds provided by Government will be debited to Income and Expenditure Account.	False	The scholarship granted to students should be shown as deduction from the funds provided by the Government for the same purpose in the Balance Sheet.
2. Receipts and Payments Account is a summary of all capital receipts and payments.	False	It shows all Capital & Revenue Receipts and Payments during the year.

Statements	T/F	Reasoning
3. The Receipts and Payments account records receipts and payments of revenue nature only.	False	Receipts and Payments Account is a summary of all cash/bank receipts and payments whether Capital or revenue in Nature.
4. If there appears a Sports Fund, the expenses incurred on sports activities will be taken to Income and Expenditure account.	False	If there exists a specific Sports Fund, the expenditure incurred in carrying out the purpose of the Fund, i.e. incurred on sports activities will be deducted from that fund only.
5. Receipts and Payments Account highlights total Income and Expenditure.	False	Receipts and Payments Account is a classified summary of Cash Receipts and Payments over a certain period together with Cash and Bank Balances at the beginning and close of the period.