

Chapter-6

Financial Statement of Not-for –Profit Organisations

1. Meaning of Not-for –Profit Organisations

There are certain organisations which are formed not to earn profits but to render services to its members and to the public. Such organisation includes clubs, hospitals, libraries, school, religious institution, charitable institution and literary societies etc. These non- profit seeking entities exist with a primary motive of providing services.

As the main aim of these organisations is not to earn profits, they do not prepare Trading and Profit & loss A/c. But still they have maintain proper accounts. This is a also a legal requirement and they would also like to know whether their current incomes are sufficient to meet their current expenses. For this purpose they prepare an “Income and Expenditure Account’ which is similar to a profit & loss Account of a profit seeking entity. A Balance Sheet is also prepared in order to show the financial position of the organisation on the last date of the accounting year.

2. Main Features(or Characteristics) of Not-for–profit Organisation

- (i) **Main aim is service-**Such organisations are set up to provide service to a specific group or the public at large such as education, health care, sports, entertainment etc. The main aim of these organisations is to provide service either free of cost or at nominal rates and not to earn profit.
- (ii) **Form-**These organisation are set up as charitable trusts or societies and subscribers to these organisations are called members.
- (iii) **Separate Entity-** Not for profit organisations are treated as a separate entity distinct from its members.
- (iv) **Managed by Elected Members-** These organisations are usually managed by a managing or executive committee elected by its members.
- (v) **Major Source of Income-** The major sources of their incomes usually are: (a) subscription from their members, (b)donations, (c)financial assistance from Government in the form of grant-in-aid, (d)income from investments etc.
- (vi) **Surplus not distributed among its members-** Current year’ surplus in the form of excess of income over expenditure is not distributed amongst its member. It is added to Capital Fund.
- (vii) **Accounts-** These organisations also have to maintain proper accounts to meet the legal requirement and to exercise proper control over utilisation of their funds.
- (viii) **Forms of Accounts-** They prepare their financial statements at the end of each accounting period (usually a financial year) in the form of Receipts and Payments Account; Income and Expenditure Account and a Balance Sheet.

3. Receipts and Payment Account

This Account is merely a summary of the transaction appearing in the Cash Book.

According to William Pickles: "Receipts and payments Account is nothing more than a summary of the Cash Book(Cash and Bank transactions) over a certain period, analysed and classified under suitable headings. It is the form of account most commonly adopted by the treasurers of societies, clubs association etc. when preparing the results of the year's working."

As such, a receipt and payment account is prepared at the end of the year from the Cash Book. All Receipt and Payment which are entered in the Cash Book are also entered in the receipt and payments account, of course, in a summary form.

4. Distinction between Receipt and Payment Account and Cash Book

S.No.	Basic of Distinction	Receipts & Payment Account	Cash Book
1.	Basis	It is prepared on the basis of Cash Book.	It is prepared on the basis of each cash receipt and cash payment.
2.	Period	It is prepared at the end of accounting year. In other words, it is a summary of cash book.	It is prepared on daily basis.
3.	Part of Double Entry System	It is merely a summary of cash book, it is not deemed to be a part of the double entry system.	It from part of double entry system.
4.	Debit & Credit Sides	It has receipts and payments side instead of debit and credit sides.	It has debit and credit sides.
5.	Ledger folio Column	It has no ledger folio(L.F.) Columns.	It has ledger folio(L.F.) Columns.
6.	Institutions	It is prepared by not-for-profit organisations.	It is prepared by all organisations whether profit seeking or not-for-profit organisation.

5. Income & Expenditure Account

It is similar to the Profit & loss Account of a profit seeking entity and is prepared to ascertain whether the current incomes are in excess of current expenditure or *vice-versa*.

The End product of this account is surplus or deficit. If credit side of this account exceeds the debit, it is known as excess of income over expenditure (surplus) and the contrary, if the debit side exceeds the credit, it is excess of expenditure over income (deficit).

6. Balance Sheet

Just as in profit seeking concerns, a Balance Sheet is to be prepared even by non-profit organisation to show the financial position on the last date of the accounting year. It is prepared from the balance remaining after the transfer of all revenue income and expenditure to the Income & Expenditure Account.

In the absence of a trial balance, the following point should be kept in consideration while preparing a Balance Sheet:-

Assets

- i. Fixed Assets appearing in the previous year's Balance Sheet (also known as the Opening Balance Sheet) Should be adjusted for the assets purchased, sold and depreciation during the year. Only the adjusted amount will appear in the closing Balance sheet.
- ii. Prepared Expenses, accrued incomes and investments should be shown on the asset side.
- iii. The closing balance of cash and bank as shown by the Receipt and Payment Account should be shown on the assets side. However, if there is overdraft balance of bank, it will be shown on the liabilities side.

Liabilities

- i. The loan appearing on the liabilities side of the previous year's Balance Sheet Should be seen and the Receipt and Payment Account should be scanned to find out whether any new loan has been raised or the old loans have been repaid. Only the net amount of loan will be shown on the liabilities side of the Balance Sheet.
- ii. If any new loan has been raised it will be fund on the debit side of the receipts and payment account. It should also be shown on the liabilities side.
- iii. If there is a special receipt like donations for the building, it will be shown on the liabilities side. Similarly, special fund created for meeting expenses such as prize fund, tournament or sports fund will be shown on the liabilities side.
- iv. Outstanding expenses and the income received for the next year (unearned incomes) will be shown on the liabilities side.
- v. Any excess of Assets over Liabilities in case of a non-profit seeking organisation is called Capital fund. It occupies the same position which the capital account occupies in case of profit seeking entities.

7. Some Important Item relating to Non-Profit seeking Organisations

- a. **Subscription-** It is the main source of income of a non- profit entity. It will be appearing on the debit side of Receipts and Payment Account and out of it the subscription belonging to the current year will be posted to the credit side of Income and Expenditure Account.
- b. **Life-Membership Fee** – In order to become the member of an organisation for the whole of the life, some members pay the fee in lump sum, *i.e.*, once in their life time. It is a receipt of non-recurring nature (capital receipt) since the members will not be required to pay the fees annually. Hence, it is not credited to the Income and Expenditure Account but added to the capital fund or shown separately on the liabilities side.
- c. **Endowment Fund-** According to Eric L.Kohler, "It is a fund arising from a bequest or gift, the income of which is devoted for a specific purpose." Thus, it is

a capital receipt because it provides a permanent income to the institution. It should be shown on the liabilities side as a separate item.

- d. **Entrance Fees\Admission Fees-** It is received from the new members apart from the amount of annual subscriptions. Some people favour capitalizing the entrance fee on the ground that it is collected once for all and as such it is not of the recurring nature.
 - e. **Donation:-** It may be classified as specific donation and general donation:
 - (i) **Specific Donation-** When donation received is to be utilized for a specific purpose, i.e., donation for building, it is capitalized and is shown on the liability side of Balance Sheet.
 - (ii) **General Donation-**General Donation is the donation in which the donor does not specify the purpose for which the donation has to be used. It is treated as an income and is credited to Income and Expenditure Account.
 - f. **Legacy:-** It is the amount which a non-profit entity receives as per the WILL of a deceased persons. It appears on the debit side of the Receipts and Payment Account. This amount is not a recurring nature, and as such it is treated as capital receipt and shown on the liabilities side.
 - g. **Sale of Old Assets:-** It appears on the debit side of Receipts and Payments Account. It is a capital receipt and as such should not be transferred to Income and Expenditure Account.
 - h. **Sales of Old Newspapers and Sports Material-**It appears on the debit side of Receipts and Payments Account and is transferred to the credit side of Income and Expenditure Account due to the fact that selling the old newspapers and used sports materials like old bats, ball, etc. is a regular feature of any non-profit seeking institution.
 - i. **Payment of Honorarium-**The amount paid to persons who are not the employees of the institution is called honorarium and is debited to the Income and Expenditure Account.
8. **General and Special Fund-**In case of non-profit organisations there is no Capital A/c. The difference between the assets and outside liabilities is known by the name 'Capital Fund' and the difference of Income & Expenditure is transferred to this fund every year. This 'Capital Fund' is also known as the 'General Fund'.
9. **Capital Receipts-**It includes those receipts which will yield benefits' to the entity in the current year as well as in future years. They are of non-recurring nature or in other words, they are not received at regular intervals.
- a. Life Membership Fees
 - b. Endowment Fund Receipts
 - c. Donations for specific purposes such as construction of building, special contribution for Silver Jubilee Celebration, Donation for club pavilion etc.

d. Legacies, *i.e.*, the amount received under a will.

All the four receipts mentioned as above should be written on the liabilities side of the Balance Sheet.

10. Revenue Receipts-Remaining items appearing on the debit side of Receipts and Payments Account are treated as revenue receipt such as Subscription, Rent received, Interest received, Entrance fees, Sale of old newspapers etc. These should be posted to the credit side of Income and Expenditure Account after making necessary adjustments.

NPO

Example: 1 A club received ₹ 20,000 as subscriptions during the year 2015-16 of which ₹ 3,000 relate to year 2014-15 and ₹ 2,000 to 2016-17, and at the end of the year 2015-16 ₹ 6,000 are still receivable. Find the amount of subscription which relate to the year 2015-16.

Particulars	Amt (₹)
Subscription received in 2015-16	20,000
(-) Subscriptions outstanding at the beginning of the year	(3,000)
	17,000
(-) Subscriptions received in advance at the year	(2,000)
(+) Subscriptions outstanding at the end of the year	15,000
	6,000
Income from subscriptions for the year, 2015-16	21,000

Example: 2 From the following information, calculate the amount of subscriptions outstanding as at 31st March, 2016.

A club has 250 members each paying an annual subscription of ₹ 1,000. The receipts and payments account for the year showed a sun of ₹ 2,65,000 received as subscriptions. The following additional information is provided

Particulars	Amount (₹)
Subscriptions outstanding on 31 st March, 2015	40,000
Subscriptions received in advance on 31 st March, 2016	30,000
Subscriptions received in advance on 31 st March, 2015	12,000

Example: 3 From the following information calculate the amount of subscriptions to be credited to the income and expenditure account for the year, 2015-16

Particulars	Amt (₹)
Subscriptions received during the year	80,000
Subscriptions outstanding on 31 st March, 2015	26,000
Subscriptions outstanding on 31 st March, 2016	6,000
Subscriptions received in advance on 31 st March, 2015	15,000
Subscriptions received in advance on 31 st March, 2016	10,000

Subscriptions of ₹ 2,000 are still in arrears for the year 2014-15

Example: 4 Receipts and payments account of Friends Association disclosed that it has received ₹ 4,00,000 by way of subscriptions during the year ended on 31st March, 2016.

Additional Information

Particulars	Amt (₹)
Subscription outstanding as on 1-4-2015	10,000
(out of which ₹ 7,000 were received in 2015-16)	
Subscription received in advance on 31-3-2015	6,000
Subscription received in advance on 31-3-2016	8200

Show the amount of subscription that will appear income and expenditure account for the year ending 31st march, 2016 and the balance sheet as that date in each of the following alternative cases.

- (i) If subscription outstanding for 2015-16 is ₹ 12,800.
- (ii) If subscription outstanding as on 31-3-2016 is ₹ 12,800.

Example: 5 find out the cost of medicines consumed during 2015-16 from the following information

Particulars	Amt (₹)	Particulars	Amt (₹)
Payment for purchase of medicines	3,70,000	Stock of medicines	
Creditors for medicines purchased		On 1 st April, 2015	62,000
On 1 st April, 2015	25,000	On 31 st March, 2016	54,000
On 31 st March, 2016	17,000	Advance to supplies of medicines	
		On 1 st April, 2015	11,500
		On 31 st March, 2016	18,200

Example: 6 On the basis of the information given below, calculate the amount of stationary to be debited to the income and expenditure account of Good Health Sports Club for the year ended 31st March, 2016

	1 st April, 2015 (₹)	31 st March, 2016 (₹)
Stock of stationery	8,000	6,000
Creditors for stationery	9,000	11,000

Stationery purchased during the year ended 31st March, 2016 was ₹ 47,000.

Example: 7

- (i) Tournament fund ₹ 40,000, tournament expenses ₹ 14,000, receipts from tournament ₹ 16,000.
- (ii) Prize fund ₹ 22,000, interest on prize fund investment ₹ 3,000, prizes given ₹ 5,000, prize fund investment ₹ 18000.
- (iii) Table tennis match expenses ₹ 4,000.
- (iv) Receipts from charity show tickets ₹ 7,000, expenses on charity show ₹ 3,000.

Example: 8 From the following information of a club, show the amounts of match expenses and match fund in the financial statement of the club for the year ended on 31st March, 2016.

Particulars	Amt (₹)
Match expenses (paid during the year , 2015-2016)	30,000
Match fund (as at 31 st March, 2015)	17,000
Donation for match fund (received during the year, 2015-16)	9,000
Receipts from the sale of match tickets (received during the year, 2015-16)	3,000

Example: 9 Show, how will you deal with the following items while preparing the final accounts, for the year ending on 31st March, 2016 in each of the following alternatives cases

- (i) Prize awarded ₹ 12,000.
- (ii) Prize awarded ₹ 12,000, prize fund as at 31st March, 2015 ₹ 25,000.
- (iii) Prize awarded ₹ 12,000, prize fund as at 31st March, 2015 ₹ 25,000, donation received for prizes during the year 2015-16, ₹ 10,000, 10% prize fund investment as at 31st March, 2015 ₹ 25,000 interest received on 10% prize fund investment ₹ 2,500.

Example: 10 From the following particulars relating to Royals Club, New Delhi, prepare a receipts and payments account for the year ending 31st March, 2016.

Particulars	Amt (₹)
Cash in Hand as on 1 st April, 2015	15,000
Cash at Bank as on 1 st April, 2015	96,000
Subscriptions Collected for the year ending	
31 st March, 2015	30,000
31 st March, 2016	4,40,000
31 st March, 2017	12,000
Donations received	50,000
Donation received for Pavilion	4,00,000
8% Investments Purchased on 1 st April, 2015	4,00,000
Purchase of refreshments	24,000
Rent Paid	12,000
Entrance fee received	36,000
Honorarium to Secretary	20,000

Interest on 8% Investments	18,000
Furniture purchased	40,000
Sale of Old Furniture (Cost ₹ 12,000)	8,000
Sports Materials Purchased	1,60,000
Sale of Refreshments	60,000
Salaries of wages	1,48,000
Sports expenses (including unpaid expenses ₹ 10,000)	50,000
Cash in Hand as on 31 st March, 2016	12,400
Depreciate Furniture @ 10% per annum	

Example: 11 From the following information, prepare income and expenditure account.

	Amit (₹)		Amit (₹)
Fees collected including ₹ 8,00,000 on account of the precious year	38,00,000	Meeting expenses Travelling expenses	1,18,000 60,000
Fees for the year outstanding	1,00,000	Purchase of books and periodicals, including ₹ 1,90,000 for purchase of books	2,90,000
Salary paid, including ₹ 30,000 on account of the precious year	2,80,000	Rent	1,00,000
Salary outstanding at the end of the year	10,000	Postage and telephones	1,50,000
Entertainment expenses	30,000	Printing and stationery	40,000
Tournament expenses	1,20,000	Donations received	2,00,000

Example: 12 Following is the receipts and payments account of Good Health Sports Club for the year ended 31st December, 2016.

Receipts	Amt (₹)	Payments	Amt(₹)
To Balance b/d	10,000	By Building	54,000
To Donations for Building	50,000	By Match Expenses	450
To Life Membership Fee	4,000	By Furniture	2,550
To receipts from Matches	8,000	By Investment (Purchased on 1 st April, 2016 @ 20% per annum)	16,000
To subscriptions (including ₹ 100 for 2015)	5,200		
To Lockers Rent	400	By Salaries 2015	2,000

To Interest on Investments	240	2016 5,000	7,000
To sale of Furniture (Book value ₹ 800)	1,000	By Insurance	350
To Entrance Fees	3,000	By Sundry Expenses	970
		By balanced c/d	520
	81,840		81,840

Additional Information

- (i) Subscriptions outstanding on 31st December, 2015 were ₹ 200 and on 31st December, 2016 were ₹ 300.
 - (ii) Outstanding salaries for the year ended 31st December, 2016 were ₹ 800 and outstanding bills for sundry expenses were ₹ 600.
 - (iii) Donations for building includes ₹ 10,000 for general donations.
- Prepare income and expenditure account of the club for the year ending 31st December, 2016.

Example: 13 From the following receipts and payments accounts for the year ended 31 December, 2016 and additional information given, prepare the income and expenditure account of Bharat Sports Club for the year ended 31st December, 2016.

Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d		By Salaries	16,500
Cash 890		By Billiards table	17,500
Bank 7,000	7,890	By Office Expenses	4,100
To Subscriptions	22,200	By Stationery	2,300
To Life Membership Fee	32,200	By Tournament Expenses	20,500
To Tournament Fund	20,000	By Furniture Purchased	7,700
To Lockers Rent	1,500	By Sports Equipment Purchased	12,000
To Sale of Old Sports Material (costing ₹ 2,200)	2,500	By Fixed Deposit (on 1 st October, 2016 at 10% annum)	30,000
To Interest on Fixed Deposits	500	By Balance c/d	
To legacy	37,500	Cash in Hand 690	
To Entrance Fees	9,000	Cash at Bank 22,000	22,690
	1,33,290		1,33,290

Additional Information

Subscriptions outstanding on 1st January, 2016 were ₹ 1,500 and on 31st December, 2016 were ₹ 2,000. On 1st January, 2016 the club had building ₹ 40,000, Furniture ₹ 15,000, sports equipment ₹ 16,000. Charge depreciation on these items @ 10% including purchases during the year.

Example: 14 From the following receipts and payments account and additional information provided, prepare the income and expenditure account of Patel Education Society for the year ended 31st march, 2016.

Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	1,50,000	By Rent	9,500
To Interest on Investments	5,000	By Postage Expenses	15,00
To subscriptions	1,80,000	By 10% Investment (1 st July)	50,000
To Sale of Newspapers	3,000	By Payment to Creditors	3,500
To Sale of Computers	15,000	By Advertisement Expenses	11,000
To Donations	75,000	By Salaries	3,45,000
		By Balanced c/d	7,500
	4,28,000		4,28,000

Additional Information

- (i) Subscriptions due to 31st March, 2015 and 31st March, 2016 were ₹ 3,500 and ₹ 6,200 respectively.
- (ii) Subscriptions paid in advance as at 31st March, 2015 were ₹ 1,800 and on 31st March, 2016 were ₹ 1,500.
- (iii) The book value of computers on 1st April, 2015 was ₹ 50,000 of which half the computers were sold during the year.
- (iv) The book value of investments on 1st April, 2015 was ₹ 75,000 and the rate of interest was 10% per annum.
- (v) Creditors on 31st March, 2015 were ₹ 7,500.
- (vi) Outstanding expenses for rent, postage and stories for the current year were ₹ 900, ₹ 400 and ₹ 15,000 respectively.

Example: 15 the following is the receipts and payment account of Queen’s Club for the year ended 31st March, 2016.

Receipts and Payment Account

For the year ended 31st March 2016

Receipts	Amt (₹)	Payments	Amt (₹)
To Balanced b/d	1,82,000	By salaries	1,66,000
To Subscriptions	1,80,000	By Stationery	32,000
To tournament fund	1,64,000	By Rent	48,000
To Interest (investment)	65,000	By Telephone Expenses	8,000
To Donations	1,12,000	By Sports Material and Expenses	78,000

To sale of concert Tickets	2,47,000	By 6% Investments	5,00,000
		By Miscellaneous Expenses	24,000
		By concert Expenses	58,000
		By Balance c/d	36,000
	9,50,000		9,50,000

Additional Information

- (i) Subscriptions include ₹ 12,000 for 2014-15 and ₹ 18,000 for 2016-17.
 - (ii) Stock of stationery on 31st march, 2015 and 2016 was ₹ 7,200 and ₹ 5,400 respectively.
 - (iii) Stock of sports material at the beginning and of the year was ₹ 12,000 and ₹ 21,000 respectively.
 - (iv) Rent includes ₹ 4,000 paid for March, 2015. Rent for March, 2016 is outstanding.
 - (v) Telephone expenses include ₹ 3,000 as quarterly rent up to 31st May, 2016.
 - (vi) The value of building as on 31st March 2015, was ₹ 8,00,000 and you are required to write-off depreciation at 10%.
 - (vii) The value of investment on 31st March, 2015 was ₹ 10,00,000 and the club made similar additional investments during the year on 1st October, 2015.
- You are required to prepare the income and expenditure account of the club for the year ended 31st March, 2016.

Example: 16 From the following balances prepare a balance sheet as on 31st March, 2016.

Cash in Hand	12,000
Cash in Bank	8,000
Books	16,000
Billiard Table	24,000
Furniture	30,000
Investment	30,000
Prepaid Expenses	20,000
Building	1,00,000
Outstanding Expenses	40,000
Subscription Received in Advance	24,000
Subscription Accrued	20,000
Surplus (income over expenditure)	20,000

Example: 17 Prepare opening and closing balance sheet from the following information

Particulars	31 March, 2015	31 March, 2016
Cash in Hand	12,000	20,000

Cash in Bank	8,000	10,000
Books	16,000	14,000
Billiards Table	24,000	22,000
Furniture	30,000	28,000
Investment	30,000	26,000
Prepaid Expenses	20,000	36,000
Building	1,00,000	1,00,000
Outstanding Expenses	40,000	60,000
Subscription Received in Advance	24,000	40,000
Subscription Accrued	20,000	60,000
Surplus (income over expenditure)		20,000

Example: 18 From the following particulars relating to the Ramkrishna Mission Charitable Hospital, prepare the income and expenditure account for the year ended 31st March, 2016 and the balance sheet as at that date.

Receipts and Payments Account

For the year ended 31st March, 2016

Receipts	Amt (₹)	Payments	Amt (₹)
To cash in hand on 1 st April, 2015	7,130	By Medicines	30,590
To subscriptions	47,996	By Doctor's Honorarium	9,000
To Donations	14,500	By Salaries	7,500
To Interest on Investment @ 7% for full year	7,000	By Petty Expenses	461
To Receipt from Charity Show	10,450	By Equipment	15,000
		By Expenses on Charity show	750
		By cash in Hand on 31 st March, 2016	3,775
	87,076		87,076

Additional Information

	On 1 st April. 2015 Amt (₹)	On 31 st March, 2016 Amt (₹)
Subscriptions due	240	280
Subscriptions received in advance	64	100
Stock of Medicines	8,810	9,740
Estimated value of equipment	21,200	31,600

Building (cost less depreciation) 40,000

38,000

Example: 19 The treasurer of India Tennis Club presented the following receipts and payments account for the year ended 31 March, 2016.

Receipts and Payments Account

for the year ended 31st March, 2016

Receipts	Amt (₹)	Payments	Amt (₹)
To cash at Bank (Opening)	10,200	By Purchase of tennis Balls	4,000
To subscriptions	24,000	By refreshments Creditors	22,000
To sale of Refreshments	30,500	By Marking and Repairing Courts	3,800
To Court Hire	2,700	By Construction of New court	25,000
To Sales of Tennis Balls	3,700	By General Expenses	3,100
		By Cash at Bank (Closing)	13,200
	71,100		71,100

Additional Information

	1st April, 2015 (₹)	31 st March 2016 (₹)
Tennis balls on hand (at cost)	400	900
Creditors for refreshments	4,000	3,000
Subscriptions outstanding	2,000	3,500
Club Courts	60,000	

Prepare an income and expenditure account for the year ended 31st March, 2016 and show the balance sheet as on that date. Also prepare the relevant accounts for computation of various items.

Example: 20 From the following receipts and payments account of Sonic Club and from the given additional information, prepare income and expenditure account for the year ending 31st December, 2016 and the balance sheet as on 31st December, 2015 and 31st December, 2016.

Receipts and Payments Account

For the year ended 31st December, 2016

Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	1,90,000	By salaries	3,30,000
To Subscriptions	6,60,000	By Sports equipment	4,00,000
To Interest on Investments @ 8% per annum for full year	40,000	By Balance c/d	1,60,000
	8,90,000		8,90,000

Additional Information

- (i) The club had received ₹ 20, 000 for subscription in 2015 for 2016.
- (ii) Salaries had been paid only for 11 months.
- (iii) Stock of sports equipment on 31st December, 2015 was ₹ 3,00,000 and on 31st December, 2016 ₹ 6,50,000.

Example: 21 From the following receipts and payments account of Jan Kalyan Club, prepare income and expenditure account and balance sheet for the year ending 31st March, 2016.

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

Receipts	Amt (₹)	Payments	Amt (₹)
To Cash in Hand as at 1 st April, 2015	6,800	By salaries	24,000
To Subscriptions	60,200	By Travelling Expenses	6,000
To Donation	3,000	By Stationery	2,300
To Sale of Furniture (Book value ₹ 6,000)	4,000	By Rent	16,000
To Entrance Fee	800	By Books Purchased	6,000
To life Membership Fee	7,000	By Building Purchased	30,000
To interest on Investment (@ 5% for full year)	5,000	By Cash in Hand as at 31 st March, 2016	18,00
	86,800		86,800

Additional Information

Items	As on 1 st April, 2015	As on 31 st March, 2016
(i) Subscriptions received in advance	1,000	3,200
(ii) Outstanding subscriptions	2,000	3,700
(iii) Stock of stationery	1,200	800
(iv) Books	13,500	16,500
(v) Furniture	16,000	8,000
(vi) Outstanding rent	1,000	2,000

Example: 22 Following is the receipts and payments account of literacy Club for the year ended 31st March, 2016.

Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	19,550	By Salary	3,000
To Subscriptions		By Newspapers	2,050



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2014-2015	1,200		By Electricity Bill	1,000
2015-2016	26,500		By Fixed Deposit	20,000
2016-2017	500	28,200	(on 1 st July, 2015 @ 9% per annum)	
To Sale of Old Newspapers	1,250		By Books	10,600
To Governments grants	10,000		By Rent	6,800
To Sale of Old Furniture (Book value ₹ 7,000)	5,700		By furniture	10,500
			By Balance c/d	11,200
To interest on Fixed Deposits	450			
	65,150			65,150

Additional Information

- (i) Subscriptions outstanding a on 31st March, 2015 were ₹ 2,000 and on 31st March, 2016 ₹ 2,500
 - (ii) On 31st March, 2016 salary outstanding was ₹ 600 and rent outstanding was ₹ 1,200.
 - (iii) The club owned furniture ₹ 15,000 and books ₹ 7,000 on 1st April, 2015.
- Prepare income and expenditure account of the club for the year ended 31st March, 2016 and as certain capital fund on 31st March, 2015. Also prepare a balance sheet as on 31st March, 2016.

Example: 23 Following is the receipts and payment account of Rohatgi Trust.

Receipts and payments account for the year ended 31st December, 2016

Receipts	Amt (₹)	Payments	Amt (₹)
To cash in hand	14,000	By rent	6,000
To cash at bank	60,000	By salary	12,000
To subscription		By postage	300
2015	5,000	By electricity charges	6,000
2016	83,000	By purchases of furniture	20,000
2017	3,000	By books	3,000
To sale of investment	90,000	By Defence bonds	1,50,000
To interest on investment	2,000	By help to needy students	22,000
To sale of furniture (Book value ₹ 3,000)	3,200	By cash in hand	10,900
		By cash at bank	30,000
	2,60,200		2,60,200

Prepare income and expenditure account for the year ended 31st December, 2016, and a balance sheet as on the date after the following adjustments.

- (i) Subscriptions for 2016, still owing were ₹ 7,000.
- (ii) Interest due on defence bonds was ₹ 7,000.
- (iii) Rent still owing was ₹ 1,000.
- (iv) The book value of investment sold was ₹ 80,000, ₹ 30,000 of the investment were still in hand.
- (v) Subscription received in 2016 included ₹ 400 from a life member.
- (vi) The total furniture on 1st January, 2016 was worth ₹ 12,000.
- (vii) Salary paid for the year 2017, is ₹ 2,000.

Example: 24 Following is the receipts and payments account of Lions Club for the year ended 31st December, 2016.

Receipts and Payments Account

For the year ended 31st December, 2016

Receipts	Amt (₹)	Payments	Amt (₹)
To cash in hand (1 st January, 2016)	4,500	By bank overdraft (1 st January, 2016)	9,300
To subscriptions		By investment in securities	9,000
2015 900		By furniture	4,350
2016 48,600		By salaries	18,600
2017 450	49,950	By printing and Stationery	2,670
To income from entertainment	870	By miscellaneous Expenses	4,260
To entrance fees	2,010	By balance on (31 st December, 2016)	
To interest on securities	1,800	Cash in hand 1,650	
		Cash at bank 9,300	10,950
	59,130		59,130

Prepare the income and expenditure account of the year ended 31st December, 2016 and the balance sheet as at that date having due regard to the following additional information

- (i) The club has 5,400 members, each paying an annual subscription ₹ 10. Subscriptions amounted to ₹ 270 are in arrears in respect of the year, 2015.
- (ii) Stock of stationery on 31st December, 2015 was ₹ 375 and on 31st December, 2016 was ₹ 261.
- (iii) Entrance fees are to be capitalized.
- (iv) Salary of ₹ 1,650 for December 2016 is outstanding. Expenses accruing on 31st December, 2015 amounted to ₹ 396. The club paid ₹ 1,000 in the year, 2015 towards telephone charges of which ₹ 375 relate to 2016.

- (v) As on 31st December, 2015 premises stand in the books at ₹ 73,500 and investments at ₹ 19,500, Depreciate premises and furniture by 10% per annum (furniture was purchased on 1st January, 2016).

Example: 25 The balance sheet of Mind Blowing Club 1st April, 2015 and the receipts and payments account for the year ended 31st March, 2016 are

Balance sheet

As at 1st April, 2015

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital fund	2,10,000	Premises	2,00,000
Creditors for stationery	5,000	Furniture	10,000
		Bank Balance	5,000
	2,15,000		2,15,000

Receipts and payments Account

For the year ended 31st March, 2016

Receipts	Amt (₹)	Payments	Amt (₹)
To Balance b/d	5,000	By electricity charges	6,000
To subscriptions	43,000	By furniture	15,000
To donations (Not to be capitalized)	16,500	By salaries	30,000
To sundry receipts	13,750	By creditors for Stationery	12,500
		By General Expenses	10,500
		By Balance c/d	4,250
	78,250		78,250

Additional Information

- (i) On 30th September, 2015 the old furniture was donated to the Red Cross and new furniture was purchased on 1st October, 2015. Depreciation @ 10% per annum is to be provided on the furniture.
- (ii) On 31st March, 2016 the creditors for stationery were ₹ 2,400 and the value of the unused stationery was ₹ 2,700.
- (iii) A payment of ₹ 2,500 for stationery by the club was to be debited to the general expenses. You are required to prepare the income and expenditure account for the year ended 31st March, 2016 and the balance sheet as at that date.