

12

RECEIPTS AND PAYMENTS ACCOUNT.

Objectives

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

- Explain terminologies in receipts and payments account;
- Identify main features of receipts and payment account;
- Prepare receipts and payments account.

12.1 Introduction

Receipts and payments account is the type of account commonly adopted by treasurers of societies, clubs, associations, e.t.c when presenting the result of the year's work. This account is nothing more than summary of the cash book (i.e. cash and bank transactions) over a certain period. In other words, it is a summary of cash transactions for a given period.

12.2 Terminologies

1. Receipts: This refers to all items of money whether cash or cheque received by the treasurer in the accounting period. It includes all money received in advance and in arrears.

2. Payments: This refers to all items of money paid out by the treasurer in the accounting period. It includes all payment in advance and in arrears.

12.3 Meaning of Receipts and Payment Account

Receipts and payment account is one of the final accounts of a non-profit making organisation like clubs or societies. It is an annual summary of all cash transactions that take place in a given year though some may not be for that particular year. For example, the account may include all money paid in arrears and in advance. Hence, receipts and payments account is a summary of the cashbook while the cash book records day-to-day cash receipts and payments account transaction, date by date, receipts and payments account summarise this cash transaction annually.

12.4 Main Features of Receipts and Payments Account

- (i) It is a summary of the cash book.
- (ii) It commences with the opening balance of cash in hand or at the bank and is debited with all sums actually received. Likewise, it is credited with all cash paid away during the period to which the account relates, whether or not they have been during that period.
- (iii) All receipts and payment whether of a revenue or a capital nature are included.
- (iv) The balance of receipts and payments account must be debited being cash at hand and at bank, unless there is a bank overdraft.
- (v) The account does not disclose gains or losses because it

12.5 Preparation of Receipts and Payments Account

EXAMPLE 12.1

On 31st December 2008, you are given the following information about youth club:

N

1st January 2008	Cash in bank	50,000
	Subscription 2007 unpaid	30,000
	Subscription 2008 in advance	20,000
	Rent unpaid for 2007	20 000
During 31st Dec., 2008 subscriptions received		
(Including 2007 arrears and 2008)		450,000
	Rent paid	40,000
	Electricity bill paid	10,000
	Sales of tickets	150,000
	Printing of tickets	2,000
	Hire of dance - hall	20,000
	Band fees	5,000
	Prizes for events.	20,000
31st Dec. 2008 furniture repair account due and unpaid		30,000
	Electricity bill due and unpaid	20,000
	Subscriptions 2008 unpaid	10,000
	Subscriptions 2009 received	15,000

You are required to:

Prepare receipts and payments account for 31st December, 2008.

Solution

Gusau Youth Club

Receipts and Payments for 31st Dec. 2008

Receipts	N	Payment	N
Bal. B/d January 2008	50,000	Rent paid	40,000
Subscription received	450,000	Electricity bill paid	10,000
Subscription in advance	20,000	Printing of tickets	2,000
Sales of tickets	150 000	Hire of dance hall	20 000
		Band fee	5 000
		Prizes for events	20 000
		Bal. c/d	573 000
	<u>670 000</u>		<u>670 000</u>

Activity

List ten organisations well-known for preparation of receipts and payments account for the end of the year.

12.6 Summary

In this chapter, students have learnt that:

- 1 Receipt and payment account is summary of cash book.
- 2 The cash book is a book of original entry and forms part of double entry book keeping but receipt and payments account does not form part of double entry.
- 3 All payments are credited with the balance carried down on this side except when there is an over draft.

12.7 Revision Questions

1. Receipts and payment account is a summary of _____.
A. capital account
B. expenses account
C. cash account
D. trading account
2. One of the following items does not appear in the receipts and payments account:
A. Depreciation
B. Subscription
C. Rent
D. Donations
E. Printing expenses
3. Receipts and payments account is prepared to show for the year.s _____.
A. loss
B. profit
C. income
D. money received
4. Which of the following will prepare a receipts and payments account?
A. Sam Adamu Partners
B. Tom Jack Son Ltd.
C. Ifelodun Development Association
D. A.G. Leventis Plc
5. A receipts and payments account will normally show _____ at the end of the year.
A. loss
B. debit balance
C. credit balance
D. profit
6. Explain the following terms in receipts and payments account:
(i) Receipts
(ii) Payment
7. State the main features of receipts and payments account.
8. Distinguish between cash book and receipts and payments account.
9. The following particulars were given regarding Skywalker Club, Lagos on 31st Dec, 2008:

	N
1st Jan. 2008 cash balance	30,000
Subscription 2007 and 2008	480,000
Sales of brochure	20,000
Salary paid	60,000
Rent and rates paid	10,000
Repairs	2,000
Postages	1,500
Printing of brochure	5,000
Bank interest & charges	500

Prepare receipts & payments account for 31st Dec. 2008.

10. The following is a summary of the receipts and payments account by Star Club, Ikeja from 1st January, 2009 to 31st Dec. 2009.

	N
Subscription received	32,000
Receipts from sale of refreshment	40,000
Loan from co-operative society on 1st Jan.2009	30,000
Loan from bank	10,000
Land and building (at cost)	120,000
Purchase of refreshments	25,000
Purchase of furniture & equipment	8,000
Wages paid	50,000
Rates paid	18,000
Telephone paid	2,000
Receipts from Telephone call	14,000
Printing and stationery paid	18,000
Bank interest and charges paid	9,000
General expenses paid	1,700
Electricity paid	10,800
Repaid to co-operative society on 31st Dec. 2009	10,000

Prepare receipts and payments account for the year ending 31st Dec. 2009.

NOTE:

- (i) All the receipts and payments were through the bank.
- (ii) N5, 000 owed for refreshment at 31st Dec. 2009.
- (iii) Refreshment on hand at 31st Dec. 2009 was valued at N3,500.
- (iv) Rates paid up to 31st Dec. 2009 included N3,000 paid in advance.

(v) Interest accrued but not paid to co-operative society amounted to N2,500.