

## Objectives

At the end of this chapter, students should be able to:

- Explain the following terminologies:
  - (i) Subscription;
  - (ii) Subscription in arrears;
  - (iii) Subscription in advance;
- Prepare subscription account.

### 14.1 Introduction

Subscription in a non-profit making organisation is a mandatory fixed financial contribution a person has to make to a social or professional organisation to which he belongs. Subscription is usually provided for in the constitution of social organizations hence, it is the major source of their income. The higher the rate and the larger the membership and the larger the income of a social club or society.

### 14.2 Terminologies

**Subscription:** This is a legal, fixed annual sum of money imposed on members of social and professional organizations to generate income. Subscription is mandatory, that is, it must be paid by every member of an organisation to retain his, membership. Though it is payable during the year some members may pay in arrears while some pay in advance.

**Subscription in Arrears:** This is a subscription not paid in the year that it is due but paid in the subsequent year e.g. subscription for 2009 paid in 2010.

**Subscription in Advance:** This is subscription paid before the year that it is due e.g. subscription for 2010 paid in 2009.

### 14.3 Preparation of Subscription Account

The procedures for preparation of subscription account are as follows:

- (i) Debit cash book;
- (ii) Credit subscription account;
- (iii) Credit subscription in advance;
- (iv) Balance subscription account by transfer to receipts and payments account;
- (v) Balance subscription in advance by transfer to receipts and payments account.

### Example 14.1

In 2009, the following particulars appeared in the books of Ikeja films club for subscription received:

Jan. 31	N15,000
Mar. 31	N20,000
Sept. 30	N20,000
Oct. 31	N18,000

Prepare subscription account of the club.

#### Note:

- (i) Dec. 31st N10,000 subscription for 2009 is yet unpaid.
- (ii) Payment in Sept. Included; N15,000 for 2010.

#### Ikeja Films Club 2009 Subscription Account

2009	₦	2009	₦
Dec. 31 Receipt & Payment	73,000	Jan. 31 cash	15,000
		Mar. 31 cash	20,000
		Sept. 30 cash	20,000
		Oct. 30 cash	18,000
	<u>73,000</u>		<u>73,000</u>

### **Subscription in Advance**

2009	₦
Dec. 31 sundry	10,000

### **Subscription Accrual**

2009	₦
Dec. 31 sundry	5,000

### **Activity**

Find out and compare the provision for subscription in three clubs and societies.

## **14.4 Summary**

In this chapter, students have learnt that:

1. A subscription of a non profit organisation is a mandatory fixed financial contribution a person has to make to a social or professional organization which he belongs.
2. Subscription can be paid in arrears or advance.
3. Cash book account must be debited and credited subscription account

## **14.5 Revision Questions**

1. Subscription is \_\_\_\_\_.
  - A. tax
  - B. Levy
  - C. annual contribution
  - D. membership fee
2. Subscription in a club is \_\_\_\_\_.
  - A. voluntary
  - B. mandatory
  - C. illegal
  - D. traditional
3. Subscriptions in advance is \_\_\_\_\_.
  - A. paid in the current year for the current year
  - B. paid in the current year for the previous year
  - C. paid in the current year for the subsequent year
  - D. paid in the previous year for the current year
5. Subscription in accrual is \_\_\_\_\_.
  - A. paid in advance
  - B. out standing
  - C. paid in arrears
  - D. paid currently
6. Distinguish between subscription in advance and subscription in arrears.
7. Explain the term: .Subscription.
8. What is the importance of subscription in a club or society?
9. State the procedures for the preparation of subscription account.

10. In Orile-Agege Recreation Club, membership fee is N2,000 and subscription is N5,000. Payments were made as follows in 2009:

Jan.: 10 members paid subscription.

Mar.: N60,000 subscription received.

June: 8 member's subscription paid.

Dec.: N55,000 subscription received.

Prepare the subscription account for this Club.

**Note:**

In Jan. 3 members paid subscription in advance by Dec. 31<sup>st</sup> N40,000 subscriptions was outstanding.