



320en20

20

FINANCIAL STATEMENTS (NOT FOR PROFIT ORGANISATION)



Notes

You have learnt that Not for Profit Organisations (NPOs) such as Clubs, Hospitals, Blood Banks, Schools, Non-Governmental Organisations (NGOs) creating awareness among people about HIV/AIDs also involve in financial activities. They also maintain books of account to record them and also prepare financial statements at the close of the year. These statements are Receipts and Payments Account, Income and Expenditure Account and Balance Sheet. In the previous lesson, you have learnt the meaning and need for preparing Receipts and Payments Account, items to be taken and also its preparation. In this lesson you will learn about Income and Expenditure Account and Balance Sheet of Not for Profit Organisations (NPOs).



OBJECTIVES

After studying this lesson you will be able to :

- explain the meaning and need of Income and Expenditure Account;
- draw the format of Income and Expenditure Account;
- identify and explain the items exclusive to Income and Expenditure Account;
- prepare Income and Expenditure Account from the given information;
- explain the various adjustments and their incorporation while preparing Income and Expenditure Account;
- distinguish between Receipts and Payments Account and Income and Expenditure Account;
- prepare the Balance Sheet of a Not for Profit Organisation (NPOs).

20.1 INCOME AND EXPENDITURE ACCOUNT : MEANING, NEED AND ITEMS



Notes

Meaning

It is the summary of incomes and expenditures of the organisation of a particular year and is prepared at the end of the year. This account is similar to the Profit and Loss Account of the Business Organisations. In this account revenue expenditure and revenue income of the year for which Income and Expenditure A/c is prepared are taken. That means any amount of these items pertaining to either previous year or next year are not considered. The balance amount of this account is either surplus or deficit. If the income side of this account exceeds the expenditure side, the difference is 'surplus'. In case the expenditure side exceeds the income side, the difference is 'deficit'.

Need of preparing Income and Expenditure Account

Even the Not for Profit Organisations would like to know the net result of their activities of a particular period which generally is one year. Though such organisations do not engage in trading activities and their objective is not earning profits, yet they would like to know whether income exceeds expenditure or vice a versa. The amount of the such difference is not termed as Net Profit or Net Loss as it is so termed in case of business organisations. In case of Not for Profit organisations the net result is termed as 'surplus' or 'deficit' as the case may be. Moreover of a preparation of Income and Expenditure Account is a legal requirement. It helps the organisations to control their expenditure.

Format of Income & Expenditure with some important items

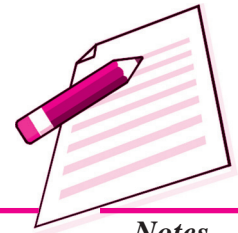
**Income and Expenditure A/c of
for the year ended 31st March**

Dr.

Cr.

<i>Expenditure</i>	<i>Amount</i> ₹	<i>Income</i>	<i>Amount</i> ₹
Rent		Subscriptions received during the year	
<i>Less :</i> paid for last years outstanding		<i>Less :</i> received on account of last year	
<i>Less :</i> paid for next year		<i>Less :</i> received on account of next year	
<i>Add :</i> current year outstanding		<i>Add :</i> subscription outstanding for current year	
<i>Add :</i> for current year paid in last year			
On account of current year salaries			
Newspaper expenses			

Loss on sale of furniture	Add : subscription received last year on account of current year
Depreciation	
Any other item of revenue expenses	Donations
Expenses on consumable material say stationery	
Surplus-excess of income or expenditure	Grant in aid
	Sale of Grass
	Interest on Investment
	Miscellaneous Receipts
	Sale of old newspapers
	Revenue incomes
	Deficit : excess of expenditure over income



Notes

Relevant Items of Income and Expenditure

Following are the relevant items of income of a Not for Profit Organisations (NPO).

- Subscription :** It is a periodic contribution by members of the organization
- Entrance fees/Admission fees :** It is received from members at the time of their admission to the organisation.
- Donations :** Donation is the amount received from person, firm, company etc. by way of gift. But only general donation that too of smaller amount and of recurring nature is treated an item of revenue income.
- Sale of old newspapers, sports material, etc. :** Sale of old newspapers or condemned books, sports material etc. is treated as an item of revenue income.
- Interest receipt :** The surplus funds may be kept in a fixed deposit account in a bank or invested elsewhere. Interest received thereon is an item of revenue income.
- Grant-in-Aid :** Local, state and central government and some government agencies give money as grant-in-aid to Not-for-Profit Organisations (NPOs).

Apart from these, there are numerous other items like rent of hall, sale of grass, income from entertainment, etc.

Items of Revenue Expenses

Some important items are as follows :

- Salaries, wages, rent, stationery, postage, telephone charges, electricity charges are some items of revenue expenses which are common to all Not for Profit Organisations (NPOs).



Notes

2. **Honorarium :** It is the amount paid to the person who looks after the functioning of the organisation but is not the employee of the company.
3. **Depreciation :** Depreciation is provided on the fixed assets such as furniture, building and books, etc.
4. Expenses on tournament, fair, etc.
5. Other items

There are numerous other items depending upon the nature of organisation. For example, upkeep of ground if it is a sports club, medicines, laundry if it is a hospital and so on.



INTEXT QUESTIONS 20.1

- I. **Classify the following items into income and expenditure :**
 - (a) Honorarium (b) Grant-in-aid (c) Sale of old newspapers
 - (d) Subscription (e) Lockers rent (f) Insurance Premium
- II. **Write ‘R’ if the statement is correct and ‘W’ if it is incorrect :**
 - (i) The excess of the income over expenditure is called Net Profit
 - (ii) All items of receipts are entered on income side of Income and Expenditure Account and all items of payments are written on the expenditure side of Income and Expenditure Account.
 - (iii) Income and expenditure account is prepared to know the net result of the activities of Not for Profit organisations involving finance.
 - (iv) Entrance fees is an item of income.
 - (v) Specific donation is an item of revenue income

20.2 PREPARATION OF INCOME AND EXPENDITURE ACCOUNT

In the previous section the format of Income and Expenditure Account and the items that are usually entered in the account have been explained. Now you will learn how to prepare Income and Expenditure Account from the given items. This account is prepared from Receipts and Payments account and additional information if any. While preparing an Income and Expenditure account, the following important points have to be kept in mind:

A. Steps for Expenditure side : The payment column of Receipts and Payments Account contains both revenue items as well as capital items. Revenue items such as rent paid salary, telephone charges etc. will be entered on the expenditure side of Income and Expenditure Account.

If necessary, adjustments will be made in these items for expenses that are outstanding at the end of the current year and/or were outstanding at the end of the previous year. Adjustment will also be made for prepaid expenses at the end of previous year as well as those at the end of current year.

B. Steps for Income side : The receipt column contains items of revenue receipts as well as capital receipts. Revenue receipts are entered in the income column of the Income and Expenditure Account. Example of such items are subscription, interest on investment, entrance fees etc.

These items need to be adjusted for the amount received for the previous year or for the next year. Similarly, adjustment should be made for outstanding income both at the current year and at the end of the previous year.

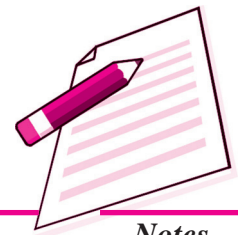
There may be other adjustments such as bad debts, depreciation, etc. will also be entered in the expenditure column.

C. Surplus or Deficit : Finally, this account is balanced i.e. difference of the totals of two amount columns is worked out. If credit side is more than the debit side the difference amount is written on its debit side as surplus and if debit side exceeds the credit side, the difference is deficit and is written on the credit side of the account.

Illustration 1

Prepare Income and Expenditure A/c from the following information of Promising Sportsmen's Club, Delhi for the year ending 31st December, 2013

	₹
Cash balance as on 1.1.2013	7,000
Subscriptions	30,000
Interest received	2,500
Sports material	24,000
Match fund	15,000
Donations	2,000



Notes

MODULE - 3

Financial Statement



Notes

Financial Statements (Not for Profit Organisation)

Sale of grass	300
Newspaper expenses	600
Investments purchased	10,000
Salaries paid	16,000
Rent paid	5,400
Miscellaneous receipts	600
Telephone charges	1,200
Cash balance as on 31.12.2013	200

Solution :

Books of Promising Sportmen Club Income & Expenditure A/c for the year ending 31st Dec., 2013

Dr.

Cr.

<i>Expenditure</i>	<i>Amount</i> ₹	<i>Income</i>	<i>Amount</i> ₹
Salaries	16,000	Subscriptions	30,000
Rent	5,400	Interest Received	2,500
Newspaper Expense	600	Sale of grass	300
Telephone charges	1,200	Miscellaneous receipts	600
Surplus excess of income over expenditure	12,200	Donation	2,000
	35,400		35,400

Illustration 2

Prepare Income and Expenditure Account from the Receipts and Payments Account of Youngsters Health Club, Jhansi for the year ending 31st December, 2013.

Receipt & Payment A/c

<i>Receipts</i>	<i>Amount</i> ₹	<i>Payment</i>	<i>Amount</i> ₹
Opening balance	2,400	Rent	3,600
Subscriptions	16,000	Stationery	450

Financial Statements (Not for Profit Organisation)

Entrance fees	200	Salary	4,800
Sale of Investments	8,000	Purchase of Equipments	5,500
Sale of old Almirah (Book value Rs 1800)	800	Expenses on competitions	2,800
Donation	2,500	Miscellaneous Expenses	650
		Furniture Purchased	4,000
		Closing balance	8,100
	29,900		29,900

MODULE - 3

Financial Statement



Notes

Solution:

Books of Youngsters Health Club
Income & Expenditure A/c
for the year ending 31st Dec., 2013

<i>Expenditure</i>	<i>Amount</i> ₹	<i>Income</i>	<i>Amount</i> ₹
Rent	3,600	Subscription	16,000
Stationery	450	Entrance fees	200
Salary	4,800	Donations	2,500
Expenses on competitions	2,800		
Miscellaneous Expenditure	650		
Loss on sale of almirah	1,000		
Surplus (excess of Income over expenditure)	5,400		
	18,700		18,700



INTEXT QUESTIONS 20.2

Answer the following in one word :

- (i) To which side of the Income & Expenditure A/c items of revenue expenses are taken?
- (ii) What term is given to the amount by which credit side of Income and Expenditure Account exceeds its debit side?
- (iii) Which side of the Income and Expenditure A/c is the side of Income?
- (iv) From which side of Receipts and Payments A/c is taken the item of entrance fees to the credit of Income and Expenditure A/c?

20.3 ADJUSTMENT OF ITEMS IN INCOME AND EXPENDITURE ACCOUNT



Notes

Income and Expenditure A/c is prepared on the basis of Receipts and Payments A/c but there may be certain items which are not included in Receipts and Payments A/c. However these need to be incorporated in Income and Expenditure A/c. Following are some of the most common adjustments to be carried out :

1. Subscription Received

It is an item of income and is of recurring nature. It appears on the Receipts side of the Receipts and Payments account. It may include arrears of previous years which is received in the current year and may also include amount received for next year in advance. There may be an amount outstanding for the current year. Some members might have paid current year’s subscription during the previous year.

For the purpose of preparing Income and Expenditure Account, subscription for the current year only is to be taken into account. Hence, there is a need for adjustment to be made for the above reasons.

Various adjustments relating to subscription are made in the following manner :

i. Subscription outstanding for current year

Journal entry

Subscriptions outstanding A/c Dr
 To Subscriptions A/c
 (Subscription for current year due but not received)

Adjustment in Income and Expenditure A/c

Income and Expenditure A/c

Dr.		Cr.	
<i>Expenditure</i>	<i>Amount</i>	<i>Income</i>	<i>Amount</i>
		Subscription	
		<i>Add:</i> outstanding for current year	

This amount will be added to subscriptions received in Income and Expenditure Account and will be shown on the Asset side of the Balance Sheet.

ii. Subscription due in the previous year but received during the current year

Journal entry

Subscription A/c Dr
 To Subscription Outstanding A/c
 (Adjustment of subscription due in last year but received in the current year)



Illustration 3

	₹
Subscription received during the year 2013	15,000
Subscription outstanding as on 31st December 2013	1,500
Subscription received in the year 2012 on account of year 2013	800
Subscription received in the year 2013 for outstanding amount of the year 2012	400
Subscription received in the year 2013 for the year 2014	600
Calculate the amount of subscription received to be shown in the Income and Expenditure Account for the year adding 31st Dec, 2013.	

Solution :

Subscription received during 2013	15,000
Add : current years outstanding	1,500
Add : received in 2012 for 2013	800
Less : received for 2012	400
Less : advance for 2014	600
Subscription to be shown in Income & Expenditure Account for 2013	16,300

Subscription Account

Dr.		Cr.	
<i>Particulars</i>	₹	<i>Particulars</i>	₹
Subscription outstanding A/c 2012	400	Cash	15,000
Subscription received in Advance A/c 2014	600	Subscription out standing A/c	1,500
Income & Expenditure A/c	16,300	Subscription received in Advance A/c (2012)	800
	17,300		17,300



Notes

2. Rent Paid

Rent paid is an item of expenditure. It may also require some adjustments in rent. The adjustments required to made to be the amount of rent paid during the year may be as follows :

- (i) Rent outstanding for the current year
- (ii) Rent paid in the current year as advance for the next year
- (iii) Rent paid in the current year on account of the outstanding amount in the previous year
- (iv) Rent paid in the previous year on account of current year.

Journal entries in the books will be made as follows :

- (i) Rent A/c Dr.
 To Rent outstanding A/c
 (Rent due but not paid)
- (ii) Rent paid in advance A/c Dr.
 To Bank A/c
 (Rent paid in advance for for the year)
- (iii) Rent outstanding A/c Dr.
 To Bank A/c
 (Amount paid for outstanding rent of the previous year)
- (iv) Rent A/c Dr.
 To Rent paid in Advance
 (Rent paid in advance last year being transferred to Rent A/c)

Calculation of Rent Amount to be shown for current year in the Income and Expenditure Account.

Rent paid in the current year	√
Add : Rent paid in advance in the previous year for current year	+ √
Add : Rent due in current year but not paid	+ √
Less : Outstanding Rent paid for previous year in current year	- √
Less : Advance rent paid for next year in current year	- √
Amount of rent to be debited to Income and Expenditure A/c	x x x x

Illustration 4

A club has paid rent of ₹ 20000 in the year 2013. Rent still to be paid amounts to ₹ 2,000. Amount of ₹ 1,500 was paid in 2012 on account of the year 2013. Calculate the amount to be taken to Income & expenditure A/c of 2013.

Solution :

	₹
Rent paid in 2013	20,000
Add Rent outstanding for 2013	2,000
Add Rent paid in advance in 2012 for the year 2013	1,500
Rent for 2013 to be charged to Income and Expenditure A/c	23,500



Notes

Depreciation on Assets

Depreciation is a non cash item. It is to be charged on every fixed asset such as Land & Building, Furniture, Books etc. every year as per predetermined method. The amount of depreciation is shown on the expenditure side of the Income & Expenditure Account and is deducted from the respective value of the asset while showing it on asset side of the Balance Sheet.

Journal Entry for the same will be

- | | |
|---------------------|-------------------------------|
| 1. Depreciation A/c | 2. Income and Expenditure A/c |
| To Asset A/c | To depreciation A/c |

Illustration 5

The following is the Receipts and Payments Account of Help AID Society of India for the year ended 31st December, 2013.

Receipts and Payments A/c

Dr. Cr.

<i>Receipts</i>	<i>Amount</i> ₹	<i>Payments</i>	<i>Amount</i> ₹
Balance b/d	8,400	Salaries	12,000
Subscriptions	7,800	Rent	6,000
Entrance fees	600	Purchase of Vans	28,000

MODULE - 3

Financial Statement



Notes

Financial Statements (Not for Profit Organisation)

Government Grant	30,000	Expenses of Motor Vans	6,400
Donation for Building Fund	25,000	Laundry charges	5,200
Interest Received	2,400	Drugs and incidental charges	9,600
		Publicity expenses	4,000
		Balance c/d	3,000
	74,200		74,200

Additional Information

1. Subscription outstanding amounted to ₹ 1,500
2. Interest accrued but not received ₹ 600
3. Salary outstanding is ₹ 1,200
4. Provide depreciation on Motor Van @ 20%

Prepare Income & Expenditure A/c.

Solution :

Books of Help AID Society of India
Income & Expenditure A/c
for the year ending December 31, 2013

Dr.

Cr.

<i>Expenditure</i>		<i>Amount</i>	<i>Income</i>		<i>Amount</i>
		₹			₹
Salaries	12,000		Subscription	7,800	
<i>Add : Outstanding</i>	<u>1,200</u>	13,200	<i>Add : outstanding</i>	<u>1,500</u>	9,300
Rent		6,000	Entrance fees		600
Expenses of Motor Van		6,400	Government Grant		30,000
Laundry charges		5,200	Interest	2400	
Drugs and incidental charges		9,600	<i>Add : Interest Accrued</i>	<u>600</u>	3000
Publicity Expenses		4,000	Deficit i.e. excess of expenditure		
Depreciation on Motor Van		5,600	over income		7100
		<u>50,000</u>			<u>50000</u>

After learning about Receipts and Payments A/c and Income Expenditure A/c in detail, we can now distinguish between the two. Following are the differences.

Difference between Receipts and Payments A/c and Income and Expenditure A/c

<i>Basis of Difference</i>	<i>Receipts and Payments A/c</i>	<i>Income and Expenditure A/c</i>
1. Nature	It is a summary of the Cash Book.	It is the summary of Revenue Income and Revenue Expenditure.
2. Side	Debit side of this account shows receipts and credit side shows payments.	Debit side of this account shows expenses and losses and credit side shows incomes and gains.
3. Opening Balance	It starts with the opening balance of Cash in hand or cash at bank.	There is no balance in the beginning.
4. Closing Balance	Closing balance of this account shows Cash in hand or cash at Bank.	Closing balance of this account shows Surplus or deficit.
5. Capital and Revenue Items	In Receipts and payments A/c, both capital and revenue nature of items are recorded.	In Income and expenditure A/c, only revenue nature items are recorded.
6. Adjustment	Adjustments are not considered while preparing it.	It is necessary to consider adjustments while preparing it.
7. Transfer of closing balance	Closing balance of this account is transferred to the Receipts and Payment A/c for the next period.	Closing balance of this account is transferred to the capital fund general fund in the Balance Sheet.



Notes



INTEXT QUESTIONS 20.3

I. A Clubs collects from its 500 members subscription @ ₹ 100 per member every year.

- (a) It has received ₹ 1,500 last year on account of current year. 20 members have not paid their due for the current year. Calculate the amount received on account of subscription.



Notes

Financial Statements (Not for Profit Organisation)

- (b) Rent of ₹ 11,000 has been paid in the current year ₹ 20,000 is still to be paid. ₹ 9,000 was outstanding last year. Calculate the amount to be written as Rent paid in the current year.
- II.
- (a) Closing balance of Receipt and Payment account is transferred to the same account for the next year, where is the balance of Income and Expenditure transferred?
 - (b) Income and Expenditure Account is the summary of Revenue Income and Revenue Expenditure then Receipt and Payment Account is the summary of what?
 - (c) Closing Balance of receipts and Payments Account shows the cash in hand/ bank what does the closing balance of Income and Expenditure Account show?
 - (d) Income and Expenditure Account does not start with any opening balance. What is the opening balance with which Receipt and Payment Accounts started?

20.4 PREPARATION OF BALANCE SHEET

Not for Profit Organisations (NPOs) also prepare Balance Sheet at the end of the year. The Balance Sheet prepared by a Not for Profit Organisation (NPOs) is not different from that which is prepared by for Profit Organisation. It has two sides (a) Assets side and (b) Liabilities side. It has only capital items i.e. Assets, liabilities and Capital fund.

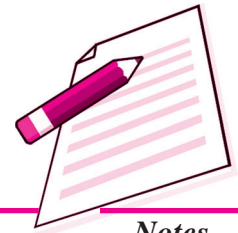
The objective of preparing a balance sheet by a Non for Profit Organisation is to show the financial stability, strength and soundness on the last date of the accounting year.

The format of the balance Sheet is given below

Balance Sheet of
As at 31st Dec.

<i>Liabilities</i>	<i>Amount</i> ₹	<i>Assets</i>	<i>Amount</i> ₹
Rent outstanding		Cash in hand	
Salary outstanding		Cash at Bank	
Subscription Received in advance		Fixed Deposits	

Building fund		Subscription outstanding	
Capital fund/General fund		Sports material	
<i>Add</i> : Life membership fee		Books	
<i>Add</i> : Surplus or Less Deficit		Furniture	
		Building	



Notes

Income and Expenditure A/c and the Balance Sheet of NPOs is prepared from the Receipts and Payments Account and the additional information. While preparing Balance Sheet of a Not for Profit organisations (NPOs) certain points are to be kept in mind which are as follows :

1. Assets appearing in the preceding years balance sheet need to be adjusted for any sale or purchase of the asset made during the year and the depreciation provided on the particular asset. Only the adjusted amount will appear in the Balance Sheet of the current year.
2. If any new asset has been purchased during the year it will appear on the payment side of Receipts & Payments A/c, therefrom it is taken to the Balance Sheet.
3. If any loan has been raised it will appear on the receipt side of Receipts and Payments A/c and repayment on its payment side. Net amount will be shown on the liability side of the balance sheet. In the same manner if any advance has been made to a person and some repayment has been made by a person, it will be shown on the Asset side of the Balance sheet at the net amount.
4. Any adjustments made regarding expenses and/or regarding incomes such as outstanding or prepaid will be shown in the Balance Sheet.
5. Any item of liability appearing in the previous years Balance Sheet will be shown at its net value i.e. after deducting from it the amount paid against them.
6. Special receipts like donations for Building etc. will not be treated as income. It will be shown as a fund meant for a special purpose on the liability side of the Balance Sheet.
7. Capital General fund taken from the last balance sheet will be shown after adjusting for the current years 'surplus' or 'deficit'.



Notes

One important point regarding preparing balance sheet is that before preparing Income and Expenditure Account and Balance sheet of a Not for Profit organisation (NPOs) for the current year. Capital General fund carried forward from the last year should be considered. Besides this, other items of liabilities and assets carried from last year are also need to be adjusted. For this Balance Sheet of the previous year will be drawn with the help of given information. This is termed as opening Balance Sheet. An opening Balance Sheet will be prepared as per following illustration.

Illustration 6

Information as on 31st December, 2013 of ‘All Green Ever Green’ an NGO working for the preservation of forests is given as under :

<i>Details</i>	<i>₹</i>
Cash in hand	1,400
Cash at Bank	21,800
Books	78,000
Furniture	16,000
Computer	24,000
Subscription outstanding	2,600
Fixed deposit with Bank	1,00,000
Subscription Received for 2014	3,800
Rent outstanding	4,000
Publicity fund	35,000
Building fund	80,000

Solution :

**Balance Sheet of ‘All Green Ever Green’
as at 31st December, 2013**

<i>Liabilities</i>	<i>Amount</i> <i>₹</i>	<i>Assets</i>	<i>Amount</i> <i>₹</i>
Subscription received in advance	3,800	Cash in hand	1,400
Rent outstanding	4,000	Cash at Bank	21,800
Publicity fund	35,000	Subscription outstanding	2,600
Building fund	8,0000	Books	78,000

Financial Statements (Not for Profit Organisation)

Capital General fund (Bal. Fig.)	1,21,000	Furniture	16,000
		Computer	24,000
		Fixed Deposit with Bank	1,00,000
	2,43,800		2,43,800



INTEXT QUESTIONS 20.4

Answer the following Questions

1. For what the assets need to be adjusted before showing them in the Balance Sheet?
2. On which side of the Balance Sheet loan item appearing on the Receipts side of Receipt and Payment Account will be shown?
3. For what items the capital fund for the years Balance Sheet will be adjusted?
4. At what value the liability of last years balance sheet will be shown in the current years balance Sheet?



WHAT YOU HAVE LEARNT

- Income and Expenditure Account is similar to Profit and Loss Account. Income and Expenditure Account is the summary of Incomes and Expenditures of a Not for Profit Organization (NPO) of a particular year.
- Income and Expenditure Account is prepared to know the net result of the financial activities of Not for Profit Organisations (NPOs) which may be either surplus or Deficit.
- Important items of expenditure are revenue expenses such as salary, postage, stationery, honorarium, depreciation etc. Main items of incomes are subscription, entrance fees etc.
- All adjustments such as outstanding, prepaid etc. are incorporated before arriving at the surplus or deficit.
- Receipts and Payments Account and Income and Expenditure Account can be differentiated on the basis of nature, side, opening balance, closing balance, capital and Revenue items adjustments and transfer of closing balance.

MODULE - 3

Financial Statement



Notes



Notes

- Every Not for Profit Organization (NPO) prepares Balance Sheet at the end of the year. It also has the asset side and the liability side. Opening balance sheet is required to prepare Balance Sheet for the current year.



TERMINAL EXERCISE

1. What is an Income and Expenditure Account?
2. Explain the objectives of preparing Income and Expenditure Account.
3. List the various items of income and expenditure of a Not for Profit Organisations (NPOs).
4. Describe in brief the steps taken to prepare Income and Expenditure Account.
5. Differentiate between Receipt and payment Account and Income and Expenditure Account on the basis of
 - i. Nature
 - ii. Adjustment
 - iii. Side
 - iv. Transfer of closing balance.
6. Prepare Receipts and Payments Account from the information given below:

	₹
Cash in hand on 1. 1.2013	3,600
Cash at bank on 1.1.2013	10,000
Subscription	6,000
Entrance Fees	1,000
Wages paid to labourers	800
Salaries paid to clerks	3,000
Electricity	1,500
Conveyance	600
Honorarium to Secretary	1,200
Printing and Stationery	500
Fixed Deposit made with bank	10,000

7. What amount will you post to Income and Expenditure Account from the information given below for the year 2013?

	₹
Subscription received during 2013	10,000
Subscription due in 2012	2,000
Subscription received in 2012 for 2013	400
Subscription received in 2013 for 2014	600
Subscription due for 2013	1,000



Notes

8. How will you show the followings in the Income and Expenditure Account?
- Rent paid in the Current year ₹ 6,000
 - Rent due in Current year ₹ 800
 - Rent paid last year for this year ₹ 600
 - Rent due of last year paid in this year ₹ 2,000
 - Advance rent paid for next year in this year ₹ 1,600
9. From the Receipts and Payments Account and the information given, prepare Income and Expenditure Account and Balance Sheet of Shrey Blue Star Club:

Receipts and Payment Account
for the year ended 31 st December, 2013

<i>Receipts</i>	<i>Amount</i> ₹	<i>Payments</i>	<i>Amount</i> ₹
Balance b/d	1,500	Electricity	1,500
Subscriptions:		General Expenses	1,250
2012	500	Honorarium to Secretary	1,250
2013	8,000	Books	2,250
2014	450	Newspapers	500
Sale of Newspapers	250	Furniture (Purchased)	1,000
Sale of old Furniture (Book value ₹ 300)	200	Fixed Deposit made with bank on 1.1.2013 @ 5%p.a.	4,000

MODULE - 3

Financial Statement



Notes

Financial Statements (Not for Profit Organisation)

Rent received for the use of Hall	1,750	Balance c/d	2,400
To Profit from Entertainment	1,500		
	14,150		14,150

Information

- (i) The club has 160 members each paying annual subscription of ₹100.
 - (ii) Subscription outstanding on 31.12.2012 ₹ 1350
 - (iii) On 31.12.2013 General Expenses outstanding amounted to ₹ 50.
 - (iv) On 1.1.2013 the club owned Building valued at ₹ 40,000, Furniture ₹ 2,000 and Books ₹ 6000.
10. How will you show the following in the Income and Expenditure Account?
- (i) Rent paid in the Current year ₹ 1,000
 - (ii) Rent due in Current year ₹ 200
 - (iii) Rent paid last year for this year ₹ 300
 - (iv) Rent due of last year paid in this year ₹ 500
 - (v) Advance rent paid for next year in this year ₹ 400
11. From the Receipts and Payments Account and the information given, prepare Income and Expenditure Account and Balance Sheet of Sports Club:

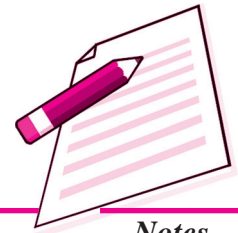
Receipts and Payment Account for the year ended 31st December, 2013

Receipts	Amount ₹	Payments	Amount ₹
Balance b/d	5,100	Purchase of sport equipment	5,000
Subscriptions:		Electricity	1,500
2012	800	General Expenses	2,250
2013	3,000	Honorarium to Secretary	3,250
2014	1,250	Books	4,250
Sale of newspapers	250	Newspapers	600
Life membership	6,000	Furniture (Purchased)	4,000
Sale of old Furniture (Book value ₹ 600)	400	Fixed Deposit made with bank on 30.6.2013 @ 8%	10,000
Rent received for the use of Hall	2,750	By Balance c/d	2,200

Govt. Grant	10,000		
Profit from Entertainment	3,500		
	32,450		32,450

Additional Information

- (i) The club has 100 members each paying annual subscription of ₹100.
- (ii) On 31.12.2013 General Expenses outstanding amounted to ₹ 250.
- (iii) On 1.1.2013, the club owned Building valued at Rs.10,000, Furniture ₹ 12,000 and Books ₹ 6,000
- (iv) Sports equipments ₹ 2,400 as on 1.1.2013. Depreciation was to be allowed on furniture @ 5%. Sports equipment at the end of the year were ₹ 3,600.



Notes



ANSWERS TO INTEXT QUESTIONS

- 20.1 I.** Income : Grant-in-aid, sale of old newspapers, subscription, locker rent
Expenditure : Honorarium, Insurance premium
- II.** (i) W (ii) W (iii) R (iv) R (v) W
- 20.2** (i) Expenditure (debit) (ii) Surplus (iii) Credit (iv) Receipts
- 20.3 I.** (a) ₹ 46,500 (b) ₹ 22,000
- II.** (a) Balance Sheet as Surplus / Deficit (b) Cash / Bank A/c
(c) Surplus / Deficit (d) Cash / Bank
- 20.4** 1. Sale/purchase in the current year and depreciation provided
2. Liability side 3. For surplus/deficit
4. At net value i.e. after deducting from it the amount paid against them.



ANSWERS TO TERMINAL EXERCISE

- 6. Closing cash in hand ₹ 3,000
- 7. Subscription ₹ 8,800 to posted
- 8. Rent to be ₹ 3,800 posted
- 9. Surplus ₹ 15,050, Capital fund (opening) ₹ 50,850
Total Balance Sheet ₹ 64,400
- 10. Rent : ₹ 600
- 11. Surplus ₹ 14,250 Capital fund (opening ₹ 36,300)
Total Balance Sheet ₹ 58,050