

Chapter 1

Accounting for Not-for-Profit Organisations

Expected Questions (3 marks each)

1. Extracts of Receipt and Payment Account for the year ended March 31, 2018 are given below:

Receipt	Amt. (₹)
Subscriptions	
2016-17	2,500
2017-18	26,750
2018-19	1,000
	30,250

Additional Information:

Total number of members: 230.

Annual membership fee: ₹ 125.

Subscriptions outstanding on April 1, 2017: ₹ 2,750.

Prepare a statement showing all relevant items of subscriptions viz., income, advance, outstanding, etc.

2. How will you show the following in the financial statements of an Entertainment Club on 31 March, 2018?

Prize Fund (on 1.4.2017) ₹60,000; 5% Prize Fund Investment (on 1.4.2017) ₹60,000; Donation for Prize Fund ₹14,000; Interest on Prize Fund Investment ₹1,500; Cost of Prizes Awarded ₹20,750; Match Expenses ₹35,150; General Donation ₹8,000.

3. Show the following information in financial statements of a club as on 31 March, 2018:

Details	Amt. (₹)
Tournament Fund	1,00,000
10% Tournament Fund Investment (1-10-2017)	1,00,000
Donation for Tournament Fund	20,000
Tournament Expenses	1,50,000
Prizes awarded	35,000

4. Calculate the amount of stationery to be debited to Income and Expenditure A/c:

Details	Amt. (₹)
Cash purchases of stationery	10,000
Payment to creditors of stationery	61,000
Book value of stationery sold	20,000
Creditors for stationery on 1.4.2018	7,000
Creditors for stationery on 31.3.2019	14,750
Stationery on 1.4.2018	20,000
Stationery on 31.3.2019	25,000
Advance paid for stationery to creditors on 31.3.2019	11,000

Expected Questions (6 marks each)

5. Following is the Receipt and Payment Account of an Entertainment Club for the period April 1, 2017 to March 31, 2018.

Receipts	Amt. (₹)	Payments	Amt. (₹)
To Balance b/d		By Salaries	24,000
Cash	27,500	By Electric bill	21,000
Bank	60,000	By Food stuff for restaurant	60,000
	87,500	By Telephone bill	35,000
To Member's subscriptions:		By Subscription for periodicals	14,500
2016-2017	12,500	By Printing and stationery	13,000
2017-2018	1,00,000	By Sports expenses	50,000
2018-2019	10,000	By Secretary's honorarium	30,000
	1,22,500	By 8% Investments (31.3.2018)	1,00,000
To Sale of furniture (Book value ₹8,000)	10,000	By Balance c/d:	
To Sale of food stuffs	1,00,000	Cash	21,500
To Sale of old newspapers	3,200	Bank	45,000
To Hire of ground used for marriage	48,750		66,500
To Donation for sports fund	25,000		
To Locker Rent	17,050		
	4,14,000		4,14,000

(i) The club had 225 members, each paying an annual subscription of ₹ 500. Subscription outstanding as on 31 March 2017 ₹ 15,000.

(ii) On 1st April 2017: Furniture ₹1,00,000; Building ₹6,50,000; Sports fund ₹15,000. Depreciation Furniture and Building @ 12.5% and 5% respectively.

(iii) Opening Stock of Printing and stationery ₹ 2,000 and closing stock of printing and stationery is Rs. 3,000 for the year 2017-18.

(iv) Telephone bill outstanding for the year 2017-2018 is ₹ 2,000. Locker Rent ₹ 3,050 outstanding for the year 2016-17 and ₹ 1,500 for 2017-18. Salary outstanding for the year 2017-18 ₹ 4,000.

Prepare Income and Expenditure account and Balance Sheet as on that date.

6. Prepare Income and Expenditure Account and Balance Sheet for the year ended March 31, 2018 from the following information.

Receipts	Amt. (₹)	Payments	Amt. (₹)
To Balance b/d	41,000	By Salaries and Wages:	
To Subscriptions:		2016-17	4,800
2016-17	7,200	2017-18	83,200
2017-18	3,37,600	By Sundry expenses	37,000
2018-19	12,000	By Freehold land	60,000
To Entrance fees	16,000	By Stationery	16,000
To Locker rent	58,000	By Rates	24,000
To Revenue from refreshment	48,000	By Refreshment expenses	37,500
To Income from investments	56,000	By Telephone charges	4,000
		By Investments	2,50,000
		By Audit fee	6,000
		By Balance c/d	53,300
	5,75,800		5,75,800

- (i) There are 1800 members each paying an annual subscription of ₹ 200, ₹ 8,000 were in arrears for 2016-17 as on April 1, 2017.
(ii) On March 31, 2018 the rates were prepaid to June 2018; the charge paid every year being ₹24,000. There was an outstanding telephone bill for ₹1,400 on March 31, 2018. Outstanding sundry expenses as on March 31, 2017 ₹2,800.
(iii) Stock of stationery as on March 31, 2017 was ₹2000; on March 31, 2018, it was ₹3,600.
(iv) On March 31, 2017 Building stood at ₹ 4,00,000 and it was subject to depreciation @ 2.5% p. a. Investment on March 31, 2017 stood at ₹8,00,000. On March 31, 2018, income accrued on investments purchased during the year amounted to ₹ 1,500.

7. Following is the Receipt and Payment Account of Friendship Club in respect of the Year on 31.3.2018.

Receipts	Amt. (₹)	Payment	Amt. (₹)
To Opening cash in hand	10,000	By Salaries	20,000
To Subscription:		By Stationery	4,500
2016-17	15,000	By Rates and Taxes	1,500
2017-18	20,000	By Telephone charges	7,500
2018-19	5,000	By 8% govt. securities at par	25,000
To Profit from sports	17,800	By Sundry expenses	500
To Interest on 8% govt. securities	5,000	By Courier service charges	300
		By Closing cash in hand	13,500
	72,800		72,800

- (i) There are 500 members, each paying an annual subscription of ₹ 50, ₹ 17,500 being in arrears for 2016-17 at the beginning of 2017-18. During 2016-17, subscriptions were paid in advance by 40 members for 2017-18.
(ii) On March 31, 2018, the rates and taxes were prepaid to the following January 31, the annual charge being ₹ 1,500. A quarter's charge for telephone is outstanding, the amount accrued being ₹1,500. There is no change in quarterly charge.
(iii) Stock of stationery on March 31, 2017, was ₹ 1,500 and on March 31, 2018, ₹ 2,000. Sundry expenses accruing at 31.3.2017 were ₹ 250 and at March 31, 2018 ₹ 300.
(iv) On March 31, 2015 Building stood in the books at ₹ 2,00,000 and it is required to write off depreciation @ 10% p.a. Value of 8% Government Securities on March 31, 2015 was ₹ 75,000 which were purchased at that date at Par. Additional Government Securities worth ₹ 25,000 are purchased on March 31, 2016.

Prepare Income and Expenditure Account for the year ended on 31.3.2016 and Balance Sheet on that date.

8. From the following Receipt and Payment Account of Jan Kalyan Club, prepare Income and Expenditure Account and Balance Sheet for the year ending March 31, 2018.

Receipts	Amt. (₹)	Payments	Amt. (₹)
Cash in hand as on 1.4.17	6,800	Salaries	24,000
Subscription	60,200	Traveling Expenses	6,000
Donation	3,000	Stationery	2,300
Sale of furniture (Book value ₹6000)	4,000	Rent	16,000
Entrance fee	800	Repair	700
Life membership fee	7,000	Books purchased	6,000
Interest on investment (@ 5% for full year)	5,000	Building purchased	30,000
		Cash in hand as 31.03.2018	1,800
	86,800		86,800

	As on 01.04.2017	As on 31.03.2018
(i) Subscription received in advance	1,000	3,200
(ii) Outstanding subscription	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

Answers

1. Amount of subscription income due for the year 2017-18 is ₹28,750 (₹125 × 230).

Details	Amt. (₹)
Subscriptions received as per Receipts and Payments Account	30,250
Add: Subscriptions outstanding on March 31, 2018 (Outstanding for 2016-17: 2,750 – 2,500 = ₹250 and Outstanding for 2017-18: 28,750 – 26,750 = ₹2,000)	2,250
Less: Subscriptions outstanding on April 1, 2017	(2,750)
Less: Subscriptions received in advance on March 31, 2018	(1,000)
Income from Subscription for the year 2017-18	28,750

2. **Balance Sheet as on 31 March, 2018 (an extract)**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Prize Fund		5% Prize Fund Investment	60,000
Opening Balance	60,000	Accrued Interest on Prize Fund Investment	1,500
Add: Donation for Prize Fund	14,000		
Add: Interest Received on Prize Fund Investment	1,500		
Add: Interest Accrued (5% of ₹60,000 – ₹1,500)	1,500		
Less: Cost of Prizes Awarded	(20,750)		
	56,250		

Dr. **Income and Expenditure A/c** Cr.

Expenditure	Amt. (₹)	Income	Amt. (₹)
To Match Expenses	35,150	By General Donation	8,000

3. Dr. **Income and Expenditure A/c** Cr.

Expenditure	Amt. (₹)	Income	Amt. (₹)
To <u>Tournament Expenses</u>	1,50,000		
Less: Tournament Fund opening balance	(1,00,000)		
Less: Donation for Tournament Fund	(20,000)		
Less: Interest accrued on Tournament Fund Investment	(5,000)		
	25,000		
To Prizes awarded	35,000		

- 4.

Details	Amt. (₹)
Payment to creditors of stationery	61,000
Less: Advance paid for stationery to creditors on 31.3.2019	(11,000)
Less: Creditors for stationery on 1.4.2018	(7,000)
Add: Creditors for stationery on 31.3.2019	14,750
Credit purchases of stationery during the year	57,750
Add: Cash purchases of stationery	10,000
Less: Book value of stationery sold	(20,000)
Add: Stationery on 1.4.2018	20,000
Less: Stationery on 31.3.2019	(25,000)
Amount of stationery consumed to be debited to Income and Expenditure A/c	42,750

5. **Income and Expenditure Account for the year ending on March 31, 2018**

Expenditure	Amt. (₹)	Income	Amt. (₹)
To <u>Salary</u>	24,000	By Subscriptions (225 × ₹500)	1,12,500
Add: Outstanding	4,000	By Sale of old newspaper	3,200
To Electric Bill	21,000	By Profit on sale of furniture	2,000
To <u>Telephone Bill</u>	35,000	By Hire of ground for marriage	48,750
Add: Outstanding	2,000	By <u>Locker rent</u>	17,050
To Subscription for periodicals	14,500	Less: Opening o/s	(3,050)
To <u>Printing and Stationery</u>	13,000	Add: Closing o/s	1,500
Add: Opening Stock	2,000	By <u>Sale of Food Stuff</u>	1,00,000
Less: Closing stock	(3,000)	Less: Cost of food consumed	(60,000)
	12,000		40,000

To Secretary's honorarium		30,000		
To <u>Sports Expenses</u>	50,000			
Less: Opening Balance of sports fund	(15,000)			
Less: Donation for Sports	(25,000)	10,000		
To <u>Depreciation:</u>				
Furniture	11,500			
Building	32,500	44,000		
To Surplus		25,450		
		2,21,950		2,21,950

Balance Sheet of Entertainment Club as on March 31, 2018

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Subscriptions received in advanced		10,000	Cash in hand		21,500
Outstanding Telephone Bill		2,000	Cash at bank		45,000
Salary Outstanding		4,000	Outstanding subscriptions		15,000
Capital/General Fund	8,42,550		(2015 ₹2500 and 2016 ₹12500)		
Add: Surplus	25,450	8,68,000	Outstanding locker Rent		1,500
			Printing and Stationery		3,000
			Furniture	1,00,000	
			Less: Sales	(8,000)	
			Less: Depreciation	(11,500)	80,500
			Building	6,50,000	
			Less: Depreciation	(32,500)	6,17,500
			Investment		1,00,000
		8,84,000			8,84,000

Notes: Calculation of Capital/General Fund:

Balance Sheet of Entertainment Club as on March 31, 2017

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Sports fund		15,000	Cash in hand		27,500
Capital/General Fund (Balancing figure)		8,42,550	Cash at bank		60,000
			Outstanding subscription		15,000
			Outstanding locker Rent		3,050
			Printing & Stationery		2,000
			Furniture		1,00,000
			Buildings		6,50,000
		8,57,550			8,57,550

6.

Dr.

Income and Expenditure Account for the year ending on March 31, 2018

Cr.

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Salaries and Wages		83,200	By Subscriptions (18000 × ₹200)		3,60,000
To Sundry Expenses	37,000		By Entrance fees		16,000
Less: Outstanding on 31.3.2017	(2,800)	34,200	By Locker rent		58,000
To <u>Stationery (consumed)</u>			By <u>Income from refreshment:</u>		
Opening stock	2,000		Revenue from refreshment	48,000	
Add: Purchases	16,000		Less: Refreshment expenses	(37,500)	10,500
Less: Closing stock	(3,600)	14,400	By Income from investments	56,000	
To Rates (Annual charges)		24,000	Add: Accrued income	1,500	57,500
To Telephone charges	4,000				
Add: Outstanding	1,400	5,400			
To Audit fee		6,000			
To Depreciation on building		10,000			
To Surplus		3,24,800			
		5,02,000			5,02,000

Balance Sheet as on March 31, 2018

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Outstanding Telephone Expenses	1,400	Cash and Bank Balance	53,300
Subscription received in advance	12,000	Subscription in Arrears	23,200
General Fund	12,49,400	Stock of Stationery	3,600
Add: Surplus	<u>3,24,800</u>	Rates Prepaid	6,000
	15,74,200	Accrued Interest on investment	1,500
		Investments	8,00,000
		Add: Purchases	<u>2,50,000</u>
		Building	4,00,000
		Less: Depreciation	<u>(10,000)</u>
		Land	60,000
	15,87,600		15,87,600

Notes:

Balance Sheet as on March 31, 2017

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Outstanding Sundry Expenses	2,800	Cash and Bank balance	41,000
Outstanding Salary and Wages	4,800	Subscription in arrears	8,000
General Fund	12,49,400	Stock of stationery	2,000
(Balancing figure)		Rates prepaid	6,000
		Investments	8,00,000
		Building	4,00,000
	12,57,000		12,57,000

7.

Income and Expenditure Account for the year ending on March 31, 2018

Expenditure	Amt. (₹)	Income	Amt. (₹)
To Salaries	20,000	By Profit on Sports	17,800
To Stationery (paid)	4,500	By Interest on 8% Govt. Securities	5,000
Add: Opening stock	1,500	Add: Accrued Interest	<u>1,000</u>
Less: Closing stock	<u>(2,000)</u>	By Subscription	25,000
To Stationery consumed	4,000	By Deficit (Excess of Expenditure over to Income)	3,550
To Rates and Taxes	1,500		
To Telephone Charges			
Paid	7,500		
Less: Opening outstanding	<u>(3,000)</u>		
Add: Closing outstanding	<u>1,500</u>		
To Sundry expenses (paid)	500		
Add: Closing outstanding	300		
Less: Opening outstanding	<u>(250)</u>		
To Depreciation on building	20,000		
To Courier charges	300		
	52,350		52,350

Balance Sheet of Friendship Club as on March 31, 2018

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Outstanding Expenses		Building	2,00,000
Telephone charges	1,500	Less: depreciation	<u>(20,000)</u>
Sundry Expenses	<u>300</u>	Investment in 8% Govt. Securities	75,000
Subscription received in advance	5,000	Add: Purchases	<u>25,000</u>
Capital Fund	3,00,000	Stock of stationery	2,000
Less: Deficit	<u>(3,550)</u>	Accrued Interest on Govt. securities	1,000
	2,96,450	Prepaid Rates and Taxes	1,250
		Subscription outstanding	
		₹17,500 – ₹15,000 = 2,500	
		₹25,000 – ₹22,000 = <u>3,000</u>	5,500
		Cash in hand	13,500
	3,03,250		3,03,250

Notes:**Balance Sheet as on March 31, 2017**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Outstanding Expenses:		Building	2,00,000
Telephone charges	3,000	Investment in 8% Govt. Securities	75,000
Sundry Expenses	250	Stock of stationery	1,500
Subscription received in advance (40×₹50)	2,000	Prepaid Rates and Taxes	1,250
Capital Fund (balancing figure)	3,00,000	Subscription outstanding	17,500
	3,05,250	Cash in hand	10,000
			3,05,250

8.

Dr.

Income and Expenditure A/c for year ended 31 March, 2018

Cr.

Expenditure	Amt. (₹)	Income	Amt. (₹)
To Stationery Consumed:		By Subscriptions	60,200
Payments for purchase	2,300	Less: Opening outstanding	(2,000)
Add: Opening Stock	1,200	Add: Closing outstanding	3,700
Less: Closing Stock	(800)	Add: Opening Advance	1,000
	2,700	Less: Closing Advance	(3,200)
To Depreciation:			59,700
Books (13,500 + 6,000 – 16,500)	3,000	By Entrance Fees	800
Furniture (16,000 – 6,000 – 8,000)	2,000	By Donations	3,000
To Loss on Sale of Furniture (6,000 – 4,000)	2,000	By Interest on Investment	5,000
To Rent			
Paid	16,000		
Less: Opening outstanding	(1,000)		
Add: Closing outstanding	2,000		
	17,000		
To Salary	24,000		
To Travelling Expenses	6,000		
To Repair	700		
To Surplus (Balancing Figure)	11,100		
	68,500		68,500

Balance Sheet as on 31 March, 2018

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Advance Subscription	3,200	Cash in hand	1,800
Outstanding Rent	2,000	Subscription outstanding	3,700
Capital Fund	1,37,500	Stock of Stationery	800
Add: Life Membership Fees	7,000	Books	16,500
Add: Surplus	11,100	Furniture	8,000
	1,55,600	Investments	1,00,000
		Building	30,000
	1,60,800		1,60,800

Notes:**Balance Sheet as on 31 March, 2017**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Advance Subscription	1,000	Cash in hand	6,800
Outstanding Rent	1,000	Subscriptions outstanding	2,000
Capital Fund (Balancing figure)	1,37,500	Stock of Stationery	1,200
		Books	13,500
		Furniture	16,000
		Investments (5000/5 × 100)	1,00,000
	1,39,500		1,39,500