

UNIT 2

ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION



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Points to recall

The following points are to be recalled before learning the accounts of not-for-profit organisation:

- ◇ Capital expenditure
- ◇ Revenue expenditure
- ◇ Deferred revenue expenditure
- ◇ Capital receipt
- ◇ Revenue receipt
- ◇ Final accounts of sole proprietors



Learning objectives

- To enable the students to
- ◇ Understand the features of not-for-profit organisation
 - ◇ Understand the accounting treatment of items peculiar to not-for-profit organisation
 - ◇ Prepare final accounts of not-for-profit organisation

Key terms to know

- ◇ Not-for-profit organisation
- ◇ Receipts and payments account
- ◇ Income and expenditure account



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2.1 Introduction

Some organisations are established for the purpose of rendering services to the public without any profit motive. They may be created for the promotion of art, culture, education, sports, etc. These organisations are called not-for-profit organisation. Charitable institutions, educational institutions, cultural societies, sports and recreation clubs, hospitals, libraries and literary associations are some of the examples of not-for-profit organisations. They are also called as non-profit organisations or non-trading concerns. They raise funds through donations, grants from government and subscriptions from their members and so on. These concerns must also maintain proper books of accounts. They must account for all cash receipts and payments. At the end of each accounting year, they must also prepare final accounts to ascertain the surplus or deficit and financial position.

2.2 Features of not-for-profit organisations

Following are the features of not-for-profit organisations:

1. Not-for-profit organisations are the organisations which function without any profit motive.
2. Their main aim is to provide services to a specific group or the public at large.
3. Generally, they do not undertake business or trading activities.
4. Their main sources of income include subscription from members, donations, grant-in-aid and legacies.



Student activity 2.1

Assume you want to start a drama club. What is the procedure to start the club? Give a name and design the logo for your club.

At the end of the accounting period, the following final accounts are prepared by not-for-profit organisations:

- (i) Receipts and payments account,
- (ii) Income and expenditure account and
- (iii) Balance sheet

Not-for-profit organisations registered under Section 8 of the Indian Companies Act, 2013 are required to prepare their Income and Expenditure account and Balance Sheet as per Schedule III to the Indian Companies Act, 2013.

Note: In this unit, only the not-for-profit organisations not registered under the Indian Companies Act, 2013 are dealt with. Hence, Income and Expenditure account and Balance Sheet are not prepared as per Schedule III of the Indian Companies Act, 2013.



Student activity 2.2

Visit a nearby not-for-profit organisation and interact with the accountants to know about the various books maintained by them.

2.3 Receipts and Payments Account

Receipts and Payments account is a summary of cash and bank transactions of not-for-profit organisations prepared at the end of each financial year.

It is a real account in nature. The receipts and payments account begins with the opening balances of cash and bank and ends with closing balances of cash and bank. All cash receipts are shown on the debit side and all cash payments are shown on the credit side of this account. All cash receipts and cash payments whether of capital or revenue nature will be recorded in the receipts and payments account. They may relate to the current year or the previous years or the subsequent years. It means that irrespective of the period for which the amount is received or paid, it is recorded if cash is received or paid during the year.

Non-cash items such as depreciation, outstanding expenses and accrued income are not shown in receipts and payments account.

2.3.1 Steps in preparation of receipts and payments account

Following are the steps involved in the preparation of receipts and payments account:

- (i) Record the opening balance of cash in hand and favourable bank balance on the debit side of receipts and payments account. If there is bank overdraft, it must be recorded on the credit side.
- (ii) Actual cash receipts during the year are recorded on the debit side and actual cash payments during the year are recorded on the credit side.
- (iii) While recording cash receipts and payments, no distinction needs to be made between revenue and capital items. Similarly, no distinction needs to be made whether the amount received or paid relates to the current period, previous period or future period.
- (iv) If the total of the debit side is more than the credit side, the balancing figure will appear on the credit side. It represents the closing balance of cash or bank.
- (v) If the total of the credit side is more than the debit side, the balancing figure will appear on the debit side. It represents bank overdraft.

Format of Receipts and Payment Account

Dr. Receipts and Payments Account of for the year ending

Cr.

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Balance b/d		
Cash in hand	xxx		Bank overdraft		xxx
Cash at bank	xxx	xxx			
Revenue receipts:			Revenue payments:		
To Subscription		xxx	By Salaries		xxx
To Entrance fees		xxx	By Rent paid		xxx
To General donations		xxx	By Electricity charges		xxx
To Grant-in-aid		xxx	By Postage		xxx
To Sale of old newspapers		xxx	By Rent and taxes		xxx
To Interest on investment		xxx	By Insurance		xxx
To Dividend		xxx	By Advertisement		xxx
To Locker rent received		xxx	By Telephone charges		xxx
To Rent received		xxx	By Entertainment expenses		xxx
To Sundry receipts		xxx	By Audit fees		xxx
			By Repairs		xxx
Capital receipts:			By Upkeep of ground		xxx
To Life membership fees		xxx	By Conveyance charges		xxx
To Donation for specific purpose		xxx	By Newspapers and periodicals		xxx
To Legacies		xxx	By Office expenses		xxx
To Endowment fund		xxx	By Gardening expenses		xxx
To Sale of fixed assets		xxx	By Sundry expenses		xxx
To Sale of investments		xxx			
To Receipt for specific purpose or fund		xxx	Capital Payments:		
To Interest on specific fund investments		xxx	By Fixed assets		xxx
To Balance c/d		xxx	By Investments		xxx
(Bank overdraft)			By Repayment of loan		xxx
			By Balance c/d		
			Cash in hand	xxx	
			Cash at bank	xxx	xxx
		xxx			xxx



Student activity 2.3

Recall the distinction between capital and revenue items.

Illustration 1

From the following particulars of Tamil Educational Society, prepare Receipts and Payments account for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash balance as on 1.4.2018	18,000	Building purchased	2,10,000
Rent paid	6,000	Staff salary	55,000
Scholarship given	15,200	Subscription received	2,65,000
Entrance fees received	18,500		

Solution

In the books of Tamil Educational Society

Dr. Receipts and Payments Account for the year ended 31st March, 2019

Cr.

Receipts	₹	Payments	₹
To Balance b/d		By Rent paid	6,000
Cash in hand	18,000	By Scholarship given	15,200
To Entrance fees	18,500	By Building purchased	2,10,000
To Subscription received	2,65,000	By Staff salary	55,000
		By Balance c/d	
		Cash in hand	15,300
	3,01,500		3,01,500

Illustration 2

From the following particulars of Trichy Educational Society, prepare Receipts and Payments account for the year ended 31st December, 2018.

Particulars	₹	Particulars	₹
Opening cash balance as on 1.1.2018	20,000	Locker rent received	12,000
Investments made	80,000	Sale of furniture	5,000
Honorarium paid	3,000	General expenses	7,000
Donation received	80,000	Postage	1,000
Audit fees paid	2,000	Subscription received	10,000

Solution

In the books of Trichy Educational Society

Dr. Receipts and Payments Account for the year ended 31st December, 2018 **Cr.**

Receipts	₹	Payments	₹
To Balance b/d		By Investments made	80,000
Cash in hand	20,000	By Honorarium paid	3,000
To Donation received	80,000	By Audit fees	2,000
To Locker rent received	12,000	By General expenses	7,000
To Sale of furniture	5,000	By Postage	1,000
To Subscription	10,000	By Balance c/d	
		Cash in hand	34,000
	1,27,000		1,27,000

Illustration 3

From the following particulars of Chennai Sports Club, prepare Receipts and Payments account for the year ended 31st March, 2018.

Particulars	₹	Particulars	₹	₹
Opening cash balance as on 1.4.2017	10,000	Subscriptions received		
Opening bank balance as on 1.4.2017	15,000	2016 – 2017	4,500	
Interest paid	5,000	2017 – 2018	65,000	
Telephone expenses	7,000	2018 – 2019	5,000	74,500
Upkeep of grounds	22,500	Tournament expenses		12,500
Life membership fees received	5,500	Tournament fund receipts		15,000
Bats and balls purchased	13,000	Closing balance of cash		5,000
		(31.3.2018)		

Solution

In the books of Chennai Sports Club

Dr. Receipts and Payments Account for the year ended 31st March, 2018 **Cr.**

Receipts	₹	₹	Payments	₹	₹
To Balance b/d:			By Interest paid		5,000
Cash	10,000		By Telephone expenses		7,000
Bank	15,000	25,000	By Upkeep of grounds		22,500
To Life membership fees		5,500	By Bats and balls purchased		13,000
To Tournament fund receipts		15,000	By Tournament expenses		12,500
To Subscriptions received			By Balance c/d		
2016 – 2017	4,500		Cash	5,000	
2017 – 2018	65,000		Bank (Bal. fig)	55,000	60,000
2018 – 2019	5,000	74,500			
		1,20,000			1,20,000

Illustration 4

From the following particulars of Poompohar Literary Association, prepare Receipts and Payments account for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash in hand as on 1.4.2018	5,000	Subscriptions received	20,000
Bank overdraft as on 1.4.2018	4,000	Repairs and renewals	2,500
Printing and stationery	1,500	Conveyance paid	2,750
Interest paid	3,250	Books purchased	10,000
Sale of investments	1,000	Insurance premium paid	4,000
Purchase of refreshments	1,500	Sundry receipts	750
Outstanding salary	2,000	Government grants received	6,000
Endowment fund receipts	2,000	Sale of refreshments	1,500
Lighting charges	1,300	Depreciation on buildings	2,000
		Cash at bank on 31.03.2019	2,000

Solution

In the books of Poompohar Literary Association

Dr. Receipts and Payments Account for the year ended 31st March, 2019

Cr.

Receipts	₹	Payments	₹
To Balance b/d		By Balance b/d	
Cash in hand	5,000	Bank overdraft	4,000
To Sale of investments	1,000	By Printing and stationery	1,500
To Endowment fund receipts	2,000	By Interest paid	3,250
To Subscriptions received	20,000	By Purchase of refreshments	1,500
To Sundry receipts	750	By Lighting charges	1,300
To Government grants received	6,000	By Repairs and renewals	2,500
To Sale of refreshments	1,500	By Conveyance paid	2,750
		By Books purchased	10,000
		By Insurance premium paid	4,000
		By Balance c/d	
		Cash at bank	2,000
		Cash in hand	3,450
	36,250		36,250

Note: As outstanding salary and depreciation are non-cash items, both are to be excluded in receipts and payments account.

Illustration 5

From the following particulars of Vellore Recreation Club, prepare Receipts and Payments account for the year ended 31st March, 2017.

Particulars	₹	Particulars	₹
Opening cash balance as on 1.4.2016	3,000	Receipts from entertainment	20,000
Opening bank balance as on 1.4.2016	12,000	Admission fees received	1,000
Furniture purchased	11,000	Municipal taxes	22,000
Sports equipment purchased	11,000	Expenses of charity show	2,000
Donation received for pavilion	8,000	Billiards table purchased	15,000
Sale of old tennis balls	1,500	Construction of new tennis court	18,000
Newspapers bought	500	Receipts from charity show	2,500
Travelling expenses	4,500	Closing balance of cash in hand	8,000

Solution

In the books of Vellore Recreation Club

Dr. Receipts and Payments Account for the year ended 31st March, 2017 **Cr.**

Receipts	₹	₹	Payments	₹
To Balance b/d			By Furniture purchased	11,000
Cash in hand	3,000		By Sports equipment	
Cash at bank	12,000	15,000	purchased	11,000
To Donation received for pavilion		8,000	By Newspapers bought	500
To Sale of old tennis balls		1,500	By Travelling expenses	4,500
To Receipts from entertainment		20,000	By Municipal taxes	22,000
To Admission fees		1,000	By Expenses of charity show	2,000
To Receipts from charity show		2,500	By Billiards table purchased	15,000
To Balance c/d		44,000	By Construction of new	
(Bank overdraft)			tennis court	18,000
			By Balance c/d	
			Cash in hand	8,000
		92,000		92,000

2.4 Items peculiar to not-for-profit organisations

Distinction between revenue and capital items will be helpful while preparing the final accounts of not-for-profit organisations. Revenue items will be recorded in income and expenditure account while capital items will be recorded in the balance sheet. Items peculiar to not-for-profit organisations and their accounting treatment in that context is given below:



(i) Subscription

Not-for-profit organisations usually collect subscriptions periodically from their members. These may be collected monthly, quarterly, half-yearly or yearly. In addition, some special subscriptions, for example, subscription for tennis, billiards, etc., are collected from the concerned members playing tennis or billiards as the case may be. All these subscriptions are revenue receipts.

(ii) Interest on investment

For investments made, the organisation may receive interest. It is a revenue receipt.

(iii) Sale of old sports materials

The sale proceeds of old sports materials like balls, bats, etc. are revenue receipts.

(iv) Sale of old newspapers

The sale proceeds of old newspapers are revenue receipts.

(v) Life membership fee

Amount received towards life membership fee from members is a capital receipt as it is non-recurring in nature.

(vi) Legacy

A gift made to a not-for-profit organisation by a will, is called legacy. It is a capital receipt.

(vii) Admission fee or Entrance fee

It is a fee collected from every member only once at the time of his or her admission into the organisation. It may be treated as a revenue receipt as it is a recurring income from new members admitted every year and may be used to meet the expenses at the time of admission. It may also be treated as a capital receipt.

(viii) Grants from government and other organisations

Not-for-profit organisations may receive different forms of grant from government and other organisations.

Grants received towards construction of buildings, acquisition of assets, etc., are treated as capital receipts as they are non-recurring in nature.

Grants received towards maintenance of assets, payment of salaries, etc., are treated as revenue receipts as they are recurring in nature.

(ix) Donations

These are the amounts received by not-for-profit organisations as a gift. It may be general donation or specific donation.

General donation: If the donation is received without any specific condition, then it is a general donation. It is a revenue receipt.



Specific donation: If the donation is received with a specific condition for a particular purpose like donations for sports fund, prize fund etc., it is known as specific donation. It is a capital receipt.

(x) Honorarium

It is the remuneration paid to a person who is not a regular employee of the organisation. It is a revenue expenditure.

(xi) Purchase of sports materials

Sports materials such as balls, bats, nets, etc. are consumable items. Amount of consumed sports materials are taken as revenue expenditure and value of unconsumed sports materials (stock) are shown as asset in the balance sheet.

(xii) Purchase of sports equipment

It is a capital expenditure. Examples: Purchase of Table tennis table, Billiards table, etc.

(xiii) Purchase of books for library

Books purchased for library is a capital expenditure.

Few examples of capital and revenue items peculiar to not-for-profit organisations are given below:

Revenue receipts	Capital receipts	Revenue or capital receipt (as per the practice of the organisation)
Subscription	Life membership fees	Admission fee or Entrance fee
Interest on investment	Legacies	Donations
Interest on fixed deposit	Specific donations	Special fees
Sale of (old) sports materials	Sale of fixed assets	Grants from government and other organisations
Sale of (old) newspapers	Special funds	
Collection or receipts relating to	Tournament fund	
a) Tournament	Prize fund	
b) Sports		
c) Matches		
d) Entertainments		
e) Dinner		

Note: In this unit, entrance fees or admission fees, donations, special fees and grants from government and other organisations have been treated as revenue receipts even though these may also be treated as capital receipts.



Capital expenditure	Revenue expenditure
Purchase of sports equipment	Honorarium
Purchase of books for library	Charity
	Audit fees
	Purchase of sports materials
	Printing and stationery
	Postage and courier charges
	Expenses relating to
	a) Tournament, b) Sports, c) Matches, d) Entertainments, e) Dinner

2.5 Income and Expenditure Account

Income and expenditure account is a summary of income and expenditure of a not-for-profit organisation prepared at the end of an accounting year. It is prepared to find out the surplus or deficit pertaining to a particular year.

It is a nominal account in nature in which items of revenue receipts and revenue expenditure, relating to the current year alone are recorded. It is prepared following the accrual basis of accounting.

It is just like preparing a profit and loss account. In this account, incomes are shown on the credit side and expenses are shown on the debit side. Apart from cash items, non-cash items such as income accrued but not received, loss or gain on sale of fixed assets, depreciation, etc. will also be recorded.

It helps to enable the members to know the working of the organisation and to know whether its income is sufficient to meet its expenses. It can be prepared from a given receipts and payments account.

2.5.1 Steps in preparation of income and expenditure account from receipts and payments account

Following are the steps to be followed in preparing income and expenditure account from receipts and payments account:

- (i) Opening and closing balances of cash and bank accounts in receipts and payments account must be excluded.
- (ii) Capital receipts and capital expenditures must be excluded.
- (iii) Only revenue receipts pertaining to the current year should be taken to the credit side of income and expenditure account. Due adjustments should be made for income received in advance, income accrued for the current year and for the amount relating to the previous year or years.
- (iv) Similarly, revenue expenditure relating to the current year only must be taken in the debit side of income and expenditure account. Adjustments must be made for outstanding expenses of the previous year and current year and for the prepaid expenses of the previous year and current year.

- (v) Any income or expense relating to specific fund must not be taken to income and expenditure account.
- (vi) Non-cash items such as bad debts, depreciation, loss or gain on sale of assets, etc., which are not recorded in receipts and payments account must be recorded in income and expenditure account.
- (vii) The balancing figure of income and expenditure account is either surplus or deficit and will be transferred to capital fund in the balance sheet. If the total of credit side of income and expenditure account is more than the total of debit side (excess of income over expenditure), the difference represents surplus. If the total of debit side of income and expenditure account is more than the total of credit side (excess of expenditure over income), the difference represents deficit.

2.5.2 Format of Income and Expenditure Account

Name of the club / Institution			
Dr.	Income and Expenditure Account for the year ended		Cr.
Expenditure	₹	Income	₹
To Salaries	xxx	By Subscription	xxx
To Charities	xxx	By Donation received	xxx
To Rent	xxx	By Admission fee received	xxx
To Donation paid	xxx	By Grant received	xxx
To Stationery	xxx	By Rent received	xxx
To Loss on sale of asset	xxx	By Interest received	xxx
To Depreciation	xxx	By Profit on sale of asset	xxx
To Surplus*	xxx	By Deficit*	xxx
(Excess of income over expenditure)		(Excess of expenditure over income)	
	xxx		xxx

* Note: The balancing figure may be either surplus or deficit.



Student activity 2.4

List down any five expenses relevant for a music club.

Illustration 6

From the following Receipts and Payment Account of Ooty Recreation Club, prepare Income and Expenditure Account for the year ended 31.03.2018.



Receipts	₹	Payments	₹
To Opening balance		By Sports materials purchased	10,000
Cash in hand	5,000	By Stationery paid	7,000
To Rent received	10,000	By Computer purchased	25,000
To Sale of investments	8,000	By Salaries	20,000
To Subscription received	54,000	By Closing balance	
		Cash in hand	15,000
	77,000		77,000

Solution

In the books of Ooty Recreation Club

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

Cr.

Expenditure	₹	Income	₹
To Sports materials purchased	10,000	By Rent received	10,000
To Stationery paid	7,000	By Subscription received	54,000
To Salaries	20,000		
To Surplus	27,000		
(Excess of income over expenditure)	64,000		64,000

Illustration 7

From the following Receipts and Payment Account of Trichy Recreation Club, prepare Income and Expenditure Account for the year ended 31.03.2018.

Receipts	₹	Payments	₹
To Opening balance		By Furniture purchased	10,000
Cash in hand	11,000	By Rent	2,800
To Dividend received	27,600	By Secretary's honorarium	15,000
To Sale of old newspaper	3,000	By Postage	1,700
To Members' subscription	31,000	By General expenses	4,350
To Locker rent	8,000	By Printing and Stationery	45,000
To Interest on investments	1,250	By Audit fees	5,000
To Sale of furniture	5,000	By Closing balance	
(Book value ₹ 4,400)		Cash in hand	3,000
	86,850		86,850

Solution

In the books of Trichy Recreation Club

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

Cr.

Expenditure	₹	Income	₹
To Rent	2,800	By Dividend received	27,600
To Secretary's honorarium	15,000	By Sale of old newspaper	3,000
To Postage	1,700	By Members' subscription	31,000
To General expenses	4,350	By Locker rent	8,000
To Printing and stationery	45,000	By Interest on Investments	1,250
To Audit fees	5,000	By Profit on sale of furniture (5,000 - 4,400)	600
		By Deficit	2,400
		(Excess of expenditure over income)	
	73,850		73,850

2.5.3 Differences between receipts and payments account and income and expenditure account

Basis	Receipts and Payments Account	Income and Expenditure Account
1. Purpose	It is prepared to know the cash receipts and cash payments.	It is prepared to know whether there is an excess of income over expenditure (surplus) or an excess of expenditure over income (deficit) during the current period.
2. Nature of account	It is a real account. It is a summary of cash account. Cash receipts are recorded on the debit side and cash payments are recorded on the credit side.	It is a nominal account. It is similar to profit and loss account. Expenses are recorded on the debit side and incomes are recorded on the credit side.
3. Basis of accounting	It is based on cash system of accounting. Non-cash items are not recorded.	It is based on accrual system of accounting. Non-cash items like outstanding expenses, depreciation, etc. are also recorded.
4. Opening and closing balance	It commences with an opening balance of cash and bank and ends with closing balance of cash and bank.	There is no opening balance. It ends with surplus or deficit.
5. Nature of items	It contains actual receipts and payments irrespective of revenue or capital items in nature.	It contains only revenue items, that is, only revenue expenses and revenue incomes.
6. Period	All cash receipts and payments made during the year pertaining to the past period, current period and subsequent period are recorded.	It contains only the items relating to the current period.

2.5.4 Treatment of revenue receipts

(a) Treatment of subscription in the final accounts of not-for-profit organisation

(A) Treatment in Income and Expenditure Account

When subscription received for the current year, previous years and subsequent period are given separately, subscription received for the current year will be shown on the credit side of Income and Expenditure Account after making the adjustments given below:

- (i) Subscription outstanding for the current year is to be added.
- (ii) Subscription received in advance in the previous year which is meant for the current year, is to be added.

When total subscription received during the current year is given, that total subscriptions received during the current year will be shown on the credit side of Income and Expenditure Account after making the following adjustments:

- (i) Subscription outstanding in the previous year which is received in the current year will be subtracted. Subscription outstanding for the current year is added.
- (ii) Subscriptions received in advance in the previous year which is meant for the current year, is added and subscriptions received in advance in the current year which is meant for the subsequent year must be subtracted.

(B) Treatment in Balance Sheet

- (i) Subscriptions outstanding for the current year and still outstanding for the previous year will be shown on the assets side of the balance sheet.
- (ii) Subscriptions received in advance in the current year will be shown on the liabilities side of the balance sheet.

Dr. **Income and Expenditure Account for the year ended...** **Cr.**

Expenditure	₹	Income	₹	₹
		By Subscription	xxx	
		Less: Subscription for the previous year	xxx	
			xxx	
		Less: Subscription for the subsequent year	xxx	
			xxx	
		Add: Outstanding subscription for the current year	xxx	
			xxx	
		Add: Received in advance during the previous year for the current year	xxx	xxx

Balance sheet as on ...

Liabilities	₹	Assets	₹
Subscription received in advance for the subsequent year	xxx	Outstanding subscription for the: current year previous year	xxx xxx

Illustration 8

From the following details calculate the amount that will be shown as subscription in Income and Expenditure Account for the year ending 31st March, 2017.

Subscription received for	₹
2015-16	7,500
2016-17	60,000
2017-18	1,500
	69,000

Subscription outstanding for the year 2016-17 is ₹ 2,400. Subscription for 2016-17 received in 2015-16 was ₹ 1,000.

Solution

Dr. Income and Expenditure Account for the year ended 31st March, 2017 **Cr.**

Expenditure	₹	Income	₹	₹
		By Subscription	60,000	
		Add: Outstanding subscription for 2016-17	2,400	
		Subscription received in advance in 2015-16 for 2016-17	1,000	63,400

Tutorial note

- Subscription for the year 2015-16 ₹ 7,500 and for the year 2017-18 ₹ 1,500 do not relate to the current year. So they should not be recorded in Income and Expenditure Account.
- Subscription outstanding for the current year 2016-17 is ₹ 2,400. It should be added with the amount of subscription received during 2016-17.

Illustration 9

How the following items will appear in the final accounts of a club for the year ending 31st March, 2019?



Cr.

Receipts	₹	₹	Payments	₹
To Subscription				
2017-2018	5,000			
2018-2019	48,000			
2019-2020	3,000	56,000		

There are 300 members in the club each paying an annual subscription of ₹ 200 per annum. Subscription still outstanding for the year 2017- 2018 is ₹ 1,000.

Solution:

Cr.

Expenditure	₹	Income	₹	₹
		By Subscription	48,000	
		Add: Outstanding subscription for 2018-2019	12,000	60,000

Balance sheet as on 31st March, 2019

Liabilities	₹	Assets	₹	₹
Subscription received in advance for the year 2019-20	3,000	Outstanding subscription		
		2017 – 2018	1,000	
		2018 – 2019	12,000	13,000

Tutorial note

Total Subscription due for current the year (2018-19) $300 \times ₹\ 200$ = ₹ 60,000

Less: Amount received for the current year (2018-19) = ₹ 48,000

Outstanding subscription for the current year (2018-2019)	= ₹ 12,000
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Illustration 10

How will the following items appear in the final accounts of a club for the year ending 31st March 2017? A club received subscription of ₹ 25,000 during the year 2016-17. This includes subscription of ₹ 2,000 for 2015-16 and ₹ 1,500 for the year 2017-18. Subscription of ₹ 500 is still outstanding for the year 2016-17.

Solution

Dr. Income and Expenditure Account for the year ended 31st March, 2017 **Cr.**

Expenditure	₹	Income	₹	₹
		By Subscription	25,000	
		Less: Subscription for the year 2015-16	2,000	
			23,000	
		Less: Subscription for the year 2017-18	1,500	
			21,500	
		Add: Outstanding subscription for the year 2016-17	500	22,000

Balance sheet as on 31st March, 2017

Liabilities	₹	Assets	₹
Subscription received in advance for the year 2017-18	1,500	Outstanding subscription for the year 2016-17	500

Illustration 11

Compute income from subscription for the year 2018 from the following particulars relating to a club.

Particulars	1.1.2018 ₹	31.12.2018 ₹
Outstanding subscription	10,000	7,000
Subscription received in advance	3,000	5,000

Subscription received during the year 2018: ₹ 1,50,000.

Solution

Calculation of income from subscription for the year 2018

Particulars	₹	₹
Subscription received during the year 2018		1,50,000
Add: Subscription received for 2018 in 2017	3,000	
Subscription outstanding for 2018	7,000	10,000
		1,60,000
Less: Subscription outstanding in 2017	10,000	
Subscription received in advance in 2018	5,000	15,000
Income from subscription for the year 2018		1,45,000

Illustration 12

From the following particulars, show how the item 'subscription' will appear in the Income and Expenditure Account for the year ended 31-12-2018?

Subscription received in 2018 is ₹ 16,000 which includes ₹ 3,000 for 2017 and ₹ 5,000 for 2019. Subscription outstanding for the year 2018 is ₹ 4,000. Subscription of ₹ 2,000 was received in advance for 2018 in the year 2017.

Solution

Dr. Income and Expenditure Account for the year ended 31st December, 2018 Cr.

Expenditure	₹	Income	₹	₹
		By Subscription received during the year	16,000	
		Less: Subscription received for 2017	3,000	
			13,000	
		Less: Subscription received for 2019	5,000	
			8,000	
		Add: Subscription due for 2018	4,000	
			12,000	
		Add: Received in advance in 2017 for 2018	2,000	14,000

(b) Treatment of consumable items such as sports materials, stationery items, medicines, etc.

- Consumable items such as sports materials, stationery, medicines, etc., consumed during the year will appear on the debit side of income and expenditure account.
- Consumption = Opening stock + Purchases during the current year - Closing stock
- Closing stock will appear on the assets side of the balance sheet as at the end of the year.
- If there is any sale of old sports materials, etc., that will be shown on the credit side of income and expenditure account or can be subtracted from the respective items consumed on the debit side of income and expenditure account.

Illustration 13

How will the following items appear in the final accounts of a sports club?

Particulars	₹
Stock of sports materials (01.04.2018)	3,000
Sports materials purchased during current year	9,000
Sale of old sport materials during current year	500
Stock of sports materials (31.03.2019)	4,000

Solution**Dr. Income and Expenditure Account for the year ended 31st March, 2019 Cr.**

Expenditure	₹	₹	Income	₹
To Sports materials consumed:			By Sale of old sports materials	500
Opening stock	3,000			
Add: Purchased in the current year	9,000			
	12,000			
Less: Closing stock	4,000	8,000		

Balance sheet as on 31st March, 2019

Liabilities	₹	₹	Assets	₹	₹
			Stock of sports materials		4,000

Illustration 14

From the following details calculate the printing and stationery to be debited to Income and Expenditure Account for the year ending 31st March, 2018 and also show how it will appear in the Balance Sheet as on 31st March, 2018.

Amount paid for stationery during 2017- 2018	₹ 1,500
Stock of stationery on 1 st April, 2017	₹ 300
Stock of stationery on 31 st March, 2018	₹ 200

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

Expenditure	₹	₹	Income	₹	₹
To Stationery consumed:					
Opening stock	300				
Add: Purchases	1,500				
	1,800				
Less: Closing stock	200	1,600			

Balance sheet as on 31st March, 2018

Liabilities	₹	Assets	₹
		Stock of stationery	200

(c) Treatment of incomes and expenses pertaining to specific funds

- (i) Specific fund is to be shown on the liabilities side and specific fund investments account is to be shown on the assets side of the balance sheet.
- (ii) Incomes and expenses relating to the specific fund account should not be recorded in income and expenditure account.
- (iii) Incomes relating to the fund should be added to the fund account and expenses relating to the fund should be subtracted from the fund account in the balance sheet prepared as at the end of the year.
- (iv) If interest is accrued on specific fund investments for the current year, then it should be added along with the fund account on the liabilities side and should also be shown on the assets side of the balance sheet as accrued interest on investments.

Illustration 15

How will the following appear in the final accounts of a club for the year 2017 –2018?

Particulars	₹
Prize fund on 1.4.2017	60,000
Prize fund investment on 1.4.2017	60,000
Interest received on prize fund investment	6,000
Prizes distributed	8,000
Donation received for prize fund	12,000

Solution

Balance sheet as on 31st March, 2018

Liabilities	₹	₹	Assets	₹	₹
Prize fund	60,000		Prize fund investment		60,000
Add: Interest received on prize fund investment	6,000				
Add: Donation for prize fund	12,000				
	78,000				
Less: Prizes distributed	8,000	70,000			

2.6 Balance Sheet

A Balance sheet is a statement showing the financial position of an organisation. The preparation of balance sheet of a not-for-profit organisation is more or less similar to that of a trading concern. Assets and liabilities, as on the last date of the accounting period are taken to the balance sheet (liabilities are taken on the left side and assets on the right side of the balance sheet).

Important points in the preparation of a balance sheet of a not-for-profit organisation

- (a) Capital fund also called as general fund or accumulated fund is taken to the liabilities side. Surplus in the income and expenditure account is added to the capital fund and deficit is subtracted from the capital fund in the balance sheet.

Tutorial Note

If capital fund of the organisation is not given in the problem, the opening balance sheet should be prepared to ascertain the opening capital fund. The difference between the total of assets and the total of liabilities as at the beginning of the year is the opening capital fund.

$$\text{Opening capital fund} = \text{Assets at the beginning} - \text{Liabilities at the beginning}$$

Illustration 16

Compute capital fund of Karur Social Club as on 31.03.2018.

Particulars as on 31.03.2018	₹
Furniture	50,000
Buildings	40,000
Subscription outstanding for 2017-18	10,000
Subscription received in advance for 2018-19	5,000
Loan borrowed	10,000
Investments	20,000
Cash in hand	4,000
Cash at bank	6,000

Solution

Balance sheet as on 31st March, 2018

Liabilities	₹	Assets	₹
Capital fund	1,15,000	Buildings	40,000
(Balancing figure)		Furniture	50,000
Loan borrowed	10,000	Investments	20,000
Subscription received in advance	5,000	Subscription outstanding	10,000
		Cash at bank	6,000
		Cash in hand	4,000
	1,30,000		1,30,000

- (b) While preparing the balance sheet as at the end of the accounting year, the closing balances of cash and bank should be taken to the assets side of the balance sheet. If there is bank overdraft, that should be taken to the liabilities side of the balance sheet.

- (c) Assets appearing in the previous year's balance sheet, that is, in the opening balance sheet, should be taken on the assets side of the current year balance sheet and adjustments must be made for any change taking place during the year. While taking such assets, additional assets purchased should be added and assets sold should be subtracted. Depreciation on such assets should also be adjusted.

Tutorial note: New assets purchased or assets sold are to be found out by referring to the receipts and payments account.

- (d) Prepaid expenses and accrued incomes as at the end of the current year should be taken to the assets side of the balance sheet.
- (e) Outstanding expenses at the end of the current year and any income received in advance during the current year should be taken to the liabilities side of the balance sheet.
- (f) If there are any specific funds such as tournament fund, prize fund, etc., these funds should be shown on the liabilities side of the balance sheet separately. Any income to the fund should be added to the fund account and expenses relating to the fund should be subtracted from the fund account in the balance sheet.
- (g) If there is any specific fund investment, that should be taken to the assets side of the balance sheet.



A trial balance can also be prepared for a not-for-profit organisation by taking various ledger balances available. The total of debit balances will be equal to the total of credit balances. Expenses, losses and assets will have debit balances. Revenues, gains and liabilities will have credit balances.

Comprehensive problems

Illustration 17

From the following Receipts and Payments Account of Friends Football club, for the year ending 31st March, 2017, prepare Income and Expenditure Account for the year ending 31st March, 2017 and the Balance sheet as on that date.

In the books of Friends Football Club

Dr. Receipts and Payments Account for the year ended 31st March, 2017

Cr.

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Furniture		7,000
Cash	1,000		By Sports materials purchased		800
Bank	10,000	11,000	By Special dinner expenses		1,500
To Subscriptions		5,000	By Electricity charges		900
To Legacies		6,000	By Balance c/d		
To Collection for special dinner		2,000	Cash in hand	1,800	
			Cash at bank	12,000	13,800
		24,000			24,000

Additional information:

- (i) The club had furniture of ₹ 12,000 on 1st April 2016. Ignore depreciation on furniture.
- (ii) Subscription outstanding for 2016-2017 ₹ 600.
- (iii) Stock of sports materials on 31.03.2017 ₹ 100.
- (iv) Capital fund as on 1st April 2016 was ₹ 23,000.

Solution

In the books of Friends Football Club Income and Expenditure Account

Dr. for the year ended 31st March, 2017 Cr.

Expenditure	₹	₹	Income	₹	₹
To Sports materials consumed			By Subscription	5,000	
Purchases	800		Add: Outstanding for 2016-17	600	5,600
Less: Closing stock	100	700	By Collection for special dinner		2,000
To Special dinner expenses		1,500			
To Electricity charges		900			
To Excess of income over expenditure (surplus)		4,500			
		7,600			7,600

Balance sheet as on 31st March, 2017

Liabilities	₹	₹	Assets	₹	₹
Capital fund	23,000		Furniture	12,000	
Add: Excess of income over expenditure (surplus)	4,500	27,500	Add: Additions	7,000	19,000
Legacies		6,000	Stock of sports materials		100
			Subscription outstanding for 2016-17		600
			Cash at bank		12,000
			Cash in hand		1,800
		33,500			33,500

Illustration 18

Following is the Receipts and Payments Account of Salem Recreation Club for the year ended 31st March, 2019.



In the books of Salem Recreation Club

Dr. Receipts and Payments Account for the year ended 31st March, 2019

Cr.

Receipts	₹	₹	Payments	₹
To Balance b/d:			By Furniture	15,000
Cash in hand		9,000	By Stationery	2,400
To Subscriptions			By Investment	12,500
2018 – 2019	12,500		By Postage	1,000
2019 – 2020	400	12,900	By Balance c/d:	
To Proceeds from entertainment		12,000	Cash in hand	3,500
To Sundry receipts		500		
		34,400		34,400

Additional information:

- (i) There are 450 members each paying annual subscription of ₹ 30.
- (ii) Stock of stationery on 31st March, 2018 ₹ 300 and on March 31, 2019 ₹ 500.
- (iii) Capital fund as on 1st April 2018 was ₹ 9,300.

Prepare income and expenditure account for the year ended 31st March, 2019 and the balance sheet as on that date.

Solution

Calculation of subscription to be received for the year 2018-19:

	₹
Subscription for the current year ($450 \times ₹ 30$)	13,500
Subscription received for the current year	12,500
Subscription outstanding for the current year (₹13,500 – ₹12,500)	1,000

In the books of Salem Recreation Club

Dr. Income and Expenditure Account for the year ended 31st March, 2019

Cr.

Expenditure	₹	₹	Income	₹	₹
To Stationery	2,400		By Subscription	12,500	
Add: Opening stock	300		Add: Outstanding for		
	2,700		2018-19	1,000	
Less: Closing stock	500	2,200	($450 \times ₹ 30$)		13,500
To Postage		1,000	By Proceeds from		
To Excess of income			entertainment		12,000
over expenditure (surplus)		22,800	By Sundry receipts		500
		26,000			26,000



Balance sheet as on 31st March, 2019

Liabilities	₹	₹	Assets	₹
Capital fund	9,300		Furniture	15,000
Add: Excess of income			Investment	12,500
over expenditure (surplus)	22,800	32,100	Subscription in arrears	
Subscription received in advance		400	for 2018-19	1,000
			Stock of stationery	500
			Cash in hand	3,500
		32,500		32,500

Illustration 19

From the following Receipts and Payments account of Coimbatore Cricket Club for the year ending 31st March 2016, prepare income and expenditure account for the year ending 31st March, 2016 and a balance sheet as on that date.

In the books of Coimbatore Cricket Club

Receipts and Payments Account for the year ending 31st March, 2016

Receipts	₹	Payments	₹
To Balance b/d:		By Maintenance	5,000
Cash at bank	8,000	By Furniture	15,000
To Subscriptions	11,000	By Tournament expenses	1,400
To Sale of old bats and balls	100	By Secretary's honorarium	4,500
To Subscription for tournament	2,000	By Bats and balls	7,400
To Legacies	20,000	By Balance c/d:	
		Cash at bank	7,800
	41,100		41,100

Additional information:

On 1st April, 2015 the club had stock of balls and bats ₹ 3,000 and an advance subscription of ₹ 500. Surplus on account of tournament should be kept in reserve for permanent pavilion. Subscription due on 31.03.2016 was ₹ 2,000. Stock of bats and balls on 31.3.2016 was ₹ 1,000.

Solution**Tutorial note**

To find the opening capital fund, opening balance sheet should be prepared.

In the books of Coimbatore Cricket Club**Balance sheet as on 31st March, 2015**

Liabilities	₹	Assets	₹
Capital fund	10,500	Stock of balls and bats	3,000
(Balancing figure)		Cash at bank	8,000
Subscription received in advance	500		
	11,000		11,000

Dr. Income and Expenditure Account for the year ended 31st March, 2016 Cr.

Expenditure	₹	₹	Income	₹	₹
To Maintenance		5,000	By Subscriptions	11,000	
To Secretary's honorarium		4,500	Add: Received in advance		
To Bats and balls	7,400		in 2014-15 for 2015-16	500	
Add: Opening stock	3,000			11,500	
	10,400		Add: Outstanding for 2015-16	2,000	13,500
Less: Closing stock	1,000	9,400	By Sale of old bats and balls		100
			By Excess of expenditure		
			over income (deficit)		5,300
		18,900			18,900

Balance sheet as on 31st March, 2016

Liabilities	₹	₹	Assets	₹
Capital fund	10,500		Furniture	15,000
Less : Excess of expenditure			Stock of balls and bats	1,000
over income (deficit)	5,300	5,200	Subscriptions outstanding	2,000
Reserve for Pavilion Fund :			Cash at bank	7,800
Subscriptions for tournament	2,000			
Less: Tournament Expenses	1,400	600		
Legacies		20,000		
		25,800		25,800

Illustration 20

The following is the summary of cash transactions of Delhi Literary Club for the year ending 31st March, 2019.

Delhi Literary Club			
Receipts and Payments Account for the year ending 31 st March, 2019			
Receipts	₹	Payments	₹
To Balance b/d		By Rents and Rates	21,000
Cash in hand	3,200	By Lecture fees	4,500
To Entrance fees	2,300	By Sundry expenses	7,200
To Subscriptions	46,000	By Fixed deposit	40,000
To Life membership fees	2,500	By Balance c/d	
To Interest received on fixed deposit	500	Cash in hand	4,300
To Sale of furniture (on 1.4.2018)	22,500		
(Book value ₹ 25,000)			
	77,000		77,000

Additional information

- (a) At the beginning of the year the club possessed books worth ₹ 20,000 and furniture worth ₹ 40,000.
- (b) Subscription received in advance during the current year amounted to ₹ 1,000.

Prepare Income and Expenditure account of the club for the year ending 31st March, 2019 and the Balance sheet as on that date.

Solution

Tutorial note

To find the opening capital fund, opening balance sheet should be prepared.

In the books of Delhi Literary Club			
Balance sheet as on 31 st March, 2018			
Liabilities	₹	Assets	₹
Capital fund	63,200	Furniture	40,000
(Balancing figure)		Books	20,000
		Cash in hand	3,200
	63,200		63,200

Dr. Income and Expenditure Account for the year ended 31st March, 2019 Cr.

Expenditure	₹	Income	₹	₹
To Rent and rates	21,000	By Entrance fees		2,300
To Lecture fees	4,500	By Subscriptions	46,000	
To Sundry expenses	7,200	Less: Received in advance		
To Loss on sale of furniture (25,000-22,500)	2,500	during current year	1,000	45,000
To Excess of income over expenditure (surplus)	12,600	By Interest received on fixed deposit		500
	47,800			47,800

Balance sheet as on 31st March, 2019

Liabilities	₹	₹	Assets	₹	₹
Capital fund	63,200		Furniture	40,000	
Add: Excess of income over expenditure	12,600	75,800	Less: Book value of furniture sold	25,000	15,000
Life membership fees		2,500	Books		20,000
Subscription received in advance		1,000	Fixed deposit		40,000
			Cash in hand		4,300
		79,300			79,300

Illustration 21

The following is the Receipts and Payments account of Madurai City Club for the year ending 31st March, 2018.

Madurai City Club

Dr. Receipts and Payments Account for the year ended 31st March, 2018 Cr.

Receipts	₹	₹	Payments	₹	₹
To Balance b/d:			By Upkeep of ground		16,500
Cash	500		By Match expenses		19,000
Bank	7,000	7,500	By Sundry expenses		11,000
To Subscription (including ₹ 4,000 for 2016-2017)		30,000	By Furniture		20,000
To Legacies		9,000	By Balance c/d:		
To Hall rent		10,000	Cash in hand	1,500	
To Receipts for match fund		22,500	Cash at bank	11,000	12,500
		79,000			79,000

Additional information:

On 1st April, 2017, the club had investment of ₹ 40,000. The club also had a credit balance of ₹ 30,000 in Match fund account. On 31st March, 2017 subscriptions in arrears were ₹ 4,000 and the subscriptions in arrears on 31st March, 2018 were ₹ 4,500. Prepare the final accounts.

Solution

Tutorial note

To find the opening capital fund, opening balance sheet should be prepared.

In the books of Madurai City Club Balance sheet of as on 31st March, 2017

Liabilities	₹	Assets	₹
Capital fund		Investment	40,000
(Balancing figure)	21,500	Subscriptions outstanding	4,000
Match fund	30,000	Cash at bank	7,000
		Cash in hand	500
	51,500		51,500

Dr. Income and Expenditure Account for the year ended 31st March, 2018 Cr.

Expenditure	₹	Income	₹	₹
To Upkeep of ground	16,500	By Subscriptions	30,000	
To Sundry expenses	11,000	Less: Received for 2016-17	4,000	
To Excess of income			26,000	
over expenditure (surplus)	13,000	Add: Outstanding for the current year	4,500	30,500
		By Hall rent		10,000
	40,500			40,500

Balance sheet as on 31st March, 2018

Liabilities	₹	₹	Assets	₹
Capital fund	21,500		Furniture	20,000
Add: Excess of income over expenditure (surplus)	13,000	34,500	Investment	40,000
Legacies		9,000	Subscription outstanding	4,500
Match fund	30,000		Cash at bank	11,000
Add: Receipts for match fund	22,500		Cash in hand	1,500
	52,500			
Less: Match expenses	19,000	33,500		
		77,000		77,000



Points to remember

- ❖ Not-for-profit entities exist to provide services to the members or to the society at large.
- ❖ The three principal accounting statements of a not-for-profit organisation include Receipts and Payments Account, Income and Expenditure Account and Balance Sheet.
- ❖ The Receipts and Payments Account is a summarised cash book which records all cash receipts and cash payments effected during an accounting year irrespective of the nature as to capital or revenue, irrespective of the period to which it belongs, that is, whether it relates to the previous or current year or subsequent year.
- ❖ Income and Expenditure Account is prepared to ascertain the excess of revenue income over revenue expenditure (surplus) or excess of revenue expenditure over revenue income (deficit) for a particular accounting year, which is the result of the entity's over all activities for the accounting year.
- ❖ Opening capital is found out by comparing the opening balances of assets and liabilities.
- ❖ The Balance sheet is prepared at the end of the accounting year to show the financial position on that date. It includes the capital fund or accumulated fund, special purpose funds, long term liabilities and current liabilities on the liabilities side and fixed assets and current assets on the assets side.

Self-examination questions

I Multiple choice questions

Choose the correct answer

1. Receipts and payments account is a
 - (a) Nominal A/c
 - (b) Real A/c
 - (c) Personal A/c
 - (d) Representative personal account
2. Receipts and payments account records receipts and payments of
 - (a) Revenue nature only
 - (b) Capital nature only
 - (c) Both revenue and capital nature
 - (d) None of the above
3. Balance of receipts and payments account indicates the
 - (a) Loss incurred during the period
 - (b) Excess of income over expenditure of the period
 - (c) Total cash payments during the period
 - (d) Cash and bank balance as on the date
4. Income and expenditure account is a
 - (a) Nominal A/c
 - (b) Real A/c
 - (c) Personal A/c
 - (d) Representative personal account





5. Income and Expenditure Account is prepared to find out
- (a) Profit or loss (b) Cash and bank balance
(c) Surplus or deficit (d) Financial position
6. Which of the following should not be recorded in the income and expenditure account?
- (a) Sale of old news papers (b) Loss on sale of asset
(c) Honorarium paid to the secretary (d) Sale proceeds of furniture
7. Subscription due but not received for the current year is
- (a) An asset (b) A liability
(c) An expense (d) An item to be ignored
8. Legacy is a
- (a) Revenue expenditure (b) Capital expenditure
(c) Revenue receipt (d) Capital receipt
9. Donations received for a specific purpose is
- (a) Revenue receipt (b) Capital receipt
(c) Revenue expenditure (d) Capital expenditure
10. There are 500 members in a club each paying ₹ 100 as annual subscription. Subscription due but not received for the current year is ₹ 200; Subscription received in advance is ₹ 300. Find out the amount of subscription to be shown in the income and expenditure account.
- a) ₹ 50,000 b) ₹ 50,200 c) ₹ 49,900 d) ₹ 49,800

Answers

1. (b)	2. (c)	3. (d)	4. (a)	5. (c)	6. (d)	7. (a)	8. (d)	9. (b)	10. (a)
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II Very short answer questions

1. State the meaning of not-for-profit organisation.
2. What is receipts and payments account?
3. What is legacy?
4. Write a short note on life membership fees.
5. Give four examples for capital receipts of not-for-profit organisation.
6. Give four examples for revenue receipts of not-for-profit organisation.

III Short answer questions

1. What is income and expenditure account?
2. State the differences between Receipts and Payments Account and Income and Expenditure Account.
3. How annual subscription is dealt with in the final accounts of not-for-profit organisation?
4. How the following items are dealt with in the final accounts of not-for-profit organisation?
a) Sale of sports materials b) Life membership fees c) Tournament fund

IV Exercises

1. From the information given below, prepare Receipts and Payments account of Kurunji Sports Club for the year ended 31st December, 2018.

Particulars	₹	Particulars	₹
Cash in hand (1.1.2018)	4,000	Paid for printing charges	2,500
Salaries paid	3,000	Lockers rent received	1,000
Life membership fees received	10,000	Tournament receipts	14,000
Subscription received	15,000	Tournament expenses	10,500
Rent received	2,000	Investments purchased	25,000

(Answer: Cash balance: ₹ 5,000)

2. From the information given below, prepare Receipts and Payments account of Coimbatore Cricket Club for the year ending 31st March, 2019.

Particulars	₹	₹	Particulars	₹
Bank overdraft (1.4.2018)		6,000	Honorarium paid	2,800
Cash in hand (1.4.2018)		1,000	Water and electricity charges	700
Wages paid for ground maintenance		2,000	Match expenses	2,600
Subscription received:			Sports material purchased	1,900
Previous year	500		Match fund receipts	5,200
Current year	9,600		Legacies received	2,000
Subsequent year	400	10,500	Cash balance (31.03.2019)	300
Wages yet to be paid		2,200	Donation received for pavilion	2,000
Interest on loan paid		2,000		

(Answer: Bank balance: ₹ 2,400)

(Hint: Wages yet to be paid is a non cash item. Hence, it is excluded in receipts and payments account)

3. From the information given below, prepare Receipts and Payments account of Madurai Mother Theresa Mahalir Mandram for the year ended 31st December, 2018.

Particulars	₹	Particulars	₹
Cash balance as on 1.1.2018	2,000	Fire Insurance premium paid	1,500
Bank balance as on 1.1.2018	3,000	Subscription received	8,500
Sale of old newspapers	500	Furniture purchased	6,000
Stationery purchased	6,000	Purchase of newspapers	700
Audit fees paid	2,000	Depreciation on furniture	900
Entrance fees received	3,000	Cash balance as on 31.12.2018	2,500
Sundry charges	6,000	Conveyance paid	1,000
Scholarships given	2,000	Sale of furniture	4,000
Interest on investments	2,000		

(Answer: Bank overdraft: ₹ 4,700)

(Hint: As depreciation on furniture is a non cash item, it is excluded in receipts and payments account)

4. Mayiladuthurai Recreation Club gives you the following details. Prepare Receipts and Payments account for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash balance	15,000	Salary of watchman	12,000
Opening bank balance	25,000	Club annual day expenses	15,000
Donations received	48,000	Lighting charges	16,500
Sale of old equipment	26,000	Entertainment expenses	13,500
Refreshment charges	13,000	Billiards table purchased	5,000
Club annual day collections	18,000	Expenses of charity show	3,000
Construction of tennis court	7,000	Sale of investments	12,000
Receipts from charity show	4,000	Closing cash balance	12,000
Rent paid	1,000		

(Answer: Bank balance: ₹ 50,000)

5. From the following information, prepare Receipts and Payments account of Cuddalore Kabaddi Association for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash balance (1.4.2018)	11,000	Interest and bank charges	250
Bank overdraft balance (1.4.2018)	20,000	Miscellaneous income	350
Stationery purchased	5,200	Upkeep of ground	550
Travelling expenses	1,800	Grant from Government	12,000
Dividend received	3,000	Telephone charges paid	2,800
General expenses	500	Endowment fund receipts	10,000
Admission fees	4,000	Insurance premium paid	2,000
Courier charges	2,000	Electricity charges paid	5,000
Municipal taxes paid	3,000	Closing cash balance (31.03.2019)	1,750

(Answer: Bank overdraft: ₹ 4,500)

6. From the following receipts and payments account of Tenkasi Thiruvalluvar Manram, prepare income and expenditure account for the year ended 31st March, 2019.

Receipts	₹	Payments	₹
To Balance b/d		By Salaries	20,000
Cash in hand	14,000	By Rent	24,000
To Interest received	5,000	By Travelling expenses	2,000
To Subscription	55,000	By Printing and stationery	6,000
To Legacies	48,000	By Investments made	50,000
To Entrance fees	7,000	By Sports equipment purchased	33,000
To Sale of furniture	16,000	By Balance c/d	
(Book value: ₹ 17,000)		Cash in hand	10,000
	1,45,000		1,45,000

(Answer: Surplus: ₹ 14,000)

7. From the following receipts and payment account, prepare income and expenditure account of Kumbakonam Basket Ball Association for the year ended 31st March, 2018.

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Rent of ground paid		12,000
Cash in hand	23,000		By Printing charges		5,000
Cash at bank	12,000	35,000	By Bank charges		1,000
To Rent of hall received		6,000	By Insurance for building		2,000
To Subscription received		9,000	By Tournament expenses		16,000
To Life membership fees		7,000	By Audit fees		3,000
To Locker rent received		2,000	By Sports materials purchased		4,000
			By Balance c/d		
			Cash in hand	2,000	
			Cash at bank	14,000	16,000
		59,000			59,000

(Answer: Deficit: ₹ 26,000)

8. From the following receipts and payments account and the additional information given below, calculate the amount of subscription to be shown in Income and expenditure account for the year ending 31st December, 2018.

Receipts	₹	₹	Payments	₹
To Subscription				
2017	28,000			
2018	1,72,000			
2019	12,000	2,12,000		

Additional information: Subscription outstanding for the year 2018 is ₹ 8,000.

(Answer: Subscription for 2018: ₹ 1,80,000)

9. How the following items will appear in the final accounts of a club for the year ending 31st March 2019?

Dr. Receipts and Payments Account for the year ended 31st March, 2019 Cr.

Receipts	₹	₹	Payments	₹
To Subscription				
2017-2018	10,000			
2018-2019	50,000			
2019-2020	5,000	65,000		

There are 200 members in the club each paying an annual subscription of ₹ 400 per annum. Subscription still outstanding for the year 2017- 2018 is ₹ 2,000.

(Ans: Income and Expenditure A/c: Subscription: ₹ 80,000

Balance Sheet: Assets: Subscription outstanding: ₹ 32,000;

Liabilities: Subscription received in advance: ₹ 5,000)

10. How will the following items appear in the final accounts of a club for the year ending 31st March 2017? Received subscription of ₹ 40,000 during the year 2016-17. This includes subscription of ₹ 5,000 for 2015-16 and ₹ 3,000 for the year 2017-18. Subscription of ₹ 1,000 is still outstanding for the year 2016-17.

(Ans: Income and Expenditure A/c: Subscription: ₹ 33,000

Balance Sheet: Assets: Subscription outstanding: ₹ 1,000;

Liabilities: Subscription received in advance: ₹ 3,000)

11. Compute income from subscription for the year 2018 from the following particulars relating to a club.

Particulars	1.1.2018 ₹	31.12.2018 ₹
Outstanding subscription	3,000	5,000
Subscription received in advance	4,000	7,000

Subscription received during the year 2018: ₹ 45,000.

(Ans: Income and Expenditure A/c: Subscription: ₹ 44,000)



12. From the following particulars, show how the item 'subscription' will appear in the Income and Expenditure Account for the year ended 31-12-2018?

Subscription received in 2018 is ₹ 50,000 which includes ₹ 5,000 for 2017 and ₹ 7,000 for 2019. Subscription outstanding for the year 2018 is ₹ 6,000. Subscription of ₹ 4,000 was received in advance for 2018 in the year 2017.

(Ans: Income and Expenditure A/c: Subscription: ₹ 48,000)

13. How the following items appear in the final accounts of Thoothukudi Young Pioneers Association?

There are one hundred members in the association each paying ₹ 25 as annual subscription. By the end of the year 10 members had not paid their subscription but four members had paid for the next year in advance.

(Answer: Income and expenditure account: Subscription: ₹ 2,500

Balance sheet: Liabilities: Subscription received in advance: ₹ 100

Assets: Subscription outstanding: ₹ 250)

14. How will the following appear in the final accounts of Marthandam Women Cultural Association?

	₹
Stock of sports materials on 1.4.2018	16,000
Sports materials purchased during the year	84,000
Stock of sports materials on 31.3.2019	10,000

(Answer: Income and expenditure account (Dr.): ₹ 90,000;

Balance sheet: Assets: Stock of sports materials ₹ 10,000)

15. How will the following appear in the final accounts of Vedaranyam Sports club?

	₹
Opening stock of bats and balls	3,000
Purchase of bats and balls during the year	17,000
Sale of old bats and balls	2,000
Closing stock of bats and balls	4,000

(Answer: Income and expenditure account: Bats and balls consumed ₹ 16,000 (Dr.)

Sale of old sports materials: ₹ 2,000 (Cr.)

Balance Sheet: Assets side: Stock of bats and balls: ₹ 4,000)

16. Show how the following items appear in the income and expenditure account of Sirkazhi Singers Association?

	₹
Stock of stationery on 1.4.2018	2,600
Purchase of stationery during the year	6,500
Stock of stationery on 31.3.2019	2,200

(Answer: Stationery consumed: ₹ 6,900 (Dr.))

17. Chennai tennis club had Match fund showing credit balance of ₹ 24,000 on 1st April, 2018. Receipt to the fund during the year was ₹ 26,000. Match expenses incurred during the year was ₹ 33,000. How these items will appear in the final accounts of the club for the year ended 31st March, 2019?

(Answer: Balance sheet: Liabilities: Match fund: ₹ 17,000)

18. How will the following appear in the final accounts of Karaikudi sports club for the year ending 31st March, 2019?

Particulars	₹
Tournament fund on 1 st April 2018	90,000
Tournament fund investment on 1 st April 2018	90,000
Interest received on tournament fund investment	9,000
Donation to tournament fund	10,000
Tournament expenses	60,000

(Ans: Balance Sheet: Liabilities: Tournament fund: ₹ 49,000
Assets: Tournament fund investment: ₹ 90,000)

19. Compute capital fund of Salem Sports Club as on 1.4.2019.

Particulars	₹	Particulars	₹
Sports equipment	30,000	Prize fund	10,000
Computer	25,000	Prize fund investments	10,000
Subscription outstanding for 2018-19	5,000	Cash in hand	7,000
Subscription received in advance for 2019-20	8,000	Cash at bank	21,000

(Ans: Capital fund: ₹ 80,000)

20. From the following Receipts and Payment account and from the information given below of Ramanathapuram Sports Club, prepare Income and Expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Rent		11,000
Cash in hand	5,000		By Entertainment		
Cash at bank	10,000	15,000	expenses		11,200
To Subscription			By Furniture		10,000
2017	12,000		By Sports materials		
2018	33,000		purchased		13,000
2019	16,000	61,000	By Match expenses		12,000
To Entrance fees		6,000	By Investments made		28,000
To General donations		7,000	By Balance c/d		
To Sale of old sports			Cash in hand	1,300	
materials		1,000	Cash at bank	4,000	5,300
To Miscellaneous					
receipts		500			
		90,500			90,500

Additional information:

(i) Capital fund as on 1st January 2018 ₹ 30,000.

(ii) Opening stock of sports material ₹ 3,000 and closing stock of sports material ₹ 5,000.

(Answer: Surplus: ₹ 2,300; Balance sheet total: ₹ 48,300)

21. From the following Receipts and Payment account of Yercaud Youth Association, prepare Income and expenditure account for the year ended 31st March, 2019 and the balance sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31st March, 2019 Cr.

Receipts	₹	Payments	₹
To Balance b/d		By Salary	14,000
Cash in hand	9,600	By Office expenses	7,200
To Government grants		By Books purchased	15,000
for purchase of books	10,000	By Stationery purchased	1,800
To Subscription	24,800	By Newspaper purchased	2,100
To Admission fees	2,000	By Prizes awarded	5,000
To Prize fund receipts	6,000	By Balance c/d	
To Bank interest	1,500	Cash in hand	9,900
To Sale of newspapers	1,100		
	55,000		55,000

Additional information:

(i) Opening capital fund ₹ 20,000.

(ii) Stock of books on 1.4.2018 ₹ 9,200.

(iii) Subscription due but not received ₹ 1,700.

(iv) Stock of stationery on 1.4.2018 ₹ 1,200 and stock of stationery on 31.3.2019, ₹ 2,000

(Answer: Surplus: ₹ 6,800; Balance sheet total: ₹ 37,800)

22. Following is the Receipts and Payments account of Neyveli Science Club for the year ended 31st December, 2018.

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

Receipts	₹	Payments	₹	₹
To Balance b/d		By Balance b/d		
Cash in hand	2,400	Bank overdraft		1,000
To Subscription	8,700	By Postage expenses		200
To Life membership fees	5,000	By Science equipments		
To Exhibition fund receipts	7,000	purchased		10,000
To Sale of science		By Laboratory expenses		2,400
equipments (Book		By Secretary's honorarium		5,000
value ₹ 5,000)	6,000	By Audit fees		3,600
To Miscellaneous income	500	By General charges		1,800
		By Exhibition expenses		5,000
		By Balance c/d		
		Cash in hand	200	
		Cash at bank	400	600
	29,600			29,600

Additional information:

(i) Opening capital fund ₹ 6,400

(ii) Subscription includes ₹ 600 for the year 2019

(iii) Science equipment as on 1.1.2018 ₹ 5,000

(iv) Surplus on account of exhibition should be kept in reserve for new auditorium.

Prepare income and expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

(Answer: Deficit: ₹ 3,400; Balance sheet total: ₹ 10,600)

23. From the following Receipts and Payments account of Sivakasi Pensioner's Recreation Club, prepare income and expenditure account for the year ended 31st March, 2018 and the balance sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31st March, 2018 Cr.

Receipts	₹	₹	Payments	₹
To balance b/d			By Rent and rates	18,000
Cash in hand	10,000		By Electricity charges	17,000
Cash at bank	20,000	30,000	By Furniture purchased	12,000
To Subscription			By Billiards table purchased	70,000
2016 – 2017	5,000		By Repairs and renewals	16,000
2017 – 2018	25,000		By Special dinner expenses	4,000
2018 – 2019	6,000	36,000	By Sundry expenses	2,000
To Legacies		40,000	By Balance c/d	
To Rent from hall		14,000	Cash in hand	1,000
To Lockers rent		5,000		
To Collection for special dinner		12,000		
To Balance c/d				
Bank overdraft		3,000		
		1,40,000		1,40,000

Additional information:

(i) The club had 300 members each paying ₹ 100 as annual subscription.

(ii) The club had furniture ₹ 10,000 on 1.4.2017.

(iii) The subscription still due but not received for the year 2016 – 2017 is ₹ 1,000.

(Answer: Surplus: ₹ 4,000; Opening capital fund: ₹ 46,000; Balance sheet total: ₹ 99,000)

24. Following is the Receipts and payments account of Virudhunagar Volleyball Association for the year ended 31st December, 2018.

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

Receipts	₹	₹	Payments	₹	₹
To balance b/d			By Match expenses		25,000
Cash in hand		5,000	By Upkeep of pavilion		17,000
To Subscription			By Secretary's honorarium		18,000
2017	10,000		By Bats and balls purchased		22,000
2018	55,000		By Grass seeds		2,000
2019	5,000	70,000	By Fixed deposit		58,000
To Donations		40,000	By Sundry expenses		3,000
To Match fund receipts		30,000	By Balance c/d		
To Interest on fixed deposit		8,000	Cash in hand	7,000	
To Miscellaneous receipts		5,000	Cash at bank	6,000	13,000
		1,58,000			1,58,000

Additional information:

- (i) On 1.1.2018, the association owned investments ₹ 10,000, premises and grounds ₹ 40,000, stock of bats and balls ₹ 5,000.
- (ii) Subscription ₹ 5,000 related to 2017 is still due.
- (iii) Subscription due for the year 2018, ₹ 6,000.

Prepare income and expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

**(Answer: Surplus ₹ 47,000; Opening capital fund: ₹ 75,000;
Closing balance sheet total: ₹ 1,32,000)**

CASE STUDY

Shankar is interested in playing chess. He joined a chess club. But, he could not pay the membership fee. He has little accounting knowledge. But, he is not familiar with the accounting records of the clubs and societies. The accountant of the club suggested him to help with maintaining the accounting records for the club, so that he need not pay the membership fee. The club also has a cafe, where members can buy snacks, coffee and tea. Shankar offered his help to the café too. He is not clear on certain terms and accounting practices of the club. But, he is so eager to learn. He needs explanation on the following.

- 1) What is the main source of income for the club?
- 2) Is receipts and payments account the same as cash book?
- 3) Are the members allowed to draw money when a club has surplus of income?
- 4) How is donation treated?
- 5) If the members do not pay the membership fee at the end of the accounting period, how will this be considered and treated in the accounting records?

To explore further

A music club has many members. It finds it difficult to maintain the records of all the members. Sometimes, it loses the track of membership fee. Is there possible way for the club to record the data efficiently?

Reference

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