

Accounting for Non-Trading Organisations and Professional Persons

Learning objectives :

After studying this Chapter you should be able to understand

- Meaning of Non-Trading organisations and books of accounts kept by them
- Meaning of specific items used and their accounting treatment
- Process of preparing Receipts & Payments Account
- Process of preparing Income & Expenditure Account
- Preparing Balance Sheet of Non-trading Organisations
- Preparing Receipts & Payments Account from Income and Expenditure Account
- Preparing opening & closing Balance Sheet from Receipts & Payments Account and Income & Expenditure Account
- Difference between Receipt & Payment Account and Income & Expenditure Account

Trading organisations are established with the object of earning profit. These include manufacturing organisations, wholesale and retail Trade organisations engaged in purchase and sale of goods and services, rendering ones. On the other hand there are many such organisations which are established with the objective of rendering social and public services. These include literary societies, games & sports club, hospitals, educational institutions, organisations formed for promoting Art and Culture, workers unions, and social welfare societies. They generate Profit/Loss through services rendered by them. Since the nature of work of these organisations is different, so the method of maintaining their accounts is also different. This is called accounting of non-trading organisations. Apart from the above, professional persons are also an important segment of society. They include Doctors, Advocates, chartered Accounts, Architects etc. They do not purchase and sell the articles but earn profit with their intellectual and professional abilities. The nature of activities undertaken by these persons is also different. As such, the accounts kept by them are called Accounts of Professional Persons.

Characteristics of Non-Trading organisations

1. Separate Legal Expression
2. Service Motive
3. Test of efficiency welfare work
4. Sources of Fund-Funds are generated general through receipts from members, governments and other sources.
5. Reinvestment of Funds- These organisations use their income again in welfare work. Income is not distributed among members.
6. Management by elected persons.

Need for Maintaining Accounts : Need for maintaining accounts of these organisations arises from the following reasons:-

- (1) Generally these organisations are not established with the objective of earning profits, but it is necessary for the members to know about the surplus or deficiency of funds, which arises on account of the difference in receipt of funds and expenses incurred.
- (2) Liquidity position of the society can be known by writing day-to-day income and expenses in the books, so that arrangement of funds may be made in time to meet the objectives of the society.
- (3) By maintaining accounts of these societies, the members will have knowledge of assets and liabilities, so that they continue to have the knowledge of Capital fund and may take corrective action in case of shortage of funds.

Difference between Commercial and Non-Commercial Organisations

Reason of Difference	Commecial Organisations	Non-commercial Organisations
(1) Basic Object	To earn profit	To render service and welfare work.
(2) Ownership	Of persons introducing capital.	Persons who donate in capital fund They are called subscribers
(3) To draw financial position	Trading and Profit & Loss account and Balance Sheet are prepared by these organisations.	Receipts & Payments A/c, Income & Expenditure A/c and Balance Sheet are prepared by these organisations.
(4) Consideration or reward	The reward of activities is amount of Profit & Loss.	The reward of their activities is surplus or defficiency
(5) Excess of fund	Excess of income over expenses is distributed amongst the members.	Such amount is reinvested in welfare projects of the organisation
(6) Receipt of Funds	Funds are received through capital invested by owners	Fund are received through subscription, fees and donations from members and outriders.

Books kept by Non-Trading Organisations

These organisations keep the following books, so as to have knowledge about outcome :-

1. **Cash Book** : It is basic and important book kept by these organisations to keep their accounts in which they enter their daily cash transactions to determine the liquidity position. The proforma of cash book for these organisations is different from that which is Kept by trading organisations, because they do not keep one column for cash but many columns, one separate column for every item of income and expenditure. In this manner the analysis of each item of income and expenditure becomes easy. The proforma of such cash book has been given on pages where preparation of Receipts and Payments Account is explained.
2. **Stock Register** : Non-trading organisations keep a Register to keep record of physical assets and long-term useful items, quantity, price and rate along with specific information are mentioned. If the number of such articles is less, only one Register is kept. When the number of articles is large, separate register for each type of article will be kept. For example, games material, furniture, books, plants tools etc. When separate register for each of these articles is kept, counting and verification become convenient.
3. **Membership Register** : These organisations have members. A separate register is maintained for these members in which complete information about them appear. For example, their names, addresses, telephone or mobile numbers, mail I.D, membership fees etc. are written. The information about their leaving the organisation, annual membership fee/subscription is also mentioned there in.

Financial Statements of Non-Trading Organisations

Although it is necessary to keep accounting records for financial and other activities of these organisations to

fulfill their objectives of earning profit, yet these organisations may adopt single or double entry system of accounting on the basis of their size. The following three types of Statements are prepared by them:-

1. Receipts & Payments Account
2. Income & Expenditure Account
3. Balance Sheet

Study of certain special items is necessary before we learn to prepare the above statements.

Some Special Items :

These items have been divided into four categories with a view to make study easy:

- (a) Items of fully revenue nature,
- (b) Items of fully capital nature
- (c) Deemed capital/revenue items according to circumstances
- (d) To find out initial capital fund.

(a) **Items of fully Revenue Nature :** Such transactions, the benefit of which relates with one financial year, are treated as items of revenue nature. These are as follows :

- (i) **Subscription :** It is the main source of income of these organisations. According to the Accounting Concepts the income of current year should be accounted for in the same year. As such we may calculate it with the help of following format easily :

Calculation of Current Years Subscription Amount

Particulars	Amount ₹
Subscription received during the year (as shown in Receipts and Payments Account)	---
Add : Current years outstanding subscription	---
Advance subscription received in previous year (related to current year)	
Less: Outstanding subscription of previous years received during the current year	---
Subscription received in advance related to next year	
Amount to be shown in the credit side of Income and Expenditure Account	---

Above transactions will be shown in current years Balance Sheet as follows :

Balance Sheet (Current Year)

Liabilities	Amount (₹)	Assets	Amount (₹)
Advance subscription (Received during current year)	----	Outstanding Subscription	
		Current Year	----
		Previous Year	----

We can understand above information from the following illustrations :

Illustration 1 :

The following informations related to subscription. How it will be shown in Income and Expenditure Account for the year ending 31st March, 2017 and Balance Sheet on that date :

	31.3.2016 ₹	31.3.2017 ₹
Outstanding subscription of related year	1,20,000	10,000
Advance Subscription of related year	1,100	2,500

During the previous year 1,62,500 received for subscription, out of which 5,000 related to previous years outstanding subscription.

Solution :

Income and Expenditure Account
For the year Ending 31-03-17 (an Extract)

Liabilities	Amount (₹)	Assets	Amount (₹)
		By Subscription (as per working note)	1,66,100

Balance Sheet
As on 31st March, 2017 (An Extract)

Expenditure	Amount (₹)	Income	Amount (₹)
Advance Subscription	2,500	Outstanding Subscription	
		Current year	10,000
		Previous Year	<u>7,000</u>
			17,000

Working Note :

Calculation of subscription received related to current year:	₹
Subscription received during the year	1,62,500
Add : Current year subscription outstanding	<u>10,000</u>
	1,72,500
Less : Previous year outstanding subscription received during the year	<u>5,000</u>
	1,67,500
Add : Subscription received in advance in previous year	<u>1,100</u>
	1,68,600
Less : Subscription received in advance during the year related to previous year	<u>25,000</u>
	<u>1,66,100</u>

Illustration 2 :

Following information related to subscription. Show how it will be shown in Income and Expenditure Account for the year ended 31st March, 2017 and Balance sheet on that date

Receipts	Amount (₹)	Payments	Amount (₹)
Advance Subscription			
2015-16	15,000		
2016-17	2,00,000		
2017-18	<u>10,000</u>		
	2,25,000		

There are 1800 members of the institution from which ₹150 annual subscription per member is taken outstanding subscription for the year ended 31st March, 2016 was ₹ 2000.

Solution :

Income and Expenditure Account
For the year Ending 31-03-17 (an Extract)

Expenditure	Amount (₹)	Income	Amount (₹)
		By Subscription	2,00,000
		+ Out standing C.Y.	<u>70,000</u>
			2,70,000

Balance Sheet
As on 31st March, 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Advance Subscription	10,000	Outstanding Subscription	
		2015-16	6,000
		2016-17	<u>70,000</u>
			76,000

Note :

- Current years outstanding subscription is calculated as follows:

	₹
Subscription receivables for current year (1800 x 150)	2,70,000
Less : Current years subscription received	<u>2,00,000</u>
	<u>70,000</u>
- Outstanding subscription related to 2015-16 yet not received in current year 21,000
Outstanding subscription received during the current year related to 2015-16 15,000
6,000

- Consumable Stores :** Normally number of items of consumable stores are purchased during a year by the institution, of which, stock remains at the end and amount of purchases also remain due at the end. Sometimes advance amount is paid in to them for purchases. Hence, such expenses are shown in Income and Expenditure Account as actual consumption of consumable stores during the year. Such calculation can be done as follows :

Particulars	Amount ₹
Payments during the current year (as per Receipts and Payments Account)	---
Add : Opening stock of such material assuming it is consumed first	---
Less : Closing stock of such material	---
Add : Outstanding amount for purchases at the end of current year	---
Less : Outstanding amount for purchases at the beginning of the year	---
Add : Advance payment for purchases in previous year (It is assumed that such material is consumed during the year)	---
Less : Advance payment during current year for purchases in next year.	---
Amount to be shown on debit side of Income and Expenditure Account (Current year consumption)	---

Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors at the end of current year	---	Closing Stock	---
		Advance payment during the year	---

Illustration 3 :

From the following informations, determine expenses on stationary to be shown in Income & Expenditure Account for the year ending 31 March, 2017 and Balance Sheet on that date.

	₹
Stock of stationary on 1-4-2016	5,000
Creditors for stationary on 1-4-16	2,000
Advance paid for stationary on 31-03-16	1,000
Amount paid for stationary during the year 2016-17	25,000

Stock of stationery on 31-03-17	3,000
Creditors for stationery on 31-03-17	1,200
Advance paid for stationery on 31-03-17	13,000

Solution :

Calculation of stationery consume during 2016-17

Particulars	Amount ₹
Amount paid in current year	25,000
Add : Opening stock of stationery	5,000
Add : Opening balance of advance payment	1,000
Add : Amount payable at end of current year	1,200
	32,200
Less : Amount payable (Opening balance)	(2,000)
Less : Closing balance of Advance payment	(1,300)
Less : Closing stock of stationery	(3,000)
Amount of stationery, to be shown on debit side of Income & Expenditure Account	25,900

Balance Sheet

As on 31st March, 2017

Expenditure	Amount (₹)	Income	Amount (₹)
Creditors at the end	1,200	Closing Stock	3,000
		Advance paid during the current year	1,300

3. **Sale Proceeds of Consumable Material :** Sometimes these institutions receive some amount from the sale of consumable material, which is shown on credit side of Income & Expenditure Account.
 4. **Amount received from sale of scrap :** These institutions possess some material left after consumption. This material is sold and amount received is treated as revenue receipt which is credited to Income & Expenditure Account. For example, packing materials, bottles, grass etc.
 5. **Purchase and sale of Magazines etc :** Amount of purchase of magazines is revenue expenditure which is shown on debit side of Income & Expenditure A/c and proceed received from sale of old newspapers and magazines are revenue receipts and credited to that Account.
 6. **Sale proceeds of old games material :** Entertainment club and Games & Sports clubs usually sell old games & sports material. The proceeds from sale treated as revenue receipt and credited to this Account.
 7. **Honorarium :** In addition to regular functions of an Institution, sometime outsiders are invited for some special activities, for assets which they are paid honorarium. This amount is treated as revenue payment and debited to this Account.
 8. **Profit or Loss from sale of fixed assets :** These Institution possess some fixed assets. When some of these are discarded and sold, the amount received is treated as revenue profit and shortage as revenue loss. Amount of profit is written on credit side and the amount of loss on debt side of this Account. Total amount received will be recorded in Receipts & Payments Account.
 9. **Other Revenue Income & Expenditure :** Various receipts which relate to current year, for example interest & dividend received, receipts from recreation, sale of tickets are written on credit side of Income & Expenditure A/c. On the other hand current years general expenses, e.g. telephone bill, Electricity bill, Insurance charges, office expenses, salaries, depreciation, stationery etc. are written on debt side of Income & Expenditure A/c. As regards Receipt & Payment Account, all amounts received (may relate to any year) are shown on receipt side, where as all payments made (may relate to any year) are recorded on payment side of Receipts & Payments Account.
- (b) **Items of fully Capital Nature :** The benefit of a transaction, which is received for more than one year and which

is of non-recurring nature is called item of Capital nature.

- (1) **Legacies** : It is the amount which is received by non-profit organisations as per the will of a deceased person. It is not shown in Income & Expenditure Account but is shown in Balance Sheet by adding it to Capital Fund. It is also shown in Receipt & Payment A/c on credit side. If it is received for specific purpose, it will be shown on liability side of Balance Sheet as a separate item or in specific Fund A/c.
- (2) **Life Membership Fees** : It is a capital receipt which is received only once. It is shown on Liabilities side of Balance Sheet either adding to capital fund or as a separate item under the heading Life Membership Fees:
- (3) **Purchase and Sale of Fixed Asset** : It is an item of capital nature. Hence it is shown on asset side of Balance Sheet by adding to relevant asset or separately if it does not exist. When it is sold, the book value of the asset sold will be deducted from the total asset value. Depreciation for current year will be deducted from the relevant asset and the amount of depreciation will be charged and written on debit side of Income & Expenditure A/c. In Receipt & Payment A/c, purchases of assets will be shown on credit side and sale proceeds of the assets on debit side. No other information will be shown.

Illustration 4 :

From the following information, show the information related to furniture in Income and Expenditure Account for the year ending 31st March, 2017 and the Balance-Sheet on that date. Opening balance of furniture ₹ 10,000, during the year ₹ 20,000 book value (opening) of furniture was sold for ₹ 18,000 on 31-12-2016 new furniture was purchased on 1-10-16. Depreciate furniture @ 10% p.a.

Solution :

Income and Expenditure Account (31-03-17)

Expenditure	Amount (₹)	Income	Amount (₹)
To Depreciation	10,750		
To Loss on sale of furniture (20,000 - 1,500 - 18,000)	500		

Balance Sheet (as on 31-3-2017)

Liabilities	Amount (₹)	Assets	Amount (₹)
		Furniture	1,00,000
		(+) Purchase of furniture	25,000
		(-) Sale of furniture	18,500
		(B.V. On date of sale)	
		(-) Depreciation	
		80,000 x 10% = 8,000	
		20,000 x 10% x 9/12 = 1,500	
		25,000 x 10% x 6/12 = 1,250	
		<u>10,750</u>	95,750

In case of Receipts and Payments Account only Sale and Purchase values are shown in respective sides.

Funds :

Accounting for different types of funds will be as under:-

- (1) **General/Non-Restrictive Fund** : Such funds are shown on liabilities side of Balance Sheet by adding to Capital or Endowment Fund.
- (2) **Specific/Restrictive Fund** : Sometimes donations are given by a donor for some specific purpose for which a fund is created which is shown on liabilities side of Balance Sheet. For example specific Prize Fund, Games & Sports Fund, etc. The expenses incurred for this specific work or activity are deducted from the concerned fund and any amount of donations received is added to the amount of such fund.

- (3) **Fixed Asset Fund** : The fund created for the purchase of a specific asset is shown on liabilities side of Balance Sheet.
- (4) **Endowment Fund** : It is a fund arising from a bequest or a gift, the income of which is used for some specific purpose. As such, it is a capital receipt, since it provides a permanent income to the institution. If the balance of this fund is negative, the balance will be shown on debit side of Income and Expenditure A/c. If the balance is positive it will be shown on liabilities side of the Balance Sheet.
- (5) **Annuity Fund** : Sometimes the donor gives donation with specific condition that the insitute shall give a certain amount to specific person for a specific time. Thus, it is a Capital receipt which will be shown on liabilities side of the Balance Sheet and after expiry of a certain period, it will be the property of the institution and will be used as per the gift agreement.

Illustration 5 :

The following informations regarding games fund is given. Show it in the Balance Sheet at the end of accounting year:-

	₹	
Opening Balance of Games Fund	2,00,000	
Games Fund Expenditure	20,000	
Opening Balance of Games Fund Investment	1,50,000	
Donations received during the year for games fund ticket	3,000	
Interest Received on Investments 10% per a annum	--	
Received from sale of games tickets	10,000	

Solution :

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Games Fund	2,00,000	2,08,000	Games Fund Investment		1,50,000
(+) Int. on Investment	15,000				
(+) Donations	3,000				
(+) Sale of Tickets	10,000				
	2,28,000				
(-) Expenditure	20,000				

Capital/Revenue Items determined in accordance with the circumstances :

Certain items of income and expenditure are treated as Capital or Revenue according to prevailing circumstances. The main items are as under :

- (1) **Donations** : It is a normal receipt for these Institutions. It may be of two types :-
- (a) **General Donations** : These donations are received without any specific purpose. If the amount of these donations is small, it is shown on the credit side of the Income & Expenditure Account. When these donations are of big amount, it is shown on liabilities side of the Balance Sheet as these donations are of non-recurring nature. For example, if donation is of ₹200, it is treated as item of revenue nature. Though at what amounts the donations will be treated as of capital nature, will depend upon the decision of the Institution.
- (b) **Specific Donations** : When donations are received for specific purpose these are treated as item of Capital nature and will be shown on liability side of Balance Sheet. Expenses incurred for fulfillment of specific purpose will be deducted from the amount of specific donations. In case of Receipts and Payments Account, all amounts received will be recorded on Receipt side and expenses incurred on payment side.

- (2) **Entrance /Admission Fee :** If it is an income of non-recurring nature, it will be shown in Balance Sheet on liability side by adding in Capital Fund. But some authors treat it as revenue income, being a regular source of income. CBSE has given instructions that it should be treated as revenue income, unless otherwise given in the question. For example, if 50% of entrance fee is required to be capitalised, in that case 50% should be added in Capital Fund and rest to be shown in Income & Expenditure Account.
- (3) **Grants :** When some grant is received from the Government or any other Institution by a non-profit organisation, it should be treated as revenue income and should be credited in Income & Expenditure Account. For example, cash grant received for renewal. If grant is received for some specific purpose, it shall be treated as capital receipt and shown in Balance Sheet under that specific fund on liability side. For example, grant received from the Government for the construction of Building. It will be shown in Balance Sheet on liability side under Building Fund. After completion of related work, balance of amount is transferred to Capital Fund and the Building will be shown on Assets side of Balance Sheet.
- (4) **Calculation of Opening Capital Fund :** Every organisation, in order to work regularly requires some funds. For Business enterprises call it Capital, but for non-profit organisations, it is Capital Fund. Every year when some surplus is realised from the activities of the organisation, that surplus is added to Capital fund, whereas deficiency is deducting from it. Whenever, Balance Sheet is required to be prepared, we need opening Capital which may not given sometimes in the question. Under such a case initial Capital can be ascertained by preparing opening Balance Sheet, for which the following process is followed-
- Computation of items of assets side of Balance Sheet.
 - Balance of cash to be ascertained from Receipts & Payments A/c.
 - Balance of assets at the beginning of the year will be shown on assets Side, but any asset purchased during the year shall not be considered.
 - Advance payment made during previous year will be shown.
 - Balance of Accrued Income at the end Last year of end.
 - Stock of Consumable Material, as shown at the end of last year.
 - Calculation of items of liabilities side :-
 - Last year's income received in advance
 - Outstanding expenses shown at the end of last year
 - Last year's amount due for consumable materials or any other amount payable.
 - Last year's balances of specific Funds.
 - Now deduct the total amount under (b) from the total amount under (a) the difference will be the amount of opening Capital Fund. This amount will be shown as opening balance of Capital fund on liabilities side of Balance Sheet.

Format of Statement for Opening Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
- Outstanding Expenses (at the end of last year)		- Cash (Opening Balance of Receipts & Payments Account)	
- Income received in Advance (at the end of last year)		- Outstanding Incomes (at the end of last year)	
- Creditors (at the end of last year)		- Prepaid Expenses (made last year)	
- Specific funds (at the end of last year)		- Opening Stock of Consumable goods	
- Capital Fund (Balancing Figure)		- Assets (at the end of last year)	

Receipts and Payments Account

Receipts and Payments Account is prepared at the end of financial year with the help of cash Book. All receipts and Payments which are entered in Cash Book are also recorded in Receipts and Payments Account, but in a summary form. For example, if rent is paid 10 times, on different dates, then the total rent paid during the period will be recorded in Receipt and Payments A/c as total Rent paid. Non-trading organisations generally analyse item wise in the Cash Book by drawing necessary columns right from the beginning of the year. In this manner, Non-trading organisations can prepare quite easily Receipts and Payments Account with the help of these extra columns. It is a sort of Memorandum Account, which is not based on double entry system.

Characteristics of Receipts & Payments Account

The main features of Receipts & Payments Account are as follows:-

1. It is the summary of Cash Book, which is prepared in the form of an Account. All receipts are recorded on left hand side of this and all payments on right hand side.
2. It is a real account by nature.
3. All receipts and all payments are shown in this Account which may be for any period. In other words no adjustment is made for outstanding or prepaid expenses, or accrued or unearned income. Non-Cash items are not shown in this Account. For example, depreciation is not shown.
4. Receipts and payments may be revenue or capital nature both are shown in this Account.
5. Distinction between Cash and Bank transactions is not made.
6. It starts with the opening balance of Cash-in-hand or at Bank (or Bank overdraft) and the balance of Cash and Bank is shown at the end.

Procedure for Preparing Receipts and Payments Account :

The procedure for preparing this account is as follows:

1. Opening balance of Cash and Bank is shown on debit side of this account. If there is a credit bank balance (Bank Overdraft) then it is shown on credit side of Receipts and Payments Account.
2. Various items of receipts shown on debit side of Cash Book, the items-wise yearly total of each item will be shown on debit side of this account. Such as, subscription, donation, yearly fees, etc.
3. Various items of payments on credit side of Cash Book. The item-wise yearly total of each item will be shown in credit side of Receipts and Payments Account. Such as, Rent, Salaries, Stationary, Light expenses, office expenses etc. .
4. At the end, cash and Bank balance in the Cash Book will be shown on credit side of Receipts and Payments Account. If there is Bank overdraft at the end, then it will be shown in debit side.

Note: (1) Only cash and bank transactions are shown, which may be of Capital nature or of revenue nature.

(2) All receipts and payments during the current year are shown, whether they are related to this year or any year. It means that current years outstanding income and outstanding expenses will be not shown.

Format of Receipts and Payments Account for the year ended.....

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d		By Balance b/d (Bank Overdraft)	-----
Cash in hand	-----	By Wages & Salaries	-----
Cash at Bank	-----	By Rent, Rates & Taxes	-----
To Subscriptions	-----	By Insurance	-----
To Donations	-----	By Printing Stationary & Postage	-----
To Sale of scrap and other items and materials	-----	By Advertisement	-----

To Interest of Fixed Deposit	-----	By Telephone Expenses	-----
To Interest from Saving Bank Account	-----	By Honorarium	-----
To Proceeds from Sale of Tickets	-----	By Upkeep of ground	-----
To Grants-in-aid	-----	By Repairs & Renewals	-----
To Sale of Assets & Investments	-----	By Conveyance	-----
To Life Membership Fees	-----	By Audit Fees	-----
To Legacies	-----	By Sports Expenses	-----
To Entrance Fees	-----	By Entertainment Expenses	-----
To Balance c/d	-----	By Fate Expenses	-----
(Bank Overdraft)	-----	By Purchase of Assets & Investments	-----
		By Deposits in F.D	-----
		By News Papers & Periodicals	-----
		By Balance c/d	
		Cash in hand	-----
		Cash at Bank	-----

Note: Only one amount of Bank Balance will be shown out of the two amounts of Bank Balance. On receipt and payment side.

Basis	Difference between Receipts and Payments Account	Account and Cash Book
		Cash Book
1. Base	It is prepared from cash book.	It is prepared from each item of receipts and payments and also from bank transactions.
2. Period	It is prepared at the end of each year or on any specific date.	It is written on daily basis throughout the year.
3. Date-wise	Transactions are not shown date-wise.	Transactions are shown date-wise.
4. Side	Out of two sides, left side is called as receipts side and right side is called payment side.	Out of two sides, left side is called as debit side and right side is called as credit side.
5. Nature	It is Memorandum Account.	It is a principal book.
6. Organisations	It is prepared by non-trading organisations.	It is prepared by non-trading organisations as-well-as trading organisations.

Illustration 6 :

From the following Cash Book, prepare Receipts and Payments Account for the period.

Cash Book

			Analysis ₹				
Date	Particulars	Total ₹	Subscription	Donation	Fees	Legacies	Sale of old Materials
2016 Apr., -1	To Balance b/d	5,000					
2016 Apr., -5	To Fees	3,000			3,000		
2016 May, -2	To Subscription	6,000	6,000				
2016 May, -5	To Donations	7,000		7,000			

2016 Aug., - 6	To Subscription	2,500	2,500				
2016 Aug., - 12	To Legacies	8,000				8,000	
2016 Sept., - 7	To Fees	2,000				2,000	
2016 Sept., - 7	To Donations	10,000		10,000			
2016 Oct., - 10	To Subscription	9,000	9,000				
2016 Nov., - 11	To Sale of old Material	1,000					1,000
2016 Dec., - 20	To Legacies	2,500				2,500	
2017 Jan., - 25	To Subscription	12,000	12,000				
2017 Feb., - 10	To Subscription	3,500	3,500				
	Total	71,500	33,000	17,000	5,000	10,500	1,000

Credit-side

			Analysis ₹				
Date	Particulars	Total ₹	Salaries	Stationary	Rent	Sports Exp.	Sundries
2016 Apr., - 3	By Salaries	3,000	3,000				
2016 Apr., - 8	By Stationary	2,000		2,000			
2016 May, - 7	By Sports Exp.	4,000				4,000	
2016 May, - 15	By Rent	1,000			1,000		
2016 June, - 6	By Sundries	1,500					1,500
2016 June, - 14	By Sundries	500					500
2016 Jul., - 10	By Salaries	13,000	13,000				
2016 Aug., - 10	By Rent	1,000			1,000		
2016 Nov., - 16	By Sports Exp.	2,500				2,500	
2016 Dec., - 18	By Salaries	12,500	12,500				
2017 June, - 20	By Sundries	3,500					3,500
2017 Feb., - 23	By Sundries	4,500					4,500
2017 Feb., - 28	By Stationary	2,500		2,500			
2016 Mar., - 31	By Balance c/d	20,000					
	Total	71,500	28,500	4,500	2,000	6,500	10,000

Solution :

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

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	5,000	By Salaries	28,500
To Subscription	33,000	By Stationary	4,500
To Donations	17,000	By Rent	2,000
To Fees	5,000	By Sports materials	6,500
To legacies	10,500	By Sundries	10,000
To Sale of old materials	1,000	By Balance c/d	12,000
	71,500		71,500

Income and Expenditure Account

This Account is prepared by non-trading organisations for their activities performed during a certain year. This Account is a nominal account like Profit & Loss Account. This Account is prepared on of accrual basis. Items of Capital nature are not shown in this Account. All items of income or profit and expenses or losses of revenue nature are shown in this Account related to such period. Adjustments for unpaid and advances are made. Expenses are recorded on left hand side and incomes on right hand side. The difference of this Account is either surplus or deficiency. This Account is prepared with the help of Receipts & Payments Account and additional information provided in question.

Characteristics of Incomes & Expenditure Account :

1. Only items of revenue nature are shown in this Account.
2. It is a nominal account by nature. Hence expenses and losses are shown on debit side and incomes and profit on credit side of this Account.
3. Incomes and expenditures of current accounting period are recorded in this Account only, whether the income is received or not and expenditure is paid or still to be paid.
4. This Account is prepared on accrual concept i.e. adjustment is made for outstanding and advance receipts and payments.
5. It does not have any opening balance. Its closing balance represents surplus or deficiency, which is added or subtracted to Capital Fund in Balance Sheet.

Preparation of Income and Expenditure Account from Receipts and Payments Account

Income & Expenditure Account is prepared by adopting the following procedure :-

1. The opening and closing balances of Cash-in-hand and at Bank appearing in Receipts & Payments Account are not used.
2. The capital receipts and capital payments shown in Receipts and Payments Account are not shown in this Account. These are shown in Balance Sheet.
3. Only items of revenue nature, which relate to current year are shown in this Account after making adjustments for outstanding and advances, which are available from additional information.
4. The following items which are not shown in Receipts and Payments Account are shown in this Account-
 - (i) Depreciation written off on fixed Assets (On expenditure side)
 - (ii) Loss on sale of fixed assets (on expenditure side)
 - (iii) Profit on sale of fixed assets (on income side)
 - (iv) If a non-trading organisation undertakes one or more business activities, for example purchase and sale of medicines by the hospital, in such a case a separate Profit & Loss Account is prepared for each business activity and the profit or loss of these activities are then transferred to Income & Expenditure Account.
 - (v) The amount of consumable materials used is shown on debit side of this Account.
 - (vi) Excess of expenditure over the amount or specific funds us also shown on debit side of this Account.

Preparation of Balance Sheet

The Balance Sheet of a non-trading organisations is prepared in order to assess its financial position on a certain date. It is prepared in the same manner as in case of trading organisations. The word Capital Fund in place of Capital is used for these organisations. Balance Sheet is prepared in the following manner with the help of last year's Balance Sheet, current year's Receipts and Payments Account and additional information given :-

Assets side :

1. The closing balance of cash-in-hand and at Bank show in current years Receipts and Payments Account.
2. Fixed Assets appearing in previous year's Balance Sheet should be adjusted for assets purchased and sold and depreciation written off during the year. Only the adjusted amount will be shown in Balance Sheet. Adjustments in fixed assets will be made as under:-

Assets purchased during year appearing on payment side of Receipts & Payments Account, this amount is added to the previous year's balance of asset. Similarly, if some asset has been sold during the year is still appearing on payment side (debit side) of Receipts & Payments A/c, the book value of such asset should be deducted from the concerned asset of the previous year.

- (3) Closing balance of consumable material be shown.
- (4) The amount of accrued income of previous year appearing in last year's Balance Sheet should be confirmed to have been received during current year's, which will appear in Receipts & Payments A/c. If such amount is partly recovered, the unrecovered amount will be shown on asset side.
- (5) Accrued income for current year should be shown on asset side. It should be ascertained from additional Information given.
- (6) Prepaid expenses, if any, as ascertained from additional information will also be shown on asset side.

Liabilities Side :

- (1) Capital Fund should be ascertained from previous year's Balance Sheet, and if it is not given, it should be computed as explained earlier in this Chapter.
- (2) If information about outstanding expenses is given in previous year's Balance Sheet, then it should be scanned from current year's Receipts & Payments Account that it is discharged in full or not. If only part payment has been made, the balance unpaid should be shown on liabilities side.
- (3) If information about advance income is given in opening Balance Sheet on liabilities side, then it's adjustment will be made only in Receipts & Payments Account and not in Balance Sheet.
- (4) The amount of current year's outstanding expenses should be obtained from additional information given. If there is any amount of unpaid expenses, it should be shown.
- (5) Such income received during current year, which relate to next year should be ascertained from Receipts & Payments A/c and additional information. Such income is shown on liability side.
- (6) The amount of specific donations and specific funds should be as ascertained from Receipts and Payments Account and additional information. After making adjustment such funds be shown.
- (7) If some amount of entrance fee is required to be capitalized, it should be added to Capital fund.
- (8) Life membership fee should also be added to Capital fund.
- (9) Surplus of Income & Expenditure Account should be added to and deficiency be deducting from the Capital fund.

Format of Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund:		Assets :	
Opening Capital Fund	----	Previous Balance	----
Add/less: Surplus/deficit	----	Add: Purchases in current Year	----
Add: Capitalised Value of life membership fees, Entrance fees and legacies	----	Less: book Value of assets sold	----
	----	Less: Depreciation	----
	----	Stock of consumable goods	----
Special fund/ Donations	----	Previous Balance	----
Previous Balance (if any)	----	Add: Purchases during the year	----
Add: Receipts during the year	----	Less: value of consumed during the year	----
Add: Income carried on fund	----	Outstanding income	----
Investment	----	Prepaid expenses	----
Less: Expenses paid out of fund	----	Cash & Bank Balances	----

Creditors for purchases/ Supplies	----	
Outstanding expenses	----	
Income Received in advance	----	
Bank overdraft	----	

Preparation of Income and Expenditure Account from Receipts and Payments Account and given information

Illustration 7 :

From the following Receipts and Payments Account of a club, prepare Income and Expenditure Account for the year ended 31st March, 2017.

Dr.	Receipts and Payments Account		Cr.
for the year ended 31st March, 2017			
Receipts	Amount (₹)	Payments	Amount (₹)
To Cash in hand (Opening)	2,000	By Salaries	50,000
To Cash at Bank (Opening)	1,00,000	By Stationary	2,000
To Subscriptions	1,52,400	By Electricity Expenses	7,000
To Donations	36,000	By Billard Table	50,000
To Interest on Investments	1,800	By Purchase of Investments	60,000
To Entrance fee	18,000	By Sundry Expenses	6,000
To Interest Received from Bank	6300	By Purchase of assets	1,25,000
To Sale of Old Materials	900	By Insurance premium	2,400
		By Cash in hand (closing)	4,000
		By Cash at bank (closing)	11,000
	3,17,400		3,17,400

Additional Informations :

(i) Subscription in arrear for the year ended 31st March, 2017 ₹ 1000 and subscription in advance for the year ended 31st March, 2017 ₹ 4000 (ii) Insurance premium prepaid at the end ₹ 300 (iii) Sundry expenses outstanding ₹ 1,000 (iv) 50% Entrance fees is to be capitalised (v) Donations are for creating an Endowment Fund.

Solution :

Solution :

Income and Expenditure Account for the year ending 31st March, 2017			
Dr.		Cr.	
Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries	50,000	By Subscriptions	1,52,400
To Stationary	2,000	Add: Arrear	<u>10,000</u>
To Electricity Expenses	7,000		1,62,400
To Sundry Expenses 6,000		Less: advance	<u>4,000</u>
Add: Outstanding <u>1,000</u>	7,000	By Interest on Investments	1,800
To Insurance Premium 2,400		By Entrance Fees	9,000
Less: Prepaid <u>300</u>	2,100	By Interest on Bank Deposits	6,300
To Excess of Income over Expenditure	1,08,300	By Sale of old News papers	900
	1,76,400		1,76,400

Illustration 8 :

From a Receipts & Payments Account of a club prepare Income & Expenditure Account for the year ended 31st March, 2017 :

Dr.		Cr.	
Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d (Bank)	32,500	By Purchases of Machinery (01-07-16)	6,000
To Subscription		By Salaries	5,000
2015-16 2,000		By Sports Expenses	40,000
2016-17 15,000		By Stationary	10,000
2017-18 500	17,500	By Entertainment Expenses	6,000
To Donations for Sports Fund	30,000	By Balance c/d	
To Government Subsidy	2,000	Cash 6,000	
To Life Membership Fees	30,000	Bank 40,000	46,000
To Interest on Bank Deposits	1,000		
	1,13,000		1,13,000

Additional Informations :

(i) Sport fund opening balance ₹ 5000; (ii) Stock of stationary opening ₹ 6000, Closing ₹ 1000. Creditors for stationary opening ₹ 3000, closing ₹ 3500; (iii) Bank Interest Receivable ₹ 200; (iv) Depreciate machinery @ 10% p.a.; (v) There are 160 members of the club, who contribute ₹ 100 per year for subscription.

**Income and Expenditure Account
for the year ending 31st March, 2017**

Dr.		Cr.	
Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries	5,000	By Subscription 15,000	
To Sports Expenses	5,000	(+) Accured 1,000	16,000
To Stationary Consumed	15,500	By Govt. Subsidy	2,000
To Enterainment Expenses	6,000	By Bank Interest 1,000	
To Depreciation on Machinery	450	(+) Accured 200	1,200
		By Excess of Expenditure over Income	12,750
	31,950		31,950

Working Notes :

- Calculation for games fund is as follows :

	₹
Opening Games Fund	5,000
(+) Donation received during the year	<u>30,000</u>
	35,000
(-) Current year games expenses	<u>40,000</u>
Amount is to be shown in Income and Expenditure Account (due to excess of expenses over income)	<u><u>5,000</u></u>
- Value of Stationary consumed is calculated as follows :

Opening Stock	6,000
(+) Cash Payment for purchases	<u>10,000</u>

	16,000
(-) Opening Creditors	<u>3,000</u>
	13,000
(+) Closing creditors	<u>3,500</u>
	16,500
(-) Closing Stock	<u>1,000</u>
Value of stationary consumed	<u>15,500</u>
3. Calculation of depreciation on Machinery $6,000 \times 10\% \times 9/12 = ₹ 450$	
4. Calculation of outstanding subscription :	₹
Subscription receivables related to this year (160x100)	16,000
(-) Actual subscription received during the year	<u>15,000</u>
Outstanding subscription at the end of the year	<u>1,000</u>
5. Life member fees is a onetime receipt, hence it is of Capital nature.	
6. Government Cash subsidy is a receipt of revenue nature.	

When opening Balance Sheet and Receipts and Payments Account are given and from that Income and Expenditure Account and Balance Sheet is to be prepared :

Illustration 9:

Balance Sheet as an 31st March, 2016 and Receipts and Payments Account for the year ending 31st March, 2017 of a club is given below. Prepare Income and Expenditure Account for the year ended 31st March, 2017 and Balance Sheet on that date.

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund 117000		Buildings	30,000
(+) Excess of Income Over Expenditure 5000	1,22,000	Furniture	5,000
Subscription received in Advance 500	500	Books	4,000
Environment Fund 50,000	50,000	7% Environment Fund Investment	40,000
		7% Fixed deposits with Bank	50,000
		Accured Interest from Bank	500
		Accured subscription	2,000
		Cash in Hand 30,000	
		Cash at Bank <u>11,000</u>	41,000
	<u>1,72,500</u>		<u>1,72,500</u>

Receipts and Payments Account for the year ending 31st March, 2017

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d		By Salaries	1,000
Cash 30,000		By Taxes & Insurance	2,000
Bank <u>11,000</u>	41,000	By Printing & Stationary	700
To Subscription	12,000	By Repairs	300
To Hall Rent	3,500	By Environment awareness movement	50,000
To Interest on fixed deposit	3,700	expenses	
To Donations towards environment fund	6,000	By Balance c/d	

To Interest recd. on environment fund investment	2,800	Cash	1,000	
		Bank	14,000	15,000
	69,000			69,000

Additional informations :

1. The numbers of members in the club are 500 and annual subscription payable by each member is ₹ 20.
2. Subscription received during the year for the next year amounted to ₹ 1,000.
3. The rent of the club Hall is ₹ 500 per day and the hall was let out for 10 days in current year.
4. Depreciation is to be provided @ 10% p.a. on all assets.

Solution :

**Income and Expenditure Account
for the year ending 31st March, 2017**

Dr.			Cr.
Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries	1,000	By Subscription	10,000
To Taxes & Insurance	2,000	By Interest on F.D. (50,000 x 7%)	3,500
To Printing & Stationary	700	By Hall Rent	3,500
To Repairs	300	Add : Outstanding	1,500
To Depreciation			
Building (3000x10%)	3000		
Furniture (5000x10%)	500		
Books (4000x10%)	400		
	3,900		
To Excess of Income over Expenditure	10,600		
	18,500		18,500

Balance Sheet as on 31st March, 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Opening Capital Fund	1,22,000	Building	30,000
+ Surplus	10,600	(-) Depreciation	3,000
Subscription received in Advance	1,000	Furniture	5,000
Environment Fund	50,000	(-) Depreciation	500
+ Donation recd.	6,000	Books	4,000
+ Interest related to Current yr.	2,800	(-) Depreciation	400
	58,800	7% Fixed deposit in bank	50,000
(-) Expenses during the year	50,000	7% Environment fund investments	40,000
	8,800	Accured Interest	300
		Hall Rent Outstanding	1,500
		Subscription Outstanding	500
		Cash in Hand	1,000
		Cash at Bank	14,000
	1,42,400		1,42,400

Working Notes :

1. Calculation for subscription is as follows :	₹
Subscription received during the current year	12,000
(-) Subscription received in Current year related to previous year	2,000
(-) Subscription received during current year related to next year	<u>1,000</u>
	3,000
	<u>9,000</u>
(+) Current year subscription received during the previous year	<u>500</u>
Subscription received related to current year	9,500
Subscription receivable for current year	<u>10,000</u>
Outstanding subscription for current year	<u>500</u>
2. Calculation of interest on fixed deposit is as follows :	₹
Interest received	3,700
(-) Interest received in current year related to previous year	<u>500</u>
Interest received related to current year	3,200
Current year interest on F.D. @ 7%	3,500
Current year outstanding interest	<u>300</u>
3. Calculation of outstanding rent of Hall :	
Current year rent (10x500)	5,000
(-) Received during the year	<u>3,500</u>
Outstanding rent for current year	<u>1,500</u>

Illustration 10 :

From the following information of a club prepare Income & Expenditure Account for the year ended 31 March, 2017 and Balance Sheet on that date :

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	4,20,000	Buildings	4,00,000
Creditors for Sports Material	10,000	Furniture	20,000
Subscription in Advance	5,000	Bank Balance	10,000
		Subscription Outstanding	5,000
	<u>4,35,000</u>		<u>4,35,000</u>

Income and Expenditure Account for the year ending 31st March, 2017

Expenditure	Amount (₹)	Income	Amount (₹)
To Balance b/d (Bank)	10,000	By Furniture	30,000
To Subscriptions	86,000	By Salaries	10,000
To Donation for poor girls marriage	33,000	By Creditors for Sports Material	25,000
		By General Expenses	11,000
		By Expenses on Marriage of poor girls	42,000
		By Balance c/d (Bank)	11,000
	<u>1,29,000</u>		<u>1,29,000</u>

Additional Informations :

- (1) On April, 2016 the old furniture was given to Red Cross and new furniture was purchased on October 1, 2017. Depreciation @ 10% p.a. is to be provided on furniture.
- (2) On 31st March, 2017, the creditors for sports materials were 4800 and value of sports materials was ₹ 5400.
- (3) A payment of ₹ 5,000 for sports material was to be debited to the general expenses.
- (4) Outstanding subscription at the end ₹ 2,000 and advance subscription received for next year at the end ₹ 3000.

Solution :

Income and Expenditure Account for the year ending 31st March, 2017

Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries	10,000	By Subscriptions	85,000
To General Exp. 11,000			
(+) Related to Sport Material 5,000	16,000		
To Sports materials consumed	9,400		
To Furniture (Donated to Red Cross)	20,000		
To Depreciation on Furniture (10% x 30,000 x 6/12)	1,500		
To Excess Exp. on marriage of poor girls (42,000 - 33,000)	9,000		
To Excess of Income over Expenditure	19,100		
	85,000		85,000

Balance Sheet as on 31st March, 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund 4,20,000		Building	4,00,000
(+) Excess of Income over Exp. 19,100	4,39,100	Furniture 30,000	
Creditors for Sports Material	4,800	(-) Depreciation 1,500	28,500
Advance Subscription	3,000	Subscription Outstanding	2,000
		Stock of Sports Material	5,000
		Cash at Bank	11,000
	4,46,900		4,46,900

Working Notes :

1.	Amount of subscription for current year is calculated as follows :	₹
	Subscription received in current year	86,000
	(-) Previous year outstanding Subscription received during the year	5,000
	(-) Advance subscription for next year	<u>3,000</u>
		8,000
		<u>78,000</u>
	(+) Outstanding subscription for current year	2,000
	(+) Current year subscription	<u>5,000</u>
	received in advance in previous year	<u>7,00</u>
		<u><u>85,000</u></u>

2. Payment for sports material in current year	25,000
(-) Opening creditors for sports material	<u>10,000</u>
	15,000
(+) Closing creditors for sport material	<u>4,800</u>
	19,800
(-) Closing stock of sports material	<u>5,400</u>
	14,400
(-) Payment of sports material transferred to general expenses	<u>5,000</u>
Amount to be shown in Income and Expenditure	<u>9,400</u>

When Receipts and Payments Account are other Information given and Income and Expenditure Account and Balance Sheet is to be prepared.

Illustration 11 :

A Receipt and payments Account and other information of a medical relief society for the year ended 31st March, 2017 are given below. With the help of these, prepare Income and expenditure Account for the year ending 31st March, 2017 and Balance Sheet on that date.

Receipts	Amount (₹)	Payments	Amount (₹)
To Cash in Hand b/d	7,000	By Salaries	5,000
To Subscription	50,000	By Sundry Expenses	500
To Donation for organising fate	13,500	By Payment for medicines	30,000
To Interest on investments @ 8% p.a. for 2016-17	10,000	8,000 By Honorarium to doctors	
To Proceeds from fate	10,000	By Consumable Stores	2,500
		By Machinery purchased	15,000
		By Fate Organising Expenses	21,000
		By Cash in Hand c/d	<u>4,500</u>

Additional Informations :

	1-4-2016 ₹	31-3-2017 ₹
Subscription due	1,000	500
Subscription Received in Advance	500	1,000
Stock of Medicines	10,000	15,000
Amount due to Medicine Suppliers	8,000	12,000
Value of Machinery	21,000	30,000
Value of Building	40,000	38,000

Solution :

Income and Expenditure Account for the year ending 31st March, 2017

Expenditure	Amount (₹)	Income	Amount (₹)
To Medicines Consumed	29,000	By Subscriptions	49,000
To Honorarium	10,000	By Donation for fate	13,500
To Salaries	5,000	By Proceeds from fate	10,000
To Sundry Expenses	500	By Interest on Investments	8,000
To Consumable Stores	<u>2,500</u>		

To Depreciation on Buildings	2,000		
Machinery	6,000	8,000	
To Fate Expenses		21,000	
To Excess of Income over Expenditure		4,500	
		80,500	80,500

Balance Sheet as on 31st March, 2017

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital Fund	1,70,500		Buildings	40,000	
(+) Excess of Expenditure over income	4,500	1,75,000	(-) Depreciation	2,000	38,000
Advance Subscription		1,000	Machinery	21,000	
Creditors for medicines		12,000	(+) Purchases	15,000	
				36,000	
			(-) Depreciation	6,000	30,000
			Stock of medicines		15,000
			Investments		1,00,000
			Subscription outstanding		500
			Cash in Hand		4,500
		1,88,000			1,88,000

Working Notes :

	₹	₹
1. Calculation of amount of current year subscription :-		
Subscription received in current year		50,000
(-) Previous year outstanding subscription received during the year	1,000	
(-) Next year subscription in advance in current year	1,000	2,000
		<u>48,000</u>
(+) Current year outstanding subscription at the end	500	
(+) Subscription received in advance for current year in previous year	500	1,000
		<u>49,000</u>
2. Calculation of amount of investments for the purpose of Balance Sheet :		
In the question, interest @ 8% on investments ₹ 8000 received. Hence amount of investments will be $8000 \times 100/8 = ₹ 1,00,000$.		
3. Amount of medicine consumed is calculated as follows :	₹	
Payment or medicine during the year	30,000	
(+) Opening Stock of medicine	10,000	
	<u>40,000</u>	
(-) Opening creditors for medicine	8,000	
	<u>32,000</u>	
(+) Closing creditors for medicine	12,000	
	<u>44,000</u>	
(-) Closing stock of medicine	15,000	
Medicine consumed during the year	<u>29,000</u>	

4. Donation received to organize fate is of revenue nature. Hence it is shown in Income and Expenditure Account. net amount $(13,500 + 10,000 - 21,000) = ₹ 2,500$, can be shown in income side. Then fate expenses, donation for fate and proceeds from fate will not be shown.
5. Calculation of opening Capital fund :

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Advance Subscription	500	Building	21,000
Creditors for medicines	8,000	Machinery	40,000
Capital Fund (b/f)	1,70,500	Stock of Medicines	10,000
		Outstanding subscription	1,000
		Investments	1,00,000
		Cash in Hand	7,000
	1,79,000		1,79,000

6. Depreciation on Buildings $(40,000 - 38,000) = ₹ 2,000$
 Depreciation on Machinery $(21,000 + 15,000 - 30,000) = ₹ 6,000$

Illustration 12 :

Prepare Income and Expenditure Account for the year ended 31st March, 2017 and Balance Sheet on that date of a club from the Receipts & Payments Account for the year ended 31st March, 2017 and from additional information

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	4,000	By Rent Paid	72,000
To Entrance Fees	7,000	By Salaries	65,000
To Special Subscription for a sport tournaments	48,000	By Expenses on sports tournaments	54,000
To Rent from Club premises	7,000	By Stationary	40,000
To Subscription		By Interest on loan for current year	20,000
2015-16 3,000		By Sports Equipment	25,000
2016-17 2,36,000		By Balance c/d	33,000
2017-18 4,000	2,43,000		
	3,09,000		3,09,000

Additional Information :

On 1st April, 2016, the club owned some sports equipments value of the ₹ 2,00,000 and on 31st March, 2017 all the sports material was valued at ₹ 1,90,000. The club also took a loan of ₹ 2,00,000 during the year 2015-16 @ 10% p.a., Stationary Expenses ₹ 4,000 pertained to previous year stand owing ₹ 5,000, subscription unpaid at the end ₹ 12,000 for current year. Stock of stationary at the end was ₹ 4,000. Entrance fees is to be capitalised.

Solution : **Income and Expenditure Account for the year ending 31st March, 2017**

Expenditure	Amount (₹)	Income	Amount (₹)
To Rent Paid	72,000	By Rent of Club Premises	7,000
To Salaries	65,000	By Subscription	2,36,000

To Expenses on sports tournaments (Net) (54,000 - 48,000)	6,000	+ Outstanding	12,000	2,48,00
To Stationary Consumed	37,000			
To Interest on Loan	20,000			
To Depreciation on Sports Equipment	35,000			
To Excess of Income over Expenditure	20,000			
	2,55,000			2,55,000

Balance Sheet
As on 31st March, 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	3,000	Sports Equipment	1,90,000
+ Surplus of Income over Expenditure	20,000	Stock of Stationary	4,000
+ Entrance fees capitalised	7,000	Accured Subscription	12,000
Outstanding Stationary	5,000	Cash in hand	33,000
Loan	2,00,000		
Advance Subscription	4,000		
	2,39,000		2,39,000

Working Notes :

- Value of stationary consumed is calculated as follows :

	₹
Payment for Stationery	40,000
(+) Outstanding at the end	<u>5,000</u>
	45,000
(-) Payment made for previous year outstanding	<u>4,000</u>
	41,000
(-) Closing stock of stationery	<u>4,000</u>
Consumed during current year	<u>37,000</u>
- Amount of depreciation on sports equipment is calculated as follows :

Value of sports equipments at the beginning	2,00,000
(+) New equipment purchased	<u>25,000</u>
	2,25,000
(-) Value of sports equipment at the end	<u>1,90,000</u>
Depreciation on sports equipment	<u>35,000</u>
- Calculation of opening Capital Fund :

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund (b/f)	3,000	Sports Equipment	2,00,000
Loan	2,00,000	Outstanding subscription	3,000
Outstanding Stationary Expenses	4,000	Cash	4,000
	2,07,000		2,07,000

Illustration 13 :

From Receipts and Payments Account for the year ended 31st March, 2017 and other information, prepare Income and Expenditure Account for the year ended 31st March, 2017 and the Balances sheet on that date.

Receipts	Amount (₹)	Payments	Amount (₹)
To Cash in Hand	8,000	By Rent of Hall	4,000
To Subscription	27,000	By Salaries	15,000
To Entrance fees	4,000	By Purchases of sports equipment	20,000
To Sale of refreshments	10,000	By Dance Expenses	5,000
To Sale of Dance Tickets	5,500	By Supply of refreshments	7,000
To Interest on 7% investments for 2016-17	4,200	By Cash-in-hand	19,000
To Legacies	11,300		
	70,000		70,000

Additional Informations :

1. Following were the assets and liabilities on 31st March, 2016 and 31st March, 2017.

	31-4-2016 ₹	31-3-2017 ₹
Sport Equipments	7,000	22,000
Subscriptions in arrears	2,000	1,700
Furniture	12,500	11,500
Outstanding Rent	800	400
Advance Subscriptions	500	2,500

2. Entrance fees should be capitalised.

Solution :**Income and Expenditure Account for the year ended 31st March, 2017**

Expenditure	Amount (₹)	Income	Amount (₹)
To Rent of Hall	4,000	By Subscription	27,000
(+) Outstanding Rent (C.Y.)	400	Add : Subscription Advance (P.Y.)	500
	4,400		27,500
(-) Outstanding Ren (P.Y.)	800	Add : Outstanding Subscription	1,700
	3,600		29,200
To Salaries	15,000	Less : Advance Subscription (C.Y.)	2,500
To Dance Expenses	5,000		26,700
To Supply of Refreshment	7,000	Less : Outstanding	2,000
To Depreciation		Subscription (P.Y.)	
Furniture (12,500 - 11,500)	1,000		24,700
Sports Equipments		By Sale of Refreshments	10,000
(7,000 + 20,000 - 22,000)	5,000	By Sale of Dance Tickets	5,500
	6,000	By Interest on Investment	4,200
To Excess of Income Over Expenditure	7,800		
	44,400		44,400

Balance Sheet as on 31st March, 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	88,200	Sports Material	7,000
(+) Excess of Income over expenditure	7,800	(+) Purchases	20,000
(+) Entrance fees	4,000		27,000
(+) Legacies	11,300	(-) Depreciation	5,000
Advance subscription	2,500	Furniture	12,500
Outstanding Rent	400	(-) Depreciation	1,000
	1,11,300	Outstanding subscription	1,700
		Investments	60,000
		Cash-in-hand	19,000
	1,14,200		1,14,200

Working Notes :

- Calculation of opening Capital Fund :

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund (b/f)	88,200	Sports equipments	7,000
Outstanding Rent	800	Subscription in Arrears	2,000
Advance Subscription	500	Furniture	12,500
		Investment (42,000 x 100/7)	60,000
		Cash-in-hand	8,000
	89,500		89,500

- Legacies received are of capital nature. Hence, it is added to Capital fund.

Preparation of Balance sheet from Receipts and Payments Account and Income and Expenditure Account

When opening and closing Balance Sheet is to be prepared from Receipts and Payments Account and Income and Expenditure Account, which are given, the following procedure will be adopted:

- For preparing opening Balance Sheet, opening cash balance (from Receipts and Payments Account) and additional information will be used. Also for outstanding and prepaid information, difference in the items shown in Income and Expenditure Account and Receipts and Payments Account will be taken into account, which is explained here.
- Debit side of Receipts and Payments Account and credit side of Income and Expenditure Account is compared for calculating the following:
 - Outstanding amount of subscription—For opening Balance Sheet and Closing Balance Sheet
 - Advance Income
 - assets sold during current year
 - Items of Capital receipts, which is shown directly in Balance Sheet like Endowment Fund, Legacies, special Donation etc.
- In the same manner, credit side of Receipts and Payments Account and Debit side of Income and Expenditure Account is compared for calculating the following :

- (i) Outstanding expenditure of current and previous year (ii) Prepaid expenses (iii) Stock of consumable items
(iv) Assets purchased during the year (v) Depreciation;

The procedure for this can be understood exclusively from the following illustrations :

illustration 14 :

The Receipts and Payments Account and Income and Expenditure Account of a club for the year ending 31st March, 2017 are as follows :

Receipts and Payments Account for the year ending 31st March, 2017

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	8,000	By Books Purchased	13,000
To Subscription		By Salaries	14,000
2015-16 5,000		By Advertisement	1,000
2016-17 35,000		By Electricity Expenses	1,500
2017-18 4,000	44,000	By Sundry Expenses	3,000
To Interest	4,000	By Office Expenses	1,000
To Donations to special fund	1,500	By Balance c/d	28,000
To Rent			
2016-17 3,000			
2017-18 1,000	4,000		
	61,500		61,500

Income and Expenditure Account for the year ending 31st March, 2017

Expenditure	Amount (₹)	Income	Amount (₹)
To Office Expenses	800	By Interest	3,800
To Salaries	15,000	By Subscription	37,000
To Sundry Expenses	2,800	By Rent	3,000
To Depreciation on building	7,500		
To Electricity expenses	1,500		
To Advertisement	1,200		
To Excess of income over expenditure	15,000		
	43,800		43,800

It is informed that assets as on 1-4-2016 included the following and there was no liability on that date :-

Building ₹ 1,60,000, Books ₹ 1,40,000, Furniture ₹ 10,000, and Investments ₹ 45,000. You are required to prepare the Balance Sheets of the club as on 1st April, 2016 and 31st March, 2017.

Solution :

Balance Sheet as on 1st April, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund (Balancing Figure)	3,68,200	Building	1,60,000
		Books	1,40,000

		Furniture	10,000
		Investments	45,000
		Accrued Interest	200
		Outstanding subscription	5,000
		Cash-in-hand	8,000
	3,68,200		3,68,200

Balance Sheet as on 31st March, 2017

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital Fund	3,68,000		Buildings	1,60,000	
Add : Excess Income over Expenditure	15,000	3,83,200	(-) Depreciation	7,500	1,52,500
Donation for special fund		1,500	Books	1,40,000	
Outstanding Salaries		1,000	(+) Purchases	13,000	1,53,000
Advance subscription		4,000	Furniture		10,000
Advance Rent		1,000	Investments		45,000
Outstanding Advertisement		200	Prepaid Office Expenses		200
		3,90,900	Prepaid Sundry Expenses		200
			Outstanding subscription		2,000
			Cash-in-hand		28,000
					3,90,900

Working Notes :

- While preparing opening Balance Sheet opening balances of all assets and cash balance are taken into account. Afterwards, while reconciling various items of Income and Expenditure Account with same items of Receipts and Payments Account following adjustments are available :
 - In Receipts and Payments Account subscription of ₹ 5000 is received for 2015-16. It means, it is previous years outstanding. It will be shown in assets side of Opening Balance Sheet.
 - In Receipts and Payments Account interest received ₹ 4000 is shown, while in Income and Expenditure Account it is ₹ 3800. Hence difference ₹ 200 is received for 2015-16 in 2016-17. It is shown in assets side of opening Balance Sheet.
- While preparing closing Balance Sheet, in opening balance of assets, value of newly purchased assets is added and depreciation is deducted. In this question, in opening balance of Buildings depreciation is deducted (as per information available in Income and Expenditure Account) and in opening balance of books, value of new books purchase will be added. (As per information in Receipts and Payments Account) Closing Cash balance from Receipts and Payments Account will also be shown.
- While preparing closing Balance Sheet, when reconciles Income and Expenditure Account with Receipts and Payments Account, following adjustments are available :
 - Outstanding Subscription : In Receipts and Payments Account subscription received for 2016-17 is ₹ 35,000, while in Income and Expenditure Account ₹ 37000. Hence ₹ 2000 is current years outstanding subscription. It is shown in assets side of closing Balance Sheet.
 - In Receipts and Payments Account, subscription receives for 2017-18 is shown ₹ 4000. It is advance subscription and it will be shown in liabilities side of closing Balance Sheet.
 - In Receipts and Payments Account, rent received for 2017-18 is shown ₹ 1000. It is advance receipts. Hence

it will be shown in liabilities side of closing Balance Sheet.

- (d) Salaries ₹ 14000 is shown in Receipts and Payments Account, while ₹ 15000 in Income and Expenditure Account. Hence difference ₹ 1000 is current years outstanding salaries. It will be shown in liabilities side of closing Balance Sheet.
- (e) Advertisement ₹ 1000 is shown in Receipts and Payments Account, while ₹ 1200 in Income and Expenditure Account. Hence difference ₹ 200 is current year outstanding advertisement. It is shown in liabilities side of closing Balance Sheet.
- (f) Sundry expenses ₹ 3000 is shown in Receipts and Payments Account, while 2800 in Income and Expenditure Account, hence difference amount 200 is current year prepared payment. It will be shown in assets side of closing Balance Sheet.
- (g) Office expenses is shown ₹ 1000 in Receipts and Payments Account, while ₹ 800 in Income and Expenditure Account. Hence difference ₹ 200 is current year prepaid payments. It will be shown in assets side of closing Balance Sheet.

Preparation of Receipts and Payments Account from Income and Expenditure Account

Sometimes Income and Expenditure Account and additional information and/or Balance Sheet is given. If it is asked to prepare Receipts and Payments Account from these informations, then following procedure is adopted :

1. All receipts of during current year whether Capital or revenue, related to preceding year or of next year, will be shown in debit side of Receipts and Payments Account.
2. All payments during current year whether revenue or Capital, related to preceding year or next year, will be shown in credit side of Receipts and Payments Account.
3. Opening and Closing balances of cash and bank will be shown in Receipts and Payments Account at appropriate place.
4. All non-cash items viz. depreciation, provision for bad debts etc, will not be shown, as-well-as profit/loss on sale of assets will not be shown in Receipts and Payments Account.
5. For calculating value of purchase of assets, in opening and closing balances adjustments for depreciation is made.
6. Cash effect of prepaid, advance, outstanding adjustments will be seen on related items. Then, value of such item will be shown in Receipts and Payments Account. For example, in Income and Expenditure Account, rent paid ₹ 5000 is shown and in closing Balance Sheet outstanding rent ₹ 1000 is shown. Then payment for rent ₹ 4000 will be shown in Receipts and Payments Account. Subscription ₹ 15000 in Income and Expenditure Account and advance subscription ₹ 1000 on liabilities side and outstanding subscription ₹ 2000 in assets side of closing Balance Sheet is shown. Then ₹ 14000 will be shown in debit side of Receipts and Payments Account for subscription. Hence effect of adjustments on cash is re-adjusted and actual cash receipts or payments will be shown in Receipts and Payments Account. It can be understood from the following :

(a) Item of Income :

	₹
Amount of subscription as shown in Expenditure Account	.....
(-) Outstanding subscription at the end of current year	.....
(-) Advance subscription received in previous year	.....
(+) Previous year outstanding subscription received in current year	.....
(+) Advance subscription received in current year	.....
Amount of subscription as shown in Receipts and Payments Account of current year	.....

(b) Item of Expenses :

_____ ₹

Salaries as shown in Income & Expenditure Account	.....
(-) Outstanding at the end of current year	.....
(-) Salary paid advance in previous year (related to this year)	.....
(+) Outstanding salary of previous year (paid in this year)	.....
(+) Salary of next year paid in advance in current year	.....
Amount of Salary to be shown in Receipts and Payments Account of the current year	.....
(c) Calculation of amount paid for stationary/consumables stores etc.	.....
Amount of stationary, which is shown in Income and Expenditure Account	.....
(-) Opening Stock of stationary	.....
(+) Closing Stock of Stationary	.....
(-) Advance paid for stationary in previous year	.....
(-) Advance paid for stationery in previous year	.....
(+) Advance paid for stationary in current year for next year	.....
(-) Creditors at the end of current year for stationary	.....
(+) Creditors at the beginning of current year for stationary (i.e. amount paid for previous year in current year)	.....
Amount of stationary to be shown in Receipts and Payments Account of the current year	.....

Illustration 15 :

From Income and Expenditure Account for the year ending 31st March, 2017 and additional information prepare Receipts and Payments Account for the year ending 31st March, 2017 and Balance Sheet on that date.

Income and Expenditure Account for the year ending 31st March, 2017

Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries	55,000	By Subscription	1,00,000
To Audit fees	2,500	By Entrance fees	5,000
To Insurance	5,500	By Receipts from entertainments	30,000
To Honorarium	10,000	By Rent from hire of ground	10,000
To Stationary	7,500		
To Entertainment Expenses	26,500		
To Depreciation			
Building 5,000			
Furniture 2,000			
Sports equipment <u>20,000</u>	27,000		
To Excess of Income over expenditure	11,000		
	1,45,000		1,45,000

Additional Information :

	31-4-2016 ₹	31-3-2017 ₹
Outstanding Subscription	9,000	15,000
Subscription received in advance	10,000	7,000
Outstanding Salaries	5,000	4,000
Prepaid insurance	-----	500
Stock of Stationary	10,000	5,000
Creditors for Stationary	4,000	2,000

Buildings	1,00,000	2,00,000
Furniture	20,000	18,000
Audit fees	---	2,500
Bank Loan	40,000	40,000
Sports Equipments	50,000	40,000
Cash-in-hand	?	15,000

50% Entrance fees has been capitalized.

Solution :

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

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	92,000	By Salaries	56,000
To Subscription	91,000	By Insurance	6,000
To Entrance fees	10,000	By Honorarium	10,000
To Receipts from Entertainment	30,000	By Stationary	4,500
To Rent from hire of ground	10,000	By Expenses on Entertainment	26,500
		By Buildings	1,05,000
		By Sports equipments	10,000
		By Cash-in-hand	15,000
	2,33,000		2,33,000

**Balance Sheet
As on 31st March, 2017**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	2,22,000	Buildings	2,00,000
+ Surplus	11,000	Furniture	18,000
Entrance fees	5,000	Sports equipments	40,000
Bank Loan	40,000	Stock of Stationary	5,000
Outstanding Audit Fees	2,500	Prepaid Insurance	500
Creditors for stationary	2,000	Outstanding subscription	15,000
Outstanding Salaries	4,000	Cash-in-hand	15,000
Advance Subscription	7,000		
	2,93,500		2,93,500

Working Notes :

₹

1. Amount of subscription as shown in Receipts and Payments Account :-

Subscription as per Income and Expenditure amount	1,00,000
(+) Outstanding subscription	9,000
(+) for 2015-16 received in current year	7,000
	<u>16,000</u>
Subscription received in advance for 2017-18 in current year	1,16,000
(-) Outstanding subscription of current year	15,000
(-) current year subscription received in 2015-16	10,000
	<u>25,000</u>
	<u>91,000</u>

2.	Entrance fees as shown in Receipts and Payments Account :	₹
	As per Income and Expenditure Account	5,000
	(+) Capitalised Portion	5,000
		<u>10,000</u>
3.	Salaries as shown in Receipts and Payments Account :	
	As per Income and Expenditure Account	55,000
	(+) outstanding Salaries for 2015-16 received in current year	5,000
		<u>60,000</u>
	(-) Outstanding salaries for 2016-17	4,000
		<u>56,000</u>
4.	Audit fees as shown in Receipts and Payments Account :	
	As per Income and Expenditure Account	2,500
	(-) Outstanding audit fees 2016-17	2,500
		<u>Nil</u>
5.	Insurance expenses as shown in Receipts and Payments Account :	
	As per Income and Expenditure Account	5,500
	(+) Outstanding for 2015-16 paid in current year	500
		<u>6,000</u>
6.	Stationary as shown is Receipts and Payments Account :	
	As per Income and Expenditure Account	7,500
	(+) Stock on 31.3.17	5,000
	(+) Creditors of 2015-16 paid during the year	4,000
		<u>16,500</u>
	(-) Stock on 1.4.16	10,000
	(-) Creditors yet outstanding at the end of current year	2,000
		<u>4,500</u>
7.	Amount of Building as shown in Receipts and Payments Account :	
	Closing Balance	2,00,000
	(+) Depreciation	5,000
		<u>2,05,000</u>
	(-) Opening Balance	1,00,000
	Purchases of Buildings	<u>1,05,000</u>
8.	Amount of sports equipment as shown in Receipts and Payments Account :	
	Closing Balance	40,000
	(+) Depreciation	20,000
		<u>60,000</u>
	(-) Opening Balance	50,000
	Purchases of sports equipment	<u>10,000</u>
9.	Calculation of opening Capital fund :	

Balance Sheet as on 1st April, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund (b/f)	2,22,000	Buildings	1,00,000

Bank Loan	40,000	Furniture	20,000
Creditors for Stationary	4,000	Sports equipments	50,000
Outstanding Salaries	5,000	Stock of Stationary	10,000
Advance Subscription	10,000	Outstanding subscription	9,000
		Cash-in-hand	92,000
	2,81,000		2,81,000

Accounting for Profit/Loss from Trading Activities

Sometimes an organisation does business activities, like a club operates a restaurant or a hospital operates a medical shop. Then for such business activity separate Trading and Profit and Loss Account will be prepared and profit/loss from such activity will be shown in Income and Expenditure Account. Trading and Profit and Loss Account is prepared by a business entity.

Difference between Receipts and Payments Account and Income and Expenditure Account

Base	Receipts and Payments Account	Income & Expenditure Account
1. Objectives	The object of this account is to calculate closing cash balance.	The object of this account is to calculate financial result of organisational activities, i.e. to calculate surplus/deficiency
2. Nature	It is an abstract of Cash/Bank.	It is like Profit and Loss Account.
3. Nature of Receipts	It includes all types of receipts whether revenue or Capital.	It shows only revenue nature receipts.
4. Nature of Payments	It includes all type of payments whether of revenue nature or of Capital nature.	It shows only revenue payments.
5. Side	In debit side receipts and in credit side payments are shown in this account.	In this account, expenses are shown in debit side and incomes are shown in credit side.
6. Adjustments	It is based on cash system of accounting and adjustments are not shown.	It is based on mercantile system of accounting and adjustment are shown.
7. Period of Receipts	It shows all receipts, whether related to any period.	It shows only revenue receipts relates to current year.
8. Period of Payments	It shows all payments whether relates to any period.	It shows only revenue payments relates to current year.
9. Depreciation and losses	It is not shown.	It is shown.
10. Balance of Cash Book	Opening and closing balance of cash are included.	Opening and closing balances of cash book are not included.

Summary

Non-trading Organisation : These are voluntary organisations, which are formed to fulfill social objectives.

Main Books kept by Non-trading organisations : Cash Book, Membership Register and Register for Assets.

Receipts & Payments Account : This Account is merely a summary of Cash book transactions under important headings. It gives a summary picture of various Receipts & Payments for the year. It is a real account by nature. Non-

Cash items are not shown in it. This Account indicates balance of Cash in hand or at Bank at the end of a particular year.

Income and Expenditure Account : This Account is prepared to find out financial results of a period for non-trading organisations. It is prepared just like the Profit & Loss Account. Revenue Income and Expenditure for current year only are recorded in this Account. It is an Account of nominal nature. All adjustments regarding unpaid/prepared expenses along with accrued and unearned incomes etc., are taken into consideration while preparing this Account. The balance of this Account reveals surplus/deficiency for the current year.

Specific Fund : A fund credited for specific object, also known as restrictive fund. This is of Capital nature. All expenses related to specific purpose are charged to this fund. If there is any deficiency due to more expenses, it will be shown in Income & Expenditure account.

General Fund : A fund which is created not for any specific purpose is called General Fund.

Entrance Fee : Lump sum amount received from a new member on his admission is called admission/entrance fee. This amount received is utilized for meeting additional expenses incurred for new members. Hence it is treated as revenue income, unless otherwise given.

Life Membership Fee : In order to become member of an organisation for whole life some members pay a fee in lump sum i.e. once in their life time. It is Capital Receipt, being non-recurring Income.

General Donation : A donation received without any condition. It is shown in Income & Expenditure Account, if the amount is small. If it is of large amount, it should be treated as a Capital Receipt.

Specific Donation : A donation received for some specific purpose. It is of capital nature and is shown in Balance Sheet. It is to be used for that specific purpose.

Grant received from the Government or any other organisation : If a grant is received for specific work. It is Capital receipt to be shown on liability side of Balance Sheet. On the other hand, if it is received for day to day activities, it is treated as revenue receipt and shown Income in Income & Expenditure Account.

Glossary

Subscription : It is the main source of income of a non-trading organisations. It is regular source of income to maintain membership.

Legacy : An amount received by non-trading organisation under will of a deceased person. Generally this amount is to be used for specific purpose.

Honorarium : An amount paid to a person other than the employee is to be of the organisation for rendering services.

Endowment Fund : A fund arising from a gift, the income of which utilized for some specific purpose. It provides permanent income to the organisation since the original gift will remain with it.

Balance Sheet : A statement showing financial position of an organisation on a certain date.

Aid : Amount received from the Government or any other Institution is to meet general or specific purpose called Aid.

Questions for Exercise

Multiple choice questions :

- The main object of Non trading Organisations is :
(a) To earn profit (b) Public welfare work (c) To do business (d) Non of the above
- Receipts and Payments Account is a -----Account :
(a) Real (b) Nominal (c) Personal (d) None of the above
- Income and Expenditure Account is a ----- Account.
(a) Real (b) Nominal (c) Personal (d) None of the above
- In Income and Expenditure Account-----items are shown.
(a) Only revenue (b) Only Capital (c) Revenue and Capital both (d) None of the above

5. Income and Expenditure Account is prepared on the basis of.
(a) Accrual concept (b) Cash concept (c) Single entry concept (d) None of the above
6. Where the Life Membership Fees will be shown in Income and Expenditure Account and in Balance Sheet?
(a) In debit side of Income and Expenditure (b) Assets side of Balance Sheet
(c) In credit side of Income and Expenditure (d) In liabilities side of Balance Sheet
7. In Receipts and Payments Account-----items are shown.
(a) Capital (b) Revenue (c) Capital and revenue both (d) None of the above
8. Opening balance of sports fund is ₹ 2,00,000. It is invested separately @ 8% p.a. interest. Expenses incurred ₹ 15,000 during the year on sports tournament. What amount of sports fund will be shown in the Balance Sheet at the end of the year?
(a) ₹ 2,01,000 (b) ₹ 1,99,000 (c) ₹ 1,85,000 (d) ₹ 2,16,000
9. Opening stock of stationary at the beginning is ₹ 5,000. at the end ₹ 3,000. Stationary purchased for cash during the year for ₹ 20,000. How this transaction will be dealt with in Receipts and Payments Account?
(a) Payment side ₹ 22,000 (b) Payment side ₹ 20,000
(c) Payment side ₹ 28,000 (d) None of the above
10. From the following information, calculate the amount of outstanding subscription to be shown as closing Balance Sheet. Opening outstanding subscription ₹ 10,000, subscription received during the year ₹ 20,000, in which opening outstanding subscription received ₹ 6,000 and advance subscription ₹ 7,000 is included. There are 50 members, each pays ₹ 400 annual subscription.
(a) ₹ 20,000 (b) ₹ 21,000 (c) ₹ 17,000 (d) ₹ 13,000

Very short answer type questions :

1. State two characteristics of a non-trading concern.
2. Give any two differences between trading organisations and non-trading organisations.
3. Give the name of books-kept by non-trading organisations.
4. Which financial statements are prepared by non-trading organisations?
5. What accounting treatment is made for life membership fees, when Income and Expenditure Account is prepared?
6. What do you understand by legacies?
7. What do you mean by endowment-fund?
8. What is the accounting treatment for specific donation while preparing Income and Expenditure Account?
9. How will you deal with 'General Donation' while recording in Income and Expenditure Account?
10. What do you mean by Income and Expenditure Account?
11. How will you treat sale of an asset while preparing Income and Expenditure Account and closing Balance Sheet?
12. Write the name of such two items and examples, which do not appear in Receipts and Payments Account?
13. If tournament fund is ₹ 50,000 and tournament expenses are ₹ 32,000, how it is treated in Income and Expenditure Account and closing Balance Sheet?
14. Write any two differences between Receipts and Payments Account and Cash book.
15. List any two features of Income and Expenditure Account.

Short Answer type questions :

1. How will you treat "subscription" in case of accounts of a club?
2. From the following information, calculate amount of subscription, which will be shown in Income and Expenditure Account :-

		₹
01-04-16	Subscription in Arrears	15,000

	Subscription received in advance	5,000
31-03-17	Subscription in arrears	6,000
	Subscription received in advance	10,000
	Subscription received during the year 2016-17	50,000

Ans. Subscription to be credited to Income & Expenditure Account ₹ 36,000

3. How will you deal with the following cases while preparing Income and Expenditure Account?

	1-4-2016 ₹	31-3-2016 ₹
Stock of stationary	500	200
Creditors of stationary	300	300
Advance paid for stationary	100	150
Amount paid for stationary during 2016-17 was ₹ 2,500.		

Ans. ₹ 2,750

4. Book-value of furniture on 1-4-16 is ₹ 50,000. Half of the furniture is sold at a loss of 20% on opening book value on 30-09-16. Furniture is depreciated @ 10% p.a. How above items will be shown in Income and Expenditure Account and in Balance Sheet on that date?

Ans. Loss on sale of furniture ₹ 3,750, Depreciation ₹ 3,750, Balance sheet Furniture ₹ 22,500.

5. How will locker rent of a club be dealt with in Income and Expenditure Account for the year ended 31st March, 2017 and Balance Sheet on that date?

	1-4-2016 ₹	31-3-2017 ₹
Outstanding Locker Rent	500	700
Advance Locker Rent	300	400
Locker rent received during 2016-17 ₹ 5,000.		

Ans. In Income and Expenditure Account ₹ 5100; Assets side of Balance Sheet ₹ 700; Liabilities side ₹ 400.

6. Subscription received during the year 2016-17 is as follows :

There are ₹ 100 members of a club, each paying ₹ 300 as annual subscription. How subscription will be shown in Income and Expenditure Account for the year ending 31st March, 2017 and in Balance Sheet on that date.

Ans. Income and Expenditure Account ₹ 30,000; ₹ 1,000 in Liability side; ₹ 5,000 in assets side of closing Balance Sheet.

7. From the following information, how subscription will be shown in Income and Expenditure Account for year ending 31st March, 2017 and in Balance Sheet on that date.

		₹
1-4-16	Subscription in arrears	1,000
	Subscription received in advance	2,000
31-03-17	Subscription in arrears (including 500 related to 2015-16)	3,000
	Subscription received in advance	500
	Subscription received during the year 2016-17	50,000

Ans. Income and Expenditure Account ₹ 55,500 in credit side; Balance sheet outstanding ₹ 2,500 + 500 = ₹ 3,000 in assets side and advance ₹ 500 in liabilities side.

8. Calculate the amount of sundry expenses to be shown in Income and Expenditure Account for the year ending 31st March, 2017 and Balance Sheet on that date from the following information :-

	1-4-2016 ₹	31-3-2017 ₹
Prepaid sundry expenses	100	200
Outstanding sundry expenses	500	400
Sundry expenses paid during the year ₹ 5,000		

Ans. ₹ 4,800 in debit side of Income and Expenditure Accounts and ₹ 400 in liabilities and ₹ 200 in assets side.

9. From the following information, calculate the amount of sports fund, which will be shown in Income and Expenditure Account for the year ending 31st March, 2017 and Balance Sheet on that date.

	₹
Sports fund 1-4-16	1,00,000
10% Sports fund investment 1-4-16	1,00,000
Received donation for sports during the year 2016-17	25,000
Interest on sports fund investments	10,000
Expenses on sports event	40,000

Ans. Balance sheet liabilities side ₹ 9,5000, in assets side ₹ 1,00,000

10. From the following information, calculate the amount of medical relief fund, which will be shown in Income and Expenditure Account for the year ending 31st March, 2017 and the Balance Sheet on that date :

	₹
Opening balance of medical relief fund	2,50,000
Donation received towards medical relief fund during the year	70,000
Expenses paid for medical camp during the year	3,50,000

Ans. Income & Expenditure Account ₹ 30,000

11. From the following information, calculate the amount which will be shown in Income & Expenditure Account for the year ending 31st March, 2017 with regard to Environment Fund :

	₹
Environment fund	6,00,000
10% Environment fund investment	3,00,000
Expenses incurred on environmental awareness during the year	2,00,000
Donation received towards the environment programmes	50,000
Interest received from fund investment	25,000

Ans. Balance Sheet Liabilities side ₹ 4,80,000, Asset Side, ₹ 3,00,000 and Accrued Interest on investment ₹ 5,000

12. From the following information, calculate capital fund of a club as on 1st April 2016 :

- Subscription outstanding on 1-4-16 ₹ 3,000.
- Opening balance of assets are : Stock of stationary ₹ 5,000, Furniture ₹ 50,000, Buildings ₹ 2,00,000, Rent paid during the year 2016-17 ₹ 6,000, it includes ₹ 1,000 related to previous year. Opening cash balance ₹ 10,000.

Ans. Opening Capital Fund ₹ 2,67,000

13. Prepare Receipts and Payments Account for the year ending 31st March, 2017 from the following information.

	₹
Cash-in-hand opening	10,000
Donation received	50,000
Subscription received	1,00,000
Paid for electricity bill	20,000
Rent ₹1,000 p.m., actually paid for 11 month during the year	
Purchase of computer in cash	50,000
Honorarium paid	19,000

Ans. Closing balance ₹ 60,000.

14. In the following cases how entrance fees will be shown at the end of the year in Income and Expenditure Account and balance Sheet on that date.

(i) Entrance fees received ₹ 1,00,000 during the year (ii) During the year ₹ 50,000 received as entrance fees out

of which 40% is to be capitalised (iii) During the year ₹ 40,000 received as entrance fees should be capitalised.

Ans. (i) Income and Expenditure Account ₹1,00,000; (ii) Income and Expenditure Account ₹ 30,000 and ₹ 20,000 will be added in capital fund in closing balance sheet; (iii) ₹ 40,000 will be added in capital fund in closing Balance Sheet.

15. A club received aid from state government for ₹ 10,00,000 for construction of building on 1-5-16 and from an other organisation ₹ 50,000 for operating its activities on 1-6-16. The club has completed its buildings upto 31 March 2017 and spent ₹ 10,25,000 on it. How the above transactions will be shown in Income and Expenditure Account for the year ending 31st March, 2017 and Balance Sheet on that date.

Ans. Government aid will be added to capital fund in liabilities side of balance sheet and ₹ 10,25,000 will be shown in the head of Building on assets side. Aid from other organisations will be shown in income side of Income and Expenditure Account. (Note : If building is incomplete at the end of the year the amount will be shown separately on liabilities side as building fund.)

16. From the following prepare Receipts and Payments Account, Income and Expenditure Account and opening Balance Sheet, and closing Balance Sheet.

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

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	5,000	By Expenses	12,000
To Subscription	20,000	By Purchases of assets	10,000
To Sale from assets	5,000	By Balance c/d	8,000
	30,000		30,000

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

Expenditure	Amount (₹)	Income	Amount (₹)
To Expenses	12,000	By Subscription	20,000
To Depreciation on assets	2,000		
To Loss on sale of assets	1,000		
To Excess of Income over Expenditure	5,000		
	20,000		20,000

**Balance Sheet
as on 1st April, 2016**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	25,000	Assets	20,000
		Cash-in-hand	5,000
	25,000		25,000

Ans. Capital fund closing ₹ 30,000, Assets closing ₹ 22,000 (20,000 - 2,000 - 6,000 + 10,000), Total of Balance Sheet ₹ 30,000.

Essay type questions :

1. Explain with illustrations the method of preparing Income and Expenditure Account from the Receipts and Payments Account and other information.
2. How will you prepare Receipts and Payments Account?

3. Differentiate between the following :
 1. Cash book and Receipts and Payments Account
 2. Income and Expenditure Account and Receipts and Payments Account
4. Explain the procedure of preparing Receipts and Payments Account from Income and Expenditure Account, Balance sheet and other information.

Answers of Multiple Choice Questions :

Que. No.	1	2	3	4	5	6	7	8	9	10
Ans.	B	A	B	A	A	D	C	A	B	C

Numerical Questions :

1. From the following particulars of a club, prepare the Receipts and Payments Account for the year ended 31st March, 2017.

	₹
Cash-in-hand opening	1,000
Cash at bank opening	2,000
Subscriptions received	30,000
Life membership fees received	5,000
Amount received on sale of old furniture	6,000
7% Investment purchased	15,000
Rent paid	500
General Expenses	700
Salaries paid	800
Honorarium paid	2,000
Newspapers & journals	3,000
Received from sale of old newspapers	100
Sports material purchased	7,000
Wages outstanding at the end	500
Interest on Investment received	1,050
Cash-in-hand (closing)	6,000
Cash at bank (closing)	?

Ans. ₹10,150

2. From the following information related to a chartered accountant, prepare Receipts and Payments Account for the year closing 31st March, 2017.

	₹
Fees received for last year	2,000
Fees received for current year	60,000
Fees outstanding for current year	3,000
Receipts from lectures	5,000
Remuneration for assessing answer books received	20,000
Dividend & interest received	17,000
Honorarium received	3,000
Payments :	
Salaries	20,000
Repairs	2,000
Printing & stationary	3,000

Car expenses	25,000
Electricity charges	8,000
Rent	18,000
Personal expenses	4,000
Payment outstanding for purchases of furniture	10,000
Opening cash balance	2,000

Ans. ₹ 29,000 Closing Cash Balance.

3. Prepare Income & Expenditure Account for the year ending 31st March, 2017, on the basis of given Receipts and Payments Account for the year ending 31 March, 2017.

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	12,000	By Rent	9,000
To Entrance fees	3,000	By Salaries	6,000
To Donations	4,000	By Electricity	1,000
To Rent of hall	6,000	By Postage	2,000
To Subscription	20,000	By Repairs	6,000
To Sale of old newspapers	1,000	By Book purchased	5,000
		By Govt. Bond purchased	4,000
		By F.D. with Bank @ 8% (1-4-16)	10,000
		By Balance c/d	3,000
	46,000		46,000

Ans. Excess of Income over Expenditure ₹ 10,800

4. From the following information, prepare Income and Expenditure Account for the year ended 31st March, 2017.

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

Receipts	Amount (₹)	Payments	Amount (₹)
To Bank Balance b/d	15,000	By Purchases of machinery (1-7-16)	10,000
To Subscription		By Salaries	8,000
2015-16 3,000		By Rent	13,000
2016-17 25,000		By Entertainment expenses	3,000
2017-18 <u>2,000</u>	30,000	By Purchases of 5% Govt. Paper (1-10-16)	15,000
To Donations	1,06,000	By Sundry expenses	5,000
To Rent of hall	5,000	By Cash Balance c/d 7,000	
To Interest on bank deposits	2,000	Bank <u>1,07,000</u>	1,14,000
To Sale of furniture	10,000		
	1,68,000		1,68,000

Additional Information :

1. Depreciation is charged on all assets @10% p.a. 2. Book Value of furniture on 1-4-16 ₹ 30,000. Half of furniture is sold on 30-06-16. 3. Subscription accrued ₹1,000 for current year. 4. Entertainment expenses outstanding ₹ 500 at the end. 5. Rent is payable ₹ 1,000 per month. 6. Donations received for construction of buildings.

Ans. Excess of Expenditure over Income ₹ 2,375.

5. From the following information, prepare Income and Expenditure Account for the year ending 31st March, 2017 and Balance Sheet on that date.

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

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	20,000	By Balance b/d (Bank overdraft)	25,000
To Subscriptions	5,00,000	By Tournament expenses	75,000
To Hire of ground	50,000	By Up keep of field	2,00,000
To Sale of old sports material	25,000	By Printing & stationary	40,000
To life membership fees	60,000	By Electricity expenses	12,000
To Subscription for tournament	1,20,000	By Honorarium	58,000
To Donations	10,00,000	By Grass seeds & soil	40,000
To Entrance fees	25,000	By Investments	10,00,000
		By Purchases of sports material	2,15,000
		By Balance c/d (cash)	1,35,000
	18,00,000		18,00,000

Additional Information :

- Balance at the beginning of the year : Sports material stock ₹ 1,40,000, Play ground ₹ 8,00,000, Subscription receivable ₹ 45,000.
- Surplus on account of tournament and donations will be kept in reserve for the pavilion purpose. Subscription due at the end ₹ 70,000. It was also decided that 50% of sports material should be written off. Stock at the end of stationary ₹ 10,000. Entrance fees is to be capitalized.

Ans. Surplus ₹ 82,500 Capital fund ₹ 9,80,000. Total of closing Balance Sheet ₹ 21,92,500.

- From the following Receipts and Payments Account and additional information, prepare Income and Expenditure Account for the year ending 31st March, 2017 and Balance sheet on that date.

**Receipts and Payments Accounts
for the year ended 31st March, 2017**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	20,000	By Salaries & Wages	1,40,000
To Subscription		By 10% Investments (Face Value 1,50,000, Purchased on 01-10-16)	1,13,000
2015-16 8,500		By Fate expenses	7,000
2016-17 2,30,000		By Upkeep of ground	8,000
2017-18 <u>2,500</u>	2,41,000	By Entertainment material	65,000
To Donations for building	45,000	By Advance for buildings	16,000
To Legacies	5,000	By Internet charges	1,500
To Sale of old furniture (at book value)	6,000	By Honorarium	2,000
To Govt. grant for construction of building	80,000	By Balance c/d	44,500
	3,97,000		3,97,000

Additional Informations :

- On 31st March, 2016 the society has following assets & liabilities : 10% investments ₹ 1,20,000 (Face value ₹ 1,70,000), Furniture ₹ 80,000, Musical instruments ₹ 13,000, Machinery ₹ 60,000, Subscription in arrears ₹ 17,000, Creditors for entertainment material ₹ 5,000, Subscription received in advance ₹ 2,000 and buildings

fund ₹ 50,000.

2. Charge depreciation @ 20% on furniture and machinery
3. On 31st March, 2017 entertainment material was valued at ₹ 28,000. Internet charges was outstanding ₹ 1500.
4. Each year subscription is paid by 100 members, each paying ₹ 2,400.
5. Payment of entertainment material includes ₹ 2,000 for previous year.

Ans. Surplus ₹ 42,700, Op. Capital fund ₹ 2,53,000, Total of closing Balance Sheet ₹ 4,66,700.

7. From the following information relating to a cricket club, prepare Income and Expenditure Account for the year ended 31st March, 2017 and Balance Sheet on that date. An abstract of cash book is given below : (Cash column).

	(₹)		(₹)
Subscription	10,000	Upkeep of field & pavilion	4,000
Admission fees	600	Expenses on tournament	1,400
Sale of old balls, bats	100	Rates & insurance	400
Hire of ground	600	Telephone charges	100
Drawn from bank	8,000	Stationary	200
Subscription for tournament	2,000	General charges	100
Donations	20,000	Honorarium	340
		Grass seeds	60
		Bats & Balls	1,400
		Deposited into Bank	33,300
	41,300		41,300

Assets with the club on 1 April, 2016 were as under : Cash at Bank ₹ 6000, Stock of balls etc, ₹ 3000, Stock of Stationary ₹ 400, Subscription due ₹ 1000. Donations and surplus on account of tournament should be kept in reserve for a permanent pavilion. Subscription due at 31st March, 2017 amount to ₹ 1500. Write off 50% of Bats and Balls Account and 25% off stationery Account. Admission fees is to be capitalized.

Ans. ₹ 3,850 Excess of Income over Expenditure, Op. Capital fund ₹ 10,400, Closing Bank Balance ₹ 31,300 Total of B/s ₹ 35,450.

8. Prepare Income and Expenditure Account of a charitable hospital for the year ending 31st March, 2017 and a Balance Sheet on that date from the following informations.

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

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	71,300	By Doctors Honorarium	90,000
To Subscription	4,79,960	By Suppliers of medicines	3,05,900
To Donation	45,000	By Sundry Expenses	4,610
To Life membership fees	1,00,000	By Salaries & Wages	2,75,000
To Interest on investment @ 10% for 2016-17	70,000	By Machine purchase	1,50,000
To Proceeds from a charity show	1,04,500	By Expenses on charity show	27,500
		By Balance c/d	17,750
	8,70,760		8,70,760

Additional Informations :

	1-4-2016 ₹	31-3-2017 ₹
Outstanding Salaries & Wages	36,000	48,000

Machinery	2,12,000	3,16,000
Buildings	9,00,000	8,10,000
Outstanding subscription	6,500	8,500
Advance subscription	2,540	3,000
Stock of medicines	89,100	98,000
Suppliers of medicines	40,000	25,000

Ans. Excess of Expenditure over Income ₹ 1,26,610, opening capital fund ₹ 19,00,360, Total of Balance Sheet ₹ 19,49,750.

9. From the following Receipts and Payments Account for the year ended 31st March, 2017 and additional information of a society, prepare Income and Expenditure Account for the year ending 31st March, 2017 and the Balance sheet for the same date.

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d (Cash)	15,000	By Balance b/d (Bank overdraft)	31,000
To Subscription		By Investments	30,000
2015-16 2,000		By Furniture	14,500
2016-17 1,62,000		By Salaries	62,000
2017-18 2,500	1,66,500	By Stationary	8,900
To Proceeds from charity show	20,000	By Entertainment expenses	17,100
To Entrance fees	6,700	By Miscellaneous expenses	14,200
To Interest on investments	4,800	By Balance c/d Cash 5,500	
To Sale of Old Material	1,200	Bank 31,000	36,500
	2,14,200		2,14,200

Additional Information :

- The society has 1800 members paying annual fees of ₹ 100. Subscription amounting to ₹ 900 were still in arrears for 2015-16.
- Stock of stationary at the beginning ₹ 1,250 and at the end ₹ 870,
- Salary of ₹ 5,500 is outstanding at the end. Miscellaneous expenses ₹ 1,320 (Opening) outstanding. The society had paid ₹ 5,000 in 2015-16 for telephone expenses, out of which ₹ 1,250 related to 2016-17.
- Building ₹ 2,45,000 and investments ₹ 65,000 at the beginning of the current year. Depreciate fixed assets by 5%
- Entrance fees to be capitalized.

Ans. Excess of Income over Expenditure ₹ 85,015; Opening Capital Fund ₹ 2,98,080; Total of Balance Sheet (31-3-17) ₹ 3,97,795.

10. From the following information of a society, prepare Balance Sheets on 1 April, 2016 and 31 March, 2017.

**Income and Expenditure Account
for the year ending 31 March, 2017**

Expenditure	Amount (₹)	Income	Amount (₹)
To Printing	800	By Tuition fees	11,000
To Advertisement	1,500	By Membership fees	11,500
To Rent	6,000	By Sundry Income	1,300
To Salaries	12,000	By Interest	1,600
To Sundry expenses	1,100		
To Excess of Income over Expenditure	4,000		
	25,400		25,400

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

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	4,500	By Printing	750
To Interest		By Advertisement	1,410
2015-16 1,000		By Salary	13,000
2016-17 1,500	2,500	By Furniture	6,700
To Tuition Fees		By Rent	5,200
2016-17 10,000		By Sundry Expenses	1,100
2017-18 1,000	11,000	By Balance c/d	13,740
To Entrance fees	4200		
To Membership fees			
2015-16 3,000			
2016-17 11,500			
2017-18 3,900	18,400		
To Sundry Income	1,300		
	41,900		41,900

Additional Information :

1. The following assets were on 31st March, 2016.

	₹
Furniture	40,000
Reference books	10,000
Investments	5,000

Ans. Opening Capital fund ₹ 63,500 and Total of opening Balance Sheet ₹ 63,500; Total of closing Balance sheet ₹ 77,540, Alternative answer: Op. Capital fund ₹ 62,500, Total of opening Balance Sheet ₹ 62,500, Total of closing Balance Sheet ₹ 76,540. (If difference of salary is treated as last year outstanding.)

11. Income and Expenditure Account for the year ending 31st March, 2017 and additional information are given related to a society. Prepare Receipts and Payments Account for the year ending 31st March, 2017 and Balance Sheet on that date.

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

Expenditure	Amount (₹)	Income	Amount (₹)
Salaries	2,35,000	Subscriptions	2,50,000
Clinic expenses	30,000	Interest	90,000
Rent	5,000	Donations	40,000
Insurance	2,000	Sundry receipts	3,000
Office expenses	18,000		
Depreciation			
Buildings 37,500			
Furniture 1,200			
Instruments 1,000	39,700		
Excess of income over expenditure	53,300		
	3,83,000		3,83,000

Additional Informations :

	31-3-2016 ₹	31-3-2017 ₹
Land & Buildings	20,00,000	19,62,500
Instruments	35,000	39,000
Furniture	20,000	19,800
Govt. Securities	18,00,000	18,00,000
(Face Value : ₹20,00,000)		
Stock of medicines	3,000	1,000
Clinic expenses	2,000	3,000
Outstanding salaries	10,000	15,000
Outstanding subscription	70,000	1,00,000
Advance subscription	2,000	6,000
Cash-in-hand and at Bank	?	1,87,000

Ans. Opening Cash Balance ₹ 1,18,000; Total of Receipts and Payments Account ₹ 4,75,000; Opening Capital Fund ₹ 40,32,000; Total of Closing Balance Sheet ₹ 41,09,300.

