

## Objectives

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

- Explain the meaning of accumulated fund;
- Prepare the Balance sheet of a non-profit making organisations.

### 15.1 Introduction

Like that of a business firm, the balance sheet of a non-profit making organisation shows the financial position of a club or society at a particular date usually as at last date of the year. It is the financial document that states the liabilities and assets of the organisation. The purpose of a balance sheet is to determine the financial worth of an organisation.

### 15.2 Meaning of Accumulated Fund.

Accumulated fund of a non-profit making organisation like club or a society is the equivalent of the capital of trading organisation. Accumulated fund is calculated by deducting the amount of all the liabilities from the assets.

#### Accumulated fund is calculated as follows:

- Add all assets of the club or society and deduct all its liabilities.
  - Add surplus for the year to accumulated fund brought forward from the previous year.
  - Deduct any deficit for the year from accumulated fund brought forward from the previous year.
- Therefore, at the end of any year, when there is a surplus accumulated, fund increases and at the end of any year when there is deficit accumulated, fund decreases.

#### Layout Of Balance Sheet

##### Adeolu Drama And Musical Club

##### Balance Sheet As At .31st December

Accumulated Fund	N	Fixed Assets;	N	N
1 January, 2009	xxxx	Musical Equipment	xxxx	
		Less Depreciation	<u>xxxx</u>	
		Drama Equipment	xxxx	
		Any other fixed asset	xxxx	
Add surplus for 2009	<u>xxxx</u> xxxx	Less Depreciation	<u>xxxx</u>	xxxx xxxx
Current Liabilities:		Current Assets:		
Subscription in advance	xxxx	subscription arrears	xxxx	
		subscription accual	xxxx	
		any expenditure in advance	xxxx	
		Cash in hand		xxxx
	<u>xxxx</u>	Cash at bank	xxxx	<u>xxxx</u>

Fig:15.1 Format of a non-profit making organization balance sheet.

### 15.3 Preparation of a Balance Sheet

In preparing a balance sheet, liability side is opened with the balance of accumulated fund of last period. Add excess or deduct deficit of the year to or from it. Other liabilities such as accrual and prepayments are expected to be disclosed just as in the balance sheet of profit-oriented organisations. The assets side contains the item possessed by the organisation such as; building, equipment, subscription in arrears and cash. See layout in fig:15.1

#### Example 15.2

From the following particulars, prepare the income and expenditure account and balance sheet of Busa drama and music club for the year ended 31st December, 2009.

	N
Accumulated fund at 1 st January, 2009 ,	17,360
Cash in hand	8,960
Cash at bank	20,000
Music equipment	30,000
Drama equipment	38,000
Postages and stationery	5,000
Receipts from sales of tickets for performance	64,000
Hire of costumes for plays	30,000
Subscriptions received from member for 2009	60,000
2010	8,000
Donations from supporters	30,000
Royalties paid on plays performed	4,200
Rent of hall for weekly meetings	15,200
Hire of theatre for special performances	60,000

Provisions are expected to be made for the following items which have not passed through the books of the club:

1. Rent paid in advance amounted to N8,000.
2. Subscriptions still due for 2009 amount to N12,000.
3. Depreciation at 10 percent is to be written off the musical and drama equipment.

Provisions are expected to be made for the following items which have not passed through the books of the club:

1. Rent paid in advance amounted to >N8,000.
2. Subscriptions still due for 2009 amount to N12,000.
3. Depreciation at 10 percent is to be written off the musical and drama equipment.

### Solution

Busa drama and music club Income and expenditure accounts for the year ended 31st December, 2009.

	N		N
Rent of hall (N15, 200 - 8,000)	7,200	Subscription (92, 000 + 12, 000)	104, 000
Hire of theatre	60,000	Donations	30, 000
Hire of costumes	30, 000	Tickets receipts	64, 000
Royalties	4, 200		
Postages and stationery	5,000		
Depreciation	6, 800		
Surplus of income over expenditure	84, 800		
	<u>198,000</u>		<u>198,000</u>

Accumulated fund is calculated as follows:

### **Assets**

Musical equipment	27,000
Drama equipment	34,200
Cash in hand	8,960
Cash at bank	20,000
Subscription owing (accrual)	12,000
Rent in advance	<u>8,000</u>
	110,160
Less liability:	
Subscription in advance	<u>8,000</u>
Accumulated fund	<u>102,160</u>

Busa Drama and Music Club

**Balance Sheet as at 31st December, 2009**

Accumulated Fund	N	Fixed Assest	N	N
1 January, 2009	17,360	Musical Equipment	30,000	
Add surplus for 2009	84,800	Less Depreciation	3,000	27,000
	102,160	Drama Equipment	38,000	
		Less Depreciation	3,800	34,200
<b>Current Liabilities:</b>		<b>Current assets:</b>		
Subscription in advance	8, 000	Rent in advance	8,000	
		Subscription owing	12,000	
		Cash in hand	8,960	
		Cash at bank	20,000	48,960
	<u>110,160</u>			<u>110,160</u>

## Activity

Get the balance sheet of a club or a society in your area for the previous year and calculate the following:

- Fixed assets
- Accumulated fund
- Current assets
- Current liability
- Total asset

## 15.4 Summary

In this chapter, students have learnt that:

- Accumulated fund of a non-profit making organisation is the equivalent of the capital of trading organisation.
- Accumulated fund of a non-profit making organisation is accumulated by adding all the assets and deducted all its liabilities.
- Surplus should be added to the accumulated and deduct deficit if any in the balance sheet.

## Revision Questions

- Assets of a society include \_\_\_\_\_.
  - creditors and loans
  - rent and wages
  - hall and cash
  - donations in subscriptions
- Liabilities of a club include \_\_\_\_\_.
  - wages and interest
  - cash and debtors
  - subscriptions and donations
  - subscriptions in advance
- A balance sheet is a / an \_\_\_\_\_.
  - statement
  - account
  - schedule
  - trial balance
- A balance sheet is prepared to determine \_\_\_\_\_.
  - profit

B. financial worth

C. surplus

D. financial maturity

5. Accumulated fund is made up of \_\_\_\_\_.

A. all assets plus liability

B. all liabilities plus current assets

C. all assets less all liabilities assets

D. fixed assets plus current assets

6. What is the difference between a balance sheet and an income and expenditure account?

7(a) Explain the term .accumulated fund.

(b) How is it treated in balance sheet?

8. Give the effect of each of the following on the relevant items in the balance sheet:

(a) Surplus at the end of a year

(b) Deficit at the end of a year

(c) Depreciation

(d) Subscription paid in advance

(e) Subscription paid arrears

9. State the balance sheet layout of a non-profit organisation. The following balances were extracted from the books of Eleko recreation club as at 31st December, 2009:

**Eleko Recreation Club**

**Balance Extracts as at 31st December, 2009.**

Opening stock	1,940
Bar and restaurant supplies	114,460
Rent	20,940
Wages	37,380
Repairs and renewals	10, 800
Electricity bill	10,560
Miscellaneous	8,100
Cash at bank	6, 640
Savings	17,000
Sundry debtors	5,700

Electricity bill	10, 560
Miscellaneous	8, 100
Cash at bank	6, 640
Savings	17,000
Sundry debtors	5, 700
Billiards table	4, 140
Fixtures and fittings	1, 740
Furniture	8, 280
Club premises	60, 000

(i) In addition, depreciation was as follows:

Fixture and fittings - N120, billiards table - N780, furniture -N1,120.

(ii) Stock at bar and restaurant on 31st December, 2009 amounted to N1,920.

You are required to prepare:

(a) a trading account to ascertain the gross profit derived from running the bar and restaurant.

(b) an income and expenditure account for 31st December, 2009.

(c) Balance sheet as at 31st Dec. 2009.

Sports club charges a membership fee of N30 and an annual subscription of N10. On 1st January, 2009 the club's assets and liabilities were as follows:

Sports Club: Assets and Liabilities, 1st January, 2009.

Land	5,000	Advertising owing	100
Equipment	570	Subscriptions due	280
Motor van	2,000	Bank balance	1,000
Wages due	70	Cash in hand	350

During the year end 31st December, 2009 receipts and payment were as follows:

Receipts		Payments	
Subscriptions for 2008	200	Motor vehicles	3,400
Subscriptions for 2009	19,200	Snacks	2,760
Subscriptions for 2010	380	Equipment	2,030
Entertainment fees	1,170	Wages	1,400
		Furniture	1,200
		Advertising -	2,400
		General expenses	380
		Prizes	500

You are also given the following information:

(1) Depreciation is calculated at 20% on motor vehicles, 10% on equipment and 5% on furniture as they appear in the balance as at 31st December, 2009.

(ii) Advertising owing was N190.

(iii) Wages in advance were N120.

(iv) Seventy - three members did not pay their annual subscriptions as at 31st December, 2009.

(v) Half of the subscriptions due on 1st October, 2009 are to be written off as bad debts.

You are required to prepare:

(i) The income and expenditure account.

(ii) The balance sheet as at 31st December, 2009.