**1. Preparation of Income and Expenditure Account and Balance Sheet from a given Receipts and Payment Account with additional information:**

The Income and Expenditure Account is simply another name for the Profit and Loss Account drawn up for a non-profit organisation. In this account, all losses and expenses relating to the period are debited and all gains and incomes relating to the same period are credited. It must be remembered that only the revenue items relating to the period are dealt within this Account.

**In examinations, sometimes, Receipts and Payments Account is given and the students are required to prepare Income and Expenditure Account and in such situation, the following steps are to be followed:**

1. Do not take the opening balance and closing balance of Cash in hand and at Bank.

2. Do not take Capital Receipts and Capital Expenditure.

3. Pick up only the revenue receipts and revenue payments and exclude the portions relating to previous and subsequent years.

4. Add the portions of incomes and expenses prepaid in the previous year on account of current year.

5. Add also the portions of incomes and expenses of the current year due but remaining unpaid.

6. Provide for depreciation, Reserve for doubtful debts etc. as needed in the problems.

7. Surplus or Deficit will be transferred to Capital Fund.

#### ****2. Preparation of Opening Balance sheet and Closing Balance Sheet from a given Receipts and Payments Account and Income and Expenditure Account.****

**Follow the following steps:**

**(A) Opening Balance Sheet:**

(1) Consider Opening Cash and Bank balances from Receipts and Payments Account and write them in the asset side of the Balance Sheet.

(2) Consider other adjustments from income and Expenditure Account either income or expenses and put them in asset side or liability side of the Balance sheet.

(3) The difference between the asset side and liability side will reflect the capital Fund, as balanc­ing figure.

**(B) Closing Balance Sheet:**

(1) Take all the assets from Opening Balance Sheet, after due effect of depreciation (from Income and Expenditure A/c) additions (from Receipts and Payment A/c) and sold (from Receipts and Payments A/c), the net figure will be written in the asset side of the Balance Sheet.

(2) Take the Capital Fund from Opening Balance Sheet and add surplus or deduct deficit- and all other liabilities (from Income and Expenditure A/c) go to liability side of the Balance sheet.

(3) Closing cash and Bank Balances (from Receipt and Payment A/c) will be written on asset side.

(4) Compare each item from Income and Expenditure with Receipts and Payments Account and write suitably to close Balance Sheet.

#### 3. Preparation of Receipts and Payments Account from a given Income and Expenditure Account and other information.

**Sometimes, Income and Expenditure is given and students are required to prepare Receipts and Payments Account and in such a situation, the following procedure may be followed:**

1. All expenditure, whether Capital or Revenue, irrespective of the periods, are shown on the Payment side.

2. All receipts, whether Capital or Revenue, irrespective of the periods, are shown on Receipt side.

3. Pick up opening balance and closing balance to the account.

4. Eliminate all adjustments made while preparing Income and Expenditure Account.

5. Purchase of assets may be calculated and shown on the payment side. For this compare the values of the assets at the beginning and closing of the period.

#### ****4. Preparation of Income and Expenditure Account and Balance Sheet from a given Trial Balance with additional information.****

**Steps:**

(1) All the current year’s revenue incomes are to be credited in the Income and Expenditure Account.

(2) All the current year’s revenue expenditures are to be debited in the Income and Expenditure Account.

(3) If the credit side is greater than the debit side, there will be ‘Surplus’ or ‘Excess’ of income over expenditure, and vice-versa in the opposite case.

(4) The surplus or deficit so made is to be added or deducted against the capital fund.

(5) All the capital incomes or Capital expenditures are to be shown in the Balance Sheet.