



# **FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ORGANISATIONS**

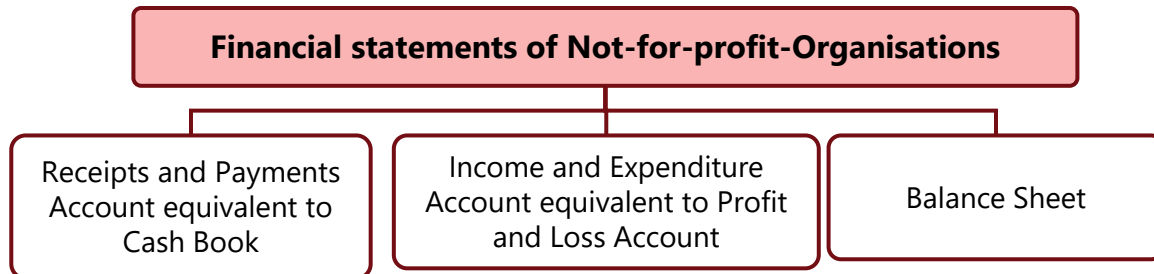


## **LEARNING OUTCOMES**

**After studying this Chapter, you would be able to:**

- ◆ Understand the meaning of Not-for-profit-organisations and distinction between a profit-making organisation and a Not-for-profit-organisation.
- ◆ Accounting for Not-for-profit-organisations.
- ◆ Understand the meaning and technique of preparation of Receipts and Payments Account and Income and Expenditure Account and understand the distinction between the two Accounts.
- ◆ Learn the technique of preparing Balance Sheet of Not-for-profit-organisations.
- ◆ Understand the different adjustments and their accounting treatment in the books of Not for profit organisations.

## CHAPTER OVERVIEW



**Donations, Entrance and Admission Fees, Subscription, Life Membership Fee are some of the Sources of incomes for the non-profit organizations which have different treatments based on the nature of the receipts.**

### 1. INTRODUCTION

A non-profit organization is a legal accounting entity that is operated for the benefit of the society as a whole, rather than for the benefit of a sole proprietor or a group of partners or shareholders. The main motive behind the non-profitable organization is to render service to the society or the members of the organisation.

There is difference in the final accounts prepared between the profit making and the non-profitable organisations. The sources of receipts and payments also vary with the nature of the activity that is being carried on by the organisation. Non-profit making organisations such as public hospitals, public educational institutions, clubs, Temples, churches etc., as a part of their final accounts prepare Receipts and Payments Account and Income and Expenditure Account to show periodic performance (either surplus or deficit) and Balance Sheet to show financial position at the end of the period. In this Chapter, we shall discuss the technique of preparing Receipts and Payments Account, Income and Expenditure Accounts and Balance Sheet of not-for-profit organisations.

The Income and Expenditure Account (non-profitable organisation) is just similar to Profit and Loss Account prepared for the profit making organisations but there has been different terminology employed for the word Profit as SURPLUS – excess of income over expenditure or loss as DEFICIT – excess of expenditure over income. In non-profit making organisations, total cash receipts and total cash payments are highlighted through Receipts and Payments Account.



## 2. NATURE OF RECEIPTS AND PAYMENTS ACCOUNT

A Receipts and Payments Account is a summary of the cash book without date column. It is an elementary form of account commonly adopted by not for profit making concerns such as hospitals, clubs, societies, temples, churches etc., for presenting the receipts and payments periodically together with the cash balances at the beginning and close of the period. The receipts are entered on the left hand side, and payments on the right hand side i.e., the same way as they appear in Cash Book. "The main point to be noted here is that- receipts and payments account is not based on the accrual system of book keeping as it records all the receipts and payments whether capital or revenue, pertaining to the current, previous or future periods."

### Features:

- ◆ It is the summary of the cash and bank transactions like cash book, all the receipts (**capital or revenue**) are debited, similarly, all the expenditures (**capital or revenue**) are credited.
- ◆ It starts with opening cash and bank balances and also ends with their closing balances. This account is usually not a part of the double entry system as it includes all cash and bank receipts and payments, whether they are related to present, past or future periods.
- ◆ Surplus or deficit for an accounting period cannot be ascertained from this account, since, it shows only the Cash/Bank position and excludes all non cash items.

### ILLUSTRATION 1

*The receipts and payments for the Swaraj Club for the year ended March 31, 2022 were: Entrance fees ₹ 300; Membership Fees ₹ 3,000; Donation for Club Pavilion ₹ 10,000, Foodstuff sales ₹ 1,200; Salaries and Wages ₹ 1,200 Purchase of Foodstuff ₹ 800; Construction of Club Pavilion ₹11,000; General Expenses ₹600; Rent and Taxes ₹400; Bank Charges ₹ 160.*

*Cash in hand–April. 1st ₹200, March. 31st ₹350*

*Cash in Bank–April. 1st ₹400; March. 31st ₹590*

*You are required to prepare Receipts and Payment Account.*

## SOLUTION

**Swaraj Club**  
**Receipts and Payments Accounts**  
**for the year ended 31st March, 2022**

| Receipts                                 | ₹      | Payments   | ₹      |
|--|--------|--|--------|
| To Balance b/d(opening bal.)Cash in hand | 200    | By Salaries and Wages                              | 1,200  |
| To Cash with bank                        | 400    | By Purchase of Foodstuff                           | 800    |
| To Entrance Fees                         | 300    | By Club Pavilion (Expenditure on its construction) | 11,000 |
| To Membership Fees                       | 3,000  | By General Expenses                                | 600    |
| To Donation of Account of Club Pavilion  | 10,000 | By Rent and Taxes                                  | 400    |
| To Sales of foodstuff                    | 1,200  | By Bank Charges                                    | 160    |
|  |        | By Balance c/d (closing bal) Cash in hand          | 350    |
|  |        | Cash in bank                                       | 590    |
|  | 15,100 |  | 15,100 |

### 2.1 Limitations of Receipts and Payments Account

From the study of the above account, it is apparent that the increase in the cash and bank balances at the end of the year, as compared to those in beginning, does not truly represent the surplus for the year since it does not take into account the other important transactions, such as cost of construction of the pavilion, which is in excess of the donation received, the outstanding subscription or those which were collected in advance, etc.

Another important drawback is that the Receipts and Payments Account includes items relating to all periods and of all types whether capital or revenue. In order to ascertain whether the organisation has made surplus or deficit, there is a need to construct an account which considers all the relevant revenue transactions for the current period. Since the Receipts and payments account does not consider the above, its preparation is not favoured except where the activities of the organization, the results of which are to be exhibited, are simple and modest, involve no carry over from one period to the next and it has no assets, apart from cash balance and no liabilities.



### 3. INCOME AND EXPENDITURE ACCOUNT

The income and expenditure account is **equivalent** to the Profit and Loss Account of a Profit making business enterprise. It is an account which is widely adopted by most of the Non-profit making concerns and is prepared by following **accrual principle**. Only items of revenue nature pertaining to the current period of account are included. The preparation of the account, therefore, requires adjustments in relevant accounts in respect of both outstanding and advance items of income and expenditure. The only difference is in the terms used to represent the profit and loss. Profit is termed as Surplus- Excess of income over expenditure and loss is termed as Deficit- Excess of expenditure over income.

***Non-profit organizations registered under section 8 of the Companies Act, 2013 are required to prepare their Income and Expenditure account and Balance Sheet as per the Schedule III to the Companies Act, 2013.***

#### Features:

- ◆ It is a revenue account prepared at the end of the accounting period for finding out the surplus or deficit of that period.
- ◆ It is prepared by matching expenses against the revenue of that period concerned.
- ◆ Both cash and non-cash items, such as depreciation, are taken into consideration.
- ◆ All capital expenditures and incomes are excluded.
- ◆ Only current years' income and expenses are considered. This Surplus/deficit is taken to the balance sheet and is added / deducted respectively with the capital fund (opening balance).

#### 3.1 Main Sources of Income

For a not for profit organisation, the sources of income, largely depend on the nature of the activity carried on by them. The income for a charitable hospital is different from that of a income received by a sports club. Broadly for the purposes of solving the illustrations, we can classify the sources of income as subscriptions, ordinary donations, membership fees or entrances fees (if the amount is normal or provided according to bye-laws of the society), recurring grants from local authorities and income from investments, etc.

Any amount raised for a special activity, e.g. on sale of match tickets, is deducted from the expenditure of that activity and net amount is shown in the income and expenditure account. Any receipt of capital nature shall not be shown as income but will be credited to the Capital Fund or special purpose fund e.g. "Building Fund' or if the receipts is on account of sale of a

fixed asset, it shall be credited to the asset account. This system of showing the donation towards specific purposes separately is termed as fund accounting.

**Examples:**

Hospital - medicines and cost of tests and investigations.

Sports Club - sports materials, tournament expenses, etc.

Drama Club - expenses of staging plays, rent of the hall, payment to artists, etc.

Educational Societies - award of scholarships, organisation of seminars, etc.

Library Societies - newspapers and magazines.

Any expenditure for acquisition of a fixed asset will be capitalised, though the amount of annual depreciation shall be debited to revenue expenditure.

It may be noted that after various accounts have been adjusted as is considered necessary by transferring all the revenue accounts to the income and Expenditure account and all the capital items to the balance sheet. If a regular Trial Balance is available, the preparation of the Income and Expenditure Account and the Balance Sheet is on the lines of final accounts.

### **3.2 Distinction between Receipts and Payments Account and Income and Expenditure Account**

Not for profit organizations such as public hospitals, public educational institutions, clubs, Temples, churches etc., conventionally prepare Receipt and Payment Account and Income and Expenditure Account to show periodic performance for a particular accounting period. The distinguishing features of both the accounts can be summarized as:

Receipt and Payment Account is an elementary form of account consisting of a classified summary of cash receipts and payments over a certain period together with cash balances at the beginning and close of the period. The receipts are entered on the left hand side and payments on the right hand side i.e. same sides as those on which they appear in cash book. All the receipts and payments whether of revenue or capital nature are included in this account. The receipts and payments pertaining to the current, previous or future periods are also considered here. The balance of the account at the end of a period represents the difference between the amount of cash received and paid up. It is always in debit since it is made up of cash in hand and at bank.

Income and expenditure account resembles and is drawn in the same form of a Profit and loss account in case of profit-making organisations. Expenditure of revenue nature is shown on the debit side, income and gains of revenue nature are shown on the credit side. Income and Expenditure Account contains all the items of income and expenditure relevant to the current

accounting period only, whether received or paid as well as that which have fallen due for recovery or payment. Capital Receipts, prepayments of income and capital expenditures, prepaid expenses are excluded. It does not start with any opening balance. The balancing figure represents the amount by which the income exceeds the expenditure or vice versa.

### **3.3 Preparation of Income and Expenditure Account from Receipts and Payments Account**

Situations may require compilation of Income and Expenditure Account and the Balance Sheet from the Receipts and Payments Account after making adjustments in respect of Income accrued but not collected and expenses outstanding. The preparation of Balance Sheet in such a case is also necessary since an Income and Expenditure Account must always be accompanied by a Balance Sheet. The procedure which should be followed in this regard is briefly outlined below.

- (i) Compute the opening balance of the Accumulated Fund, or Capital Fund of the Institution with the help of making opening balance sheet. It will be excess of the total value of the assets over that of the liabilities at the commencement of the period.
- (ii) Open ledger accounts in respect of various items of income and expenditure (e.g. subscription, rents, printing, purchase of sports materials etc.) in which accruals or outstanding at the beginning or at the end of period have to be adjusted. Enter therein any accrual or outstanding at the end of the period as well as amounts which relate to an earlier period or the following period. The balance of the ledger accounts therefore will represent the amounts or income or expenditure pertaining to the period. These should be transferred to the Income and Expenditure Account.
- (iii) Post from the debit of the Receipts & Payments Account to the credit of the Income and Expenditure Account other items of income wherein accruals and outstanding amount have to be adjusted. Likewise, post item of expenses in which no adjustment is to be made directly to debit of income and Expenditure Account.
- (iv) Transfer the balance of Income and Expenditure Account to the Accumulated Fund/Capital Fund Account.
- (v) Post the receipts and payments of capital nature from the Receipts and Payments Account to the appropriate asset or liability account for incorporating in the Balance Sheet. If a part or whole of an asset has been sold, the capital profit/loss, if any, is credited / debited in the Income and Expenditure Account. The balance of Income and Expenditure Account should be transferred to the Accumulated Fund/Capital Fund Account.

- (vi) Prepare a Balance Sheet by including therein all the balances left over after transfers to the Income and Expenditure Account have been made.

**ILLUSTRATION 2**

During 2022, subscription received in cash is ₹42,000. It includes ₹1,600 for 2021 and ₹600 for 2023. Also ₹3,000 has still to be received for 2022.

**Required**

Calculate the amount to be credited to Income and Expenditure Account in respect of subscription.

**SOLUTION**

|                                      |  |       | ₹       |
|--------------------------------------|--|-------|---------|
| Amount received                      |  |       | 42,000  |
| Add : Outstanding on 31st Dec., 2022 |  |       | 3,000   |
|                                      |  |       | 45,000  |
| Less : Received on account of 2021   |  | 1,600 |         |
| 2023                                 |  | 600   | (2,200) |
|                                      |  |       | 42,800  |

The various accounts will appear as under:

**Subscription Outstanding Account**

| 2022    |                              | ₹     | 2022    |                     | ₹     |
|---------|------------------------------|-------|---------|---------------------|-------|
| Jan. 1  | To Balance b/d<br>(transfer) | 1,600 | Dec. 31 | By Subscription A/c | 1,600 |
| Dec. 31 | To Subscription A/c          | 3,000 | Dec. 31 | By Balance c/d      | 3,000 |
|         |                              | 4,600 |         |                     | 4,600 |
| 2023    |                              |       |         |                     |       |
| Jan. 1  | To Balance b/d               | 3,000 |         |                     |       |

**Subscription Account**

| 2022    |                 | ₹ | 2022    |             | ₹      |
|---------|-----------------|---|---------|-------------|--------|
| Dec. 31 | To Subscription |   | Dec. 31 | By Cash A/c | 42,000 |



|         |    |                            |        |         |                 |        |
|---------|----|----------------------------|--------|---------|-----------------|--------|
|         |    | Outstanding (transfer) A/c | 1,600  | Dec. 31 | By Subscription |        |
| Dec. 31 | To | Subscription received      |        |         | Outstanding A/c | 3,000  |
|         |    | in advance A/c             | 600    |         |                 |        |
| Dec. 31 | To | Income and Expenditure A/c | 42,800 |         |                 |        |
|         |    |                            | 45,000 |         |                 | 45,000 |

**Subscription received in Advance Account**

| 2022    |                | ₹   | 2022    |                     | ₹   |
|---------|----------------|-----|---------|---------------------|-----|
| Dec. 31 | To Balance c/d | 600 | Dec. 31 | By Subscription A/c | 600 |
|         |                |     | 2023    |                     |     |
|         |                |     | Jan. 1  | By Balance b/d      | 600 |

Subscription outstanding ₹ 3,000 and Subscription received in advance ₹ 600 will be shown in the balance sheet on the assets and liabilities side respectively.

**ILLUSTRATION 3**

Suppose salaries paid during 2022 were ₹23,000. The following further information is available:

|                                |      | ₹     |
|--------------------------------|------|-------|
| Salaries unpaid on 31st March, | 2021 | 1,400 |
| " pre-paid on " "              | 2021 | 400   |
| " un-paid on " "               | 2022 | 1,800 |
| " pre-paid " "                 | 2022 | 600   |

**Required**

Calculate the amount to be debited to Income and expenditure account in respect of salaries and also show necessary ledger accounts.

**SOLUTION**

**Salaries Account**

| Date           | Particulars             | Amount ₹ | Date           | Particulars                 | Amount ₹ |
|----------------|-------------------------|----------|----------------|-----------------------------|----------|
| April, 1, 2021 | To Prepaid Salaries A/c | 400      | April, 1, 2021 | By Salaries Outstanding A/c | 1,400    |

|                 |                             |        |                 |   |        |
|-----------------|-----------------------------|--------|-----------------|---|--------|
| March, 31, 2022 | To Cash                     | 23,000 | March, 31, 2022 | By Salaries Prepaid A/c                 | 600    |
|                 | To Salaries Outstanding A/c | 1,800  |                 | By Transfer to Income & Expenditure A/c | 23,200 |
|                 |                             | 25,200 |                 |   | 25,200 |

#### Salaries Outstanding Account

| Date            | Particulars     | Amount ₹ | Date            | Particulars     | Amount ₹ |
|-----------------|-----------------|----------|-----------------|-----------------|----------|
| April, 1, 2021  | To Salaries A/c | 1,400    | April, 1, 2021  | By Balance b/d  | 1,400    |
| March, 31, 2022 | To Balance c/d  | 1,800    | March, 31, 2022 | By Salaries A/c | 1,800    |
|                 |                 | 3,200    |                 |                 | 3,200    |
|                 |                 |          | April, 1, 2022  | By Balance b/d  | 1,800    |

#### Salaries Prepaid Account

| Date            | Particulars     | Amount ₹ | Date            | Particulars                | Amount ₹ |
|-----------------|-----------------|----------|-----------------|----------------------------|----------|
| April, 2021     | To Balance b/d  | 400      | April, 1, 2021  | By Salaries A/c (transfer) | 400      |
| March, 31, 2022 | To Salaries A/c | 600      | March, 31, 2022 | By Balance c/d             | 600      |
|                 |                 | 1,000    |                 |                            | 1,000    |
| April, 1, 2022  | To Balance b/d  | 600      |                 |                            |          |



## 4. BALANCE SHEET

A Balance Sheet is the statement of assets and liabilities of an accounting unit at a given date. It is generally prepared at the end of an accounting period after the Income and Expenditure Account has been prepared. It is classified summary of the ledger balances left over, after accounts of all the revenue items have been closed by transfer to the Income and Expenditure Account. In not for profit organizations, the excess of total assets over total outside liabilities is known as **Capital Fund**. The Capital fund represents the amount contributed by members, through legacies, special donations, entrance fees and accumulated surplus over the years. If however, members have not contributed any amount, it shall be termed as "Accumulated fund" instead of "Capital fund". The surplus or deficit, if any, on the year's working as disclosed by the Income and Expenditure Account is shown either as an addition to or deduction from the Capital / Accumulated Fund brought forward from the previous period respectively.

## 4.1 Accounting Treatment of Some Special Items

### 4.1.1 Donations

These may have been raised either for meeting some revenue or capital expenditure; those intended for the first mentioned purpose are credited directly to the Income and Expenditure Account but others, if the donors have declared their specific intention, then they are credited to special fund account and in the absence thereof, to the Capital Fund Account. If any investments are purchased out of a special fund or an asset is acquired therefrom, these are disclosed separately. Any income received from such investments or any donations collected for a special purpose are credited to an account indicating the purpose and correspondingly the expenditure incurred in carrying out the purpose of the fund is debited to this account. On no account any such expense is charged to the Income and Expenditure Account. **The term "Fund" is strictly applicable to the amounts collected for a special purpose when these are invested, e.g. Scholarship Fund, Prize Fund etc.** In other cases, when the amounts collected are not invested in securities or assets distinguishable from those belonging to the institution, the word "Account" is more appropriate e.g. Building Account, Tournament Account etc.

Instead of paying cash, a donor may sometimes give away or transfer a security or some other readily realisable asset. In such a case, the value of asset on valuation, must be credited to the fund for which the amount has been donated.

### 4.1.2 Entrance and Admission Fees

Such fees which are payable by a member on admission to club or society are normally considered capital receipts and credited to Capital Fund. This is because these do not give rise to any special obligation towards the member who is entitled to the same privileges as others who have paid only their annual subscription. Nevertheless, where the amount is small, meant to cover expenses concerning admission, or the rules of the society provided that such fees could be treated as income of the society, these amounts may be included in the Income and Expenditure Account. The treatment depends upon the requirement of question. If the question is silent then always take it to be capital receipt.

### 4.1.3 Subscription

Subscriptions being an income should be allocated over the period of their accrual. For testing the knowledge of candidates of this important accounting principle, questions are often set in examinations wherein figures of subscription collected by a society during the year as well as those outstanding at the beginning of the year and at its close are given. If some subscriptions have been received in advance, their amount is also indicated. In such cases, it is always desirable to set up a Subscription Account for determining the amount of subscription pertaining for the period for which accounts are being prepared. For example, if it is stated that subscriptions collected by a society during the year 2022 amounted to ₹ 1,850 out of which ₹ 200 represented subscription for the year 2021; ₹100 were subscriptions

collected in advance for the year 2023, and subscriptions amounting to ₹ 500 were outstanding for recovery at the end of 2022, the adjusting journal entries and the Subscription Account should be set up as follows:

|   |     | ₹   | ₹   |
|---|-----|-----|-----|
| Subscription Outstanding Account  | Dr. | 500 |     |
| To Subscriptions Account  |     |     | 500 |
| (The amount outstanding for this year credited to Subscription Account)                 |     |     |     |
| Subscription A/c  | Dr. | 300 |     |
| To Outstanding Subscription A/c   |     |     | 200 |
| To Subscriptions Received in Advance A/c  |     |     | 100 |
| (Subscription received ₹200 for the previous year and ₹100 for the next year, adjusted) |     |     |     |

#### Subscription Account

| Dr.     |   | ₹     | 2022 |   | Cr.   |
|---------|---|-------|------|---|-------|
| 2022    |   |       |      |   | ₹     |
| Jan 1   | To Balance b/d<br>(Outstanding Subscriptions) | 200   | Dec. | By Cash A/c                                   | 1,850 |
| Dec. 31 | To Subscriptions received in advance          | 100   |      | By Balance c/d<br>(Subscriptions Outstanding) | 500   |
|         | To Income and Expenditure Account             | 2,050 |      |   |       |
|         |   | 2,350 |      |   | 2,350 |

The amount of outstanding subscription is adjusted in the Subscription Account by debit to Outstanding Subscription Account and that balance is shown as an asset in Balance Sheet. The Subscription Account is closed off by transferring its balance at the end of the year to the Income and Expenditure Account.

#### 4.1.4 Life Membership Fee

Fees received for life membership is a **capital receipt** as it is of non-recurring nature. It is **directly added to capital fund** or general fund.

For adjusting lump sum subscription collected from the life members, one of the following methods can be adopted:

- (1) The entire amount may be carried forward in a special account until the member dies, after which the same may be transferred to the credit of the Accumulated Fund.
- (2) An amount equal to the normal annual subscription may be transferred every year to the Income and Expenditure Account and balance carried forward till it is exhausted. If, however, the life member dies before the whole of the amount paid by him has been transferred in this way, the balance should be transferred to the Accumulated Fund on the date of his death.
- (3) An amount, calculated according to the age and average life of the member, may annually be transferred to the credit of Income and Expenditure Account.

### **Other concepts**

#### **Treatment of Important Items in Not For Profit Organization**

1. **Donation:** it is **gift in cash or kind** from some person. It may be of two types:
  - (a) **Specific Donation:** It is received for certain specific purpose like Building Donation, Library Books donation etc. It should be capitalized and shown on the liabilities side of the balance sheet.
  - (b) **General Donation:** It is not received for any specific purpose and shown on the credit side of Income and Expenditure Account.
2. **Entrance Fees:** It may also be known as admission fees. **Entrance Fees should be capitalized** and added to the capital fund for all organization. If the question gives any specific treatment of Entrance fees, then it should be followed accordingly.
3. **Legacy:** It is an amount received by an organization as per the will of the person after the death of the person. It should be capitalised and shown on the liabilities side of the balance sheet by adding to the Capital Fund.
4. **Life Membership Fees:** It should **be capitalized** and shown on the liabilities side of the balance sheet. If the question gives any specific treatment of Life membership Fees, then it should be followed accordingly.
5. **Endowment Fund Donation:** It is a donation received and **only income from that donation is to be used for certain specific purpose**. In such cases income relating to special funds should be added to these funds on the liabilities side of the Balance Sheet. All the expenses should be deducted from that fund on the liabilities side of the Balance Sheet.

6. **Treatment of Sale of Old Newspaper and Periodicals:** The amount received on such sale is shown as Income on the credit side of income and expenditure account.
7. **Sale of old Fixed Assets:** The Sale proceeds of old Fixed Assets are treated as **capital receipts**. The profit or loss on sale of fixed asset is shown in the Income and Expenditure A/c
8. **Honorarium:** It is paid to someone for receiving any services from person who are **not the employees** of the Not for Profit Organisation.

## 4.2 Preparation of Balance Sheet

- ◆ **Preparation of opening balance sheet and calculation of surplus:** If capital fund or accumulated surplus in the beginning of the year is not given, it is calculated by deducting liabilities from assets in the beginning of year. While calculating opening capital fund, care should be taken to include prepaid expenses and accrued incomes as assets and outstanding expenses and advance incomes as liabilities. Any surplus earned during the year is added to the opening capital fund and deficit suffered during the year is deducted from the opening capital fund.
- ◆ **Cash and bank balance:** Closing cash and bank balance as disclosed in Receipt and Payment Account is shown in the assets side of Balance Sheet. If there is a bank overdraft, it is to be shown on the liabilities side of the balance sheet.
- ◆ **Fixed assets:** Opening balances of Fixed Assets (Furniture, building, equipment, etc.) are increased by the amount of purchases and reduced by sales of the same and depreciation on the same.
- ◆ **Liabilities:** Opening balances of liabilities should be adjusted for any increase or decrease in the same.

**Note:** The illustrations explained in this chapter comprise of clubs not registered under the Companies Act, 2013. Therefore, Income & Expenditure Account and Balance Sheet are not prepared as per Schedule III of the Companies Act, 2013.

### ILLUSTRATION 4

Following is the Receipts and Payments Account of New bird Forty Club for the year ended 31st March, 2022:

| Dr  |                   | Cr                    |                   |
|---|-------------------|-----------------------|-------------------|
| <b>Receipts and payments A/c for the year ended on 31<sup>st</sup> March 2022</b> |                   |                       |                   |
| <b>Receipts</b>   | <b>Amount (₹)</b> | <b>Payments</b>       | <b>Amount (₹)</b> |
| To balance b/d  | 2,50,000          | By Salaries and wages | 1,65,000          |

|                               |          |                              |          |
|-------------------------------|----------|------------------------------|----------|
| To Subscription-<br>2020-2021 | 65,000   | By Office expenses           | 35,000   |
| 2021-2022                     | 3,55,000 | By Sports equipment          | 3,42,000 |
| To Donations                  | 55,000   | By Telephone Charges         | 28,000   |
| To Entrance fees              | 85,000   | By Electricity charges       | 32,000   |
|                               |          | By Travelling and conveyance | 65,000   |
|                               |          | By balance c/d               | 1,43,000 |
|                               | 8,10,000 |                              | 8,10,000 |

**Additional information :**

- (a) Outstanding subscriptions for the year ended 31st March, 2022 – ₹ 55,000.
- (b) Outstanding salaries and wages – ₹ 40,000 for the year ended on 31st March 2022.
- (c) Depreciate sports equipment by 25% for the year ended on 31st March 2022.
- (d) Capitalize 50% of the entrance fees.

Prepare Income and Expenditure Account of the club from the above particulars for the year ended on 31st March 2022.

**SOLUTION**

**In the books of New bird forty Club**

**Dr      Income and expenditure Account for the year ended on 31<sup>st</sup> March 2022      Cr**

| Expenditure                       | Amount<br>(₹) | Income            | Amount<br>(₹) |
|-----------------------------------|---------------|-------------------|---------------|
| Salaries and wages                |               | By Subscriptions  | 4,20,000      |
| 1,65,000                          |               | Add: Outstanding  |               |
| Add: Outstanding Salaries         | 2,05,000      | Subscriptions     |               |
| for 2022                          | <u>40,000</u> | for 2022          | 55,000        |
| To Office expenses                | 35,000        | Less: Outstanding |               |
| To Depreciation (25% × 3,42,000)  | 85,500        | Subscriptions     |               |
| To Telephone Charges              | 28,000        | for 2021          | <u>65,000</u> |
| To Electricity charges            | 32,000        | By Donations      | 55,000        |
| To Travelling and conveyance      | 65,000        | By Entrance fees  | 42,500        |
|                                   |               | (50% × 85,000)    |               |
| Excess of income over expenditure | 57,000        |                   |               |
|                                   | 5,07,500      |                   | 5,07,500      |

**ILLUSTRATION 5**

From the following information of a club show the amounts of match expenses and match fund in the appropriate Financial Statements of the club for the year ended on 31st March, 2022:

| Details   | Amount (₹) |
|---|------------|
| Match expenses paid during the year ended 31 <sup>st</sup> March 2022 | 1,10,000   |
| Match fund as on 01.04.2021   | 30,000     |
| Donations for Match fund (received during the year)                   | 55,000     |
| Proceeds from the sale of the match tickets (during the year)         | 20,000     |

**SOLUTION****Balance sheet as at March 31<sup>st</sup> 2022 (extract)**

| Liabilities                        | Amt. (₹)   | Assets | Amt (₹) |
|------------------------------------|------------|--------|---------|
| Match fund                         | 30,000     |        |         |
| Add: Donation for match fund       | 55,000     |        |         |
| Add: Proceeds from sale of tickets | 20,000     |        |         |
| Less: Match expenses (Note)        | (1,05,000) |        |         |
|                                    | NIL        |        |         |

**Note:** Since the expenses incurred are more than the Match fund available ₹ 1,05,000 we are limiting the expenses to ₹ 1,05,000. The remaining expenses of ₹ 5000 (1,10,000-1,05,000) will be debited to the Income and expenditure account.

**ILLUSTRATION 6**

During the year ended 31st March, 2022, the subscriptions received by the Jaipur Literary Society were ₹ 4,50,000. These subscriptions include ₹ 20,000 received for the year ended 31st March, 2021. On 31<sup>st</sup> March, 2022, subscriptions due but not received were ₹ 15,000. Advance subscription received for the year ending 31<sup>st</sup> March 2022 but pertaining to year 2023 amounted to ₹ 26,000. The Subscriptions received in advance for the year ending 31<sup>st</sup> March, 2021 includes ₹ 18,000 pertaining to year 2021-22. Show the subscription account in book of the society?



**SOLUTION**

**In the books of Jaipur literary society**

| <b>Dr</b>                           | <b>Subscription A/c (for the year ended on 31st March 2022)</b> |  | <b>Cr</b>             |
|-------------------------------------|---|--|-----------------------|
| <b>Particulars</b>                  | <b>Amount<br/>(₹)</b>   | <b>Particulars</b>                     | <b>Amount<br/>(₹)</b> |
| To outstanding subscriptions (2021) | 20,000  | By Advance subscriptions (2021)        | 18,000                |
| To Income from Subscriptions A/c    | 4,37,000  | By Bank A/c                            | 4,50,000              |
| To Advance subscriptions (2023)     | 26,000  | By Outstanding<br>subscriptions (2022) | 15,000                |
|                                     | 4,83,000  |  | 4,83,000              |

**ILLUSTRATION 7**

*From the following information, calculate amount of subscriptions outstanding for the year ended 31st March, 2022.*

*A club has 350 members each paying an annual subscription of ₹ 1,050. The Receipts and Payments Account for the year showed a sum of ₹ 4,10,000 received as subscriptions. The following additional information is provided:*

*Subscriptions Outstanding on 31st March, 2021 – ₹ 45,000*

*Subscriptions Received in Advance on 31st March, 2022 – ₹ 62,000*

*Subscriptions Received in Advance on 31st March, 2021 – ₹ 30,000*

**SOLUTION**

**Subscription Account**

| <b>Particulars</b>                             | <b>Amount<br/>(₹)</b> | <b>Particulars</b>                     | <b>Amount<br/>(₹)</b> |
|--|-----------------------|--|-----------------------|
| To Outstanding subscriptions (2021)            | 45,000                | By Advance subscriptions<br>(2021)     | 30,000                |
| To Income from subscriptions A/c<br>(350*1050) | 3,67,500              | By Bank A/c                            | 4,10,000              |
| To Advance subscriptions (2023)                | 62,000                | By Outstanding<br>subscriptions (2021) | 34,500                |
|  | 4,74,500              |  | 4,74,500              |

**ILLUSTRATION 8**

The following was the Receipts and Payments Account of Exe Club for the year ended March 31, 2022

All the figures in thousands

| <b>Receipts</b>                   | <b>₹</b> | <b>Payments</b>                   | <b>₹</b> |
|-----------------------------------|----------|-----------------------------------|----------|
| Cash in hand                      | 100      | Groundsman's Fee                  | 750      |
| Balance at Bank as per Pass Book: |          | Moving Machine                    | 1,500    |
| Deposit Account                   | 2,230    | Rent of Ground                    | 250      |
| Current Account                   | 600      | Cost of Teas                      | 250      |
| Bank Interest                     | 30       | Fares                             | 400      |
| Donations and Subscriptions       | 2,600    | Printing & Office Expenses        | 280      |
| Receipts from teas                | 300      | Repairs to Equipment              | 500      |
| Contribution to fares             | 100      | Honorarium to Secretary and       |          |
| Sale of Equipment                 | 80       | Treasurer of 2021                 | 400      |
| Net proceeds of Variety           |          | Balance at Bank as per Pass Book: |          |
| Entertainment                     | 780      | Deposit Account                   | 3,090    |
| Donation for forth coming         |          | Current Account                   | 150      |
| Tournament                        | 1,000    | Cash in hand                      | 250      |
|                                   | 7,820    |                                   | 7,820    |

You are given the following additional information:

|   | <b>April, 1, 2021</b> | <b>March, 31, 2022</b> |
|---|-----------------------|------------------------|
|   | <b>₹</b>              | <b>₹</b>               |
| Subscription due                                | 150                   | 100                    |
| Amount due for printing etc.                    | 100                   | 80                     |
| Cheques unrepresented being payment for repairs | 300                   | 260                    |
| Estimated value of machinery and equipment      | 800                   | 1,750                  |
| Interest not yet entered in the Pass book       |                       | 20                     |
| Bonus to Groundsman outstanding                 |                       | 300                    |

*For the year ended March 31, 2022, the honorarium to the Secretary and Treasurer are to be increased by a total of ₹ 200. Prepare the Income and Expenditure Account and Balance Sheet for period ending 31<sup>st</sup> March, 2022.*

**SOLUTION**

**Income and Expenditure Account of Exe Club  
for the year ending 31st March, 2022**

(all figures in thousand)

| Expenditure                          |         | ₹     | Income                               | ₹     |
|--------------------------------------|---------|-------|--------------------------------------|-------|
| To Groundsman's fee                  |         | 750   | By Donations and Subscription        | 2,550 |
| To Rent of Ground                    |         | 250   | By Receipts from teas                | 50    |
| To Fares' Expenses                   | 400     |       | (Fares) less expenses                |       |
| Less : Contribution                  | (100)   | 300   | (₹ 300 - ₹ 250)                      |       |
| To Printing & Office Expenses        |         | 260   | By Proceeds of Variety Entertainment | 780   |
| To Repairs                           |         | 460   | By Interest (₹ 30 + ₹ 20)            | 50    |
| To Depreciation on Machinery         |         |       |                                      |       |
| Opening balance and Purchases        | 2,300   |       |                                      |       |
| Less: Closing Balance                | (1,750) |       |                                      |       |
|                                      | 550     |       |                                      |       |
| Less: Sale                           | (80)    | 470   |                                      |       |
| To Honorarium to Sect. & Treasurer   |         | 600   |                                      |       |
| To Bonus to Groundsman               |         | 300   |                                      |       |
| To Excess of Income over Expenditure |         | 40    |                                      |       |
|                                      |         | 3,430 |                                      | 3,430 |

**Balance Sheet of Exe Club as on 31st March, 2022**

| <b>Liabilities</b>           |       | ₹     | <b>Assets</b>          | ₹     |
|------------------------------|-------|-------|------------------------|-------|
| Outstanding Expenses:        |       |       |                        |       |
| Groundsman Bonus             |       | 300   | Cash in hand           | 250   |
| Printing                     |       | 80    | Cash in Deposit A/c    | 3,090 |
| Honorarium                   |       | 600   | Subscription Due       | 100   |
| Bank Overdraft (₹260 – ₹150) |       | 110   | Interest Due           | 20    |
| Capital Fund: Opening        | 3,080 |       | Machinery & Equipments | 1,750 |
| Add: Surplus for the year    | 40    | 3,120 |                        |       |
| Tournament Fund (Donation)   |       | 1,000 |                        |       |
|                              |       | 5,210 |                        | 5,210 |

**Balance Sheet as on 1st April, 2021**

| <b>Liabilities</b>                                | ₹     | <b>Assets</b>       | ₹     |
|---|-------|---------------------|-------|
| Outstanding Expenses and Honorarium (₹100 + ₹400) | 500   | Cash in hand        | 100   |
| Capital Fund (Balancing Figure)                   | 3,080 | Cash in Deposit A/c | 2,230 |
|   |       | Cash in Current A/c | 300   |
|   |       | Subscription Due    | 150   |
|   |       | Machinery           | 800   |
|   | 3,580 |                     | 3,580 |

**ILLUSTRATION 9**

The Sportwriters Club gives the following Receipts and Payments Account for the year ended March 31, 2022:

**Receipts and Payments Account**

| <b>Receipts</b>              | ₹      | <b>Payments</b>             | ₹      |
|------------------------------|--------|-----------------------------|--------|
| To Balance b/d               | 4,820  | By Salaries                 | 12,000 |
| To Subscriptions             | 28,600 | By Rent and electricity     | 7,220  |
| To Miscellaneous income      | 700    | By Library books            | 1,000  |
| To Interest on Fixed deposit | 2,000  | By Magazines and newspapers | 2,172  |

|  |        |                      |        |
|--|--------|----------------------|--------|
|  |        | By Sundry expenses   | 10,278 |
|  |        | By Sports equipments | 1,000  |
|  |        | By Balance c/d       | 2,450  |
|  | 36,120 |                      | 36,120 |

Figures of other assets and liabilities are furnished as follows:

|  | <b>As at March 31</b> |             |
|--|-----------------------|-------------|
|  | <b>₹</b>              | <b>₹</b>    |
|  | <b>2021</b>           | <b>2022</b> |
| Salaries outstanding                     | 710                   | 170         |
| Outstanding rent & electricity           | 864                   | 973         |
| Outstanding for magazines and newspapers | 226                   | 340         |
| Fixed Deposit (10%) with bank            | 20,000                | 20,000      |
| Interest accrued thereon                 | 500                   | 500         |
| Subscription receivable                  | 1,263                 | 1,575       |
| Prepaid expenses                         | 417                   | 620         |
| Furniture                                | 9,600                 |             |
| Sports equipments                        | 7,200                 |             |
| Library books                            | 5,000                 |             |

The closing values of furniture and sports equipments are to be determined after charging depreciation at 10% and 20% p.a. respectively inclusive of the additions, if any, during the year. The Club's library books are revalued at the end of every year and the value at the end of March 31, 2022 was ₹5,250.

**Required**

From the above information you are required to prepare:

- (a) The Club's Balance Sheet as at March 31, 2021;
- (b) The Club's Income and Expenditure Account for the year ended March 31, 2022.
- (c) The Club's Closing Balance Sheet as at March 31, 2022.

**SOLUTION**

(a)

**Sportswriters Club****Balance Sheet as on 31st March, 2021**

| <b>Liabilities</b>              | ₹   | ₹      | <b>Assets</b>           | ₹      |
|---------------------------------|-----|--------|-------------------------|--------|
| Outstanding expenses:           |     |        | Furniture               | 9,600  |
| Salaries                        | 710 |        | Library Books           | 5,000  |
| Rent & Electricity              | 864 |        | Sports Equipment        | 7,200  |
| Magazines & Newspapers          | 226 | 1,800  | Fixed Deposit           | 20,000 |
| Capital Fund (Balancing figure) |     | 47,000 | Cash in hand & at Bank  | 4,820  |
|                                 |     |        | Prepaid Expenses        | 417    |
|                                 |     |        | Subscription receivable | 1,263  |
|                                 |     |        | Interest accrued        | 500    |
|                                 |     | 48,800 |                         | 48,800 |

(b)

**Income and Expenditure Account for the year ending 31st March, 2022**

| <b>Expenditure</b>        |            | ₹      | <b>Income</b>                        | ₹      |
|---------------------------|------------|--------|--------------------------------------|--------|
| To Salaries               |            | 11,460 | By Subscription                      | 28,912 |
| To Rent & Electricity     |            | 7,329  | By Interest on Fixed Deposit         | 2,000  |
| To Magazines & Newspapers |            | 2,286  | By Misc. Income                      | 700    |
| To Sundry Expenses        |            | 10,075 | By Excess of expenditure over income | 2,888  |
| To Depreciation:          |            |        |                                      |        |
| Furniture                 | 960        |        |                                      |        |
| Sports Equipment          | 1,640      |        |                                      |        |
| Library Books             | <u>750</u> | 3,350  |                                      |        |
|                           |            | 34,500 |                                      | 34,500 |

(c)

**Balance Sheet of Sports Writers Club****as on 31st March, 2022**

| <b>Liabilities</b>    | ₹   | ₹ | <b>Assets</b> | ₹     | ₹ |
|-----------------------|-----|---|---------------|-------|---|
| Outstanding Expenses: |     |   | Furniture     |       |   |
| Salaries              | 170 |   | Cost          | 9,600 |   |

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PROFIT ORGANISATIONS**

**8.23**

|                    |         |        |                         |         |        |
|--------------------|---------|--------|-------------------------|---------|--------|
| Rent & Electricity | 973     | 1,483  | Less : Depreciation     | (960)   | 8,640  |
| Newspapers         | 340     |        | Magazines & Sport       |         |        |
| Capital Fund:      |         |        | Equipment:              |         |        |
| Opening balance    | 47,000  |        | Opening balance         | 7,200   |        |
| Less : Excess of   |         |        | Addition                | 1,000   |        |
| exp. over income   | (2,888) | 44,112 |                         | 8,200   |        |
|                    |         |        | Less : Depreciation     | (1,640) | 6,560  |
|                    |         |        | Library Books :         |         |        |
|                    |         |        | Opening Balance         | 5,000   |        |
|                    |         |        | Addition                | 1,000   |        |
|                    |         |        |                         | 6,000   |        |
|                    |         |        | Less : Depreciation     | (750)   | 5,250  |
|                    |         |        | Fixed Deposit           |         | 20,000 |
|                    |         |        | Cash in hand & at bank  |         | 2,450  |
|                    |         |        | Prepaid Expenses        |         | 620    |
|                    |         |        | Subscription Receivable |         | 1,575  |
|                    |         |        | Interest accrued        |         | 500    |
|                    |         | 45,595 |                         |         | 45,595 |

**Working Notes:**

| (i) | Expenses                        | Salaries | Rent & Electricity | Magazines & News-Papers | Sundry Expenses |
|-----|---------------------------------|----------|--------------------|-------------------------|-----------------|
|     |                                 | ₹        | ₹                  | ₹                       | ₹               |
|     | Paid during the year            | 12,000   | 7,220              | 2,172                   | 10,278          |
|     | Add : Outstanding on 31.3.2022  | 170      | 973                | 340                     | -               |
|     | Add : Prepaid on 31.3.2021      | -        | -                  | -                       | 417             |
|     |                                 | 12,170   | 8,193              | 2,512                   | 10,695          |
|     | Less : Outstanding on 31.3.2021 | (710)    | (864)              | (226)                   | -               |
|     | Less : Prepaid on 31.3.2022     | -        | -                  | -                       | (620)           |
|     | Expenditure for the year        | 11,460   | 7,329              | 2,286                   | 10,075          |

|       |                                       |  |  |         |         |
|-------|---------------------------------------|--|--|---------|---------|
| (ii)  | Depreciation                          |  |  |         |         |
|       | (a) Furniture @10% on ₹ 9,600         |  |  |         | 960     |
|       | (b) Sports Equipment @ 20% on ₹ 8,200 |  |  |         | 1,640   |
|       | (c) Library books - book value        |  |  | 6,000   |         |
|       | Revalued at                           |  |  | (5,250) | 750     |
| (iii) | Subscription                          |  |  |         |         |
|       | Received in cash                      |  |  |         | 28,600  |
|       | Add : Receivable on 31.3.2022         |  |  |         | 1,575   |
|       |                                       |  |  |         | 30,175  |
|       | Less: Receivable on 31.3.2021         |  |  |         | (1,263) |
|       |                                       |  |  |         | 28,912  |

**ILLUSTRATION 10**

The Income and Expenditure Account of the Youth Club for the Year 2022 is as follows:

| <b>Expenditure</b> |                         | ₹     | <b>Income</b> |                   | ₹     |
|--------------------|-------------------------|-------|---------------|-------------------|-------|
| To                 | Salaries                | 4,750 | By            | Subscription      | 7,500 |
| To                 | General Expenses        | 500   | By            | Entrance Fees     | 250   |
| To                 | Audit Fee               | 250   | By            | Contribution for  |       |
| To                 | Secretary's Honorarium  | 1,000 |               | annual dinner     | 1,000 |
| To                 | Stationery & Printing   | 450   | By            | Annual Sport meet |       |
| To                 | Annual Dinner Expenses  | 1,500 |               | receipts          | 750   |
| To                 | Interest & Bank Charges | 150   |               |                   |       |
| To                 | Depreciation            | 300   |               |                   |       |
| To                 | Surplus                 | 600   |               |                   |       |
|                    |                         | 9,500 |               |                   | 9,500 |

This account had been prepared after the following adjustments:

|   | ₹   |
|---|-----|
| Subscription outstanding at the end of 2021             | 600 |
| Subscription received in advance on 31st December, 2021 | 450 |
| Subscription received in advance on 31st December, 2022 | 270 |
| Subscription outstanding on 31st December, 2022         | 750 |



Salaries Outstanding at the beginning and the end of 2022 were respectively ₹ 400 and ₹ 450. General Expenses include insurance prepaid to the extent of ₹ 60. Audit fee for 2022 is as yet unpaid. During 2022 audit fee for 2021 was paid amounting to ₹ 200.

The Club owned a freehold ground valued at ₹ 10,000. The club had sports equipment on 1st January, 2022 valued at ₹ 2,600. At the end of the year, after depreciation, this equipment amounted to ₹ 2,700. In 2021, the Club has raised a bank loan of ₹ 2,000. This was outstanding throughout 2022. On 31st December, 2022 cash in hand amounted to ₹ 1,600.

**Required**

Prepare the Receipts and Payments Account for 2022 and Balance Sheet as at the end of the year.

**SOLUTION**

**The Youth Club**

**Receipts and Payments Account for the year ended 31st December, 2022**

| Receipts   | ₹     | ₹      | Payments                                      | ₹     | ₹      |
|--|-------|--------|---|-------|--------|
| To Balance b/d<br>(balancing figure)                       |       | 1,390  | By Salaries                                   | 4,750 |        |
| To Subscriptions as per<br>Income & Expenditure<br>Account | 7500  |        | Add: Paid for 2021                            | 400   |        |
| Add: 2021's Received                                       | 600   |        |   | 5,150 |        |
| 2023's Received  | 270   |        | Less: Unpaid for 2022                         | (450) | 4,700  |
|  | 8,370 |        | By General Expenses                           | 500   |        |
| Less: 2022's Received<br>in 2021                           | (450) |        | Add : Paid for 2023                           | 60    | 560    |
|  | 7,920 |        | By Audit fee (2021)                           |       | 200    |
| Less: 2022's<br>Outstanding                                | (750) | 7,170  | By Secy. Honorarium                           |       | 1,000  |
| To Entrance Fees   |       | 250    | By Stationery & Printing                      |       | 450    |
| To Contribution for<br>annual dinner                       |       | 1,000  | By Annual Dinner<br>Expenses                  |       | 1,500  |
| To Annual sport meet<br>receipt                            |       | 750    | By Interest & Bank<br>Charges                 |       | 150    |
|  |       | 10,560 | By Sports Equipments<br>[2700 - (2600 - 300)] |       | 400    |
| To Balance b/d   |       | 1,600  | By Balance c/d                                |       | 1,600  |
|  |       |        |   |       | 10,560 |

**Balance Sheet of Youth Club as on December 31, 2022**

| <b>Liabilities</b>               | ₹      | ₹      | <b>Assets</b>            | ₹     | ₹      |
|----------------------------------|--------|--------|--------------------------|-------|--------|
| Subscription received in advance |        | 270    | Freehold Ground          |       | 10,000 |
| Audit Fee Outstanding            |        | 250    | Sport Equipment:         |       |        |
| Salaries Outstanding             |        | 450    | As per last              |       |        |
| Bank Loan                        |        | 2,000  | Balance Sheet            | 2,600 |        |
| Capital Fund :                   |        |        | Additions                | 400   |        |
| Balance as per previous          |        |        | Less : Depreciation      | (300) | 2,700  |
| Balance Sheet                    | 11,540 |        | Subscription Outstanding |       | 750    |
| Add : Surplus for 2022           | 600    | 12,140 | Insurance Prepaid        |       | 60     |
|                                  |        |        | Cash in hand             |       | 1,600  |
|                                  |        | 15,110 |                          |       | 15,110 |

**Balance Sheet of Youth Club as on 31st December, 2021**

| <b>Liabilities</b>                | ₹      | <b>Assets</b>             | ₹      |
|-----------------------------------|--------|---------------------------|--------|
| Subscriptions received in advance | 450    | Freehold Ground           | 10,000 |
| Salaries outstanding              | 400    | Sports Equipment          | 2,600  |
| Audit fees unpaid                 | 200    | Subscriptions Outstanding | 600    |
| Bank Loan                         | 2,000  | Cash in hand              | 1,390  |
| Capital Fund (balancing figure)   | 11,540 |                           |        |
|                                   | 14,590 |                           | 14,590 |

**ILLUSTRATION 11**

Smith Library Society showed the following position on 31<sup>st</sup> March, 2021:

**Balance Sheet as on 31<sup>st</sup> March, 2021**

| <b>Liabilities</b> | ₹        | <b>Assets</b>            | ₹        |
|--------------------|----------|--------------------------|----------|
| Capital fund       | 7,93,000 | Electrical fittings      | 1,50,000 |
| Expenses payable   | 7,000    | Furniture                | 50,000   |
|                    |          | Books                    | 4,00,000 |
|                    |          | Investment in securities | 1,50,000 |

|  |                 |              |                 |
|--|-----------------|--------------|-----------------|
|  |                 | Cash at bank | 25,000          |
|  | _____           | Cash in hand | <u>25,000</u>   |
|  | <u>8,00,000</u> |              | <u>8,00,000</u> |

The receipts and payment account for the year ended on 31<sup>st</sup> March, 2022 is given below:

|                                      | ₹               |                              | ₹               |
|--------------------------------------|-----------------|------------------------------|-----------------|
| To Balance b/d                       |                 | By Electric charges          | 7,200           |
| Cash at bank 25,000                  |                 | By Postage and stationary    | 5,000           |
| Cash in hand <u>25,000</u>           | 50,000          | By Telephone charges         | 5,000           |
| To Entrance fee 30,000               | 30,000          | By Books purchased           | 60,000          |
| To Membership subscription 2,00,000  | 2,00,000        | By Outstanding expenses paid | 7,000           |
| To Sale proceeds of old papers 1,500 | 1,500           | By Rent                      | 88,000          |
| To Hire of lecture hall 20,000       | 20,000          | By Investment in securities  | 40,000          |
| To Interest on securities. 8,000     | 8,000           | By Salaries                  | 66,000          |
|                                      |                 | By Balance c/d               |                 |
|                                      |                 | Cash at bank                 | 20,000          |
|                                      | _____           | Cash in hand                 | <u>11,300</u>   |
|                                      | <u>3,09,500</u> |                              | <u>3,09,500</u> |

You are required to prepare income and expenditure account for the year ended 31<sup>st</sup> March, 2022 and a balance sheet as at 31<sup>st</sup>, March, 2022 after making the following adjustments:

Membership subscription included ₹ 10,000 received in advance and 75% of the entrance fees is to be capitalized.

Rent for ₹ 4,000 and salaries for ₹ 3,000 are outstanding.

Books are to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2021 for ₹ 40,000.

## SOLUTION

**Smith Library Society**  
**Income and Expenditure Account**  
**for the year ended 31<sup>st</sup> March, 2022**

| Dr.                       |               |                 |   |               | Cr.             |
|---------------------------|---------------|-----------------|---|---------------|-----------------|
| Expenditure               | ₹             | ₹               | Income  |               | ₹               |
| To Electric charges       |               | 7,200           | By Entrance fee (25% of ₹ 30,000)             |               | 7,500           |
| To Postage and stationary |               | 5,000           |   |               |                 |
| To Telephone charges      |               | 5,000           | By Membership subscription                    | 2,00,000      |                 |
| To Rent                   | 88,000        |                 | Less: Received in advance                     | <u>10,000</u> | 1,90,000        |
| Add: Outstanding          | <u>4,000</u>  | 92,000          |   |               |                 |
| To Salaries               | 66,000        |                 | By Sale proceeds of old papers                |               | 1,500           |
| Add: Outstanding          | <u>3,000</u>  | 69,000          | By Hire of lecture hall                       |               | 20,000          |
| To Depreciation (W.N.1)   |               |                 | By Interest on securities(W.N.2)              | 8,000         |                 |
| Electrical fittings       | 15,000        |                 | Add: Receivable                               | <u>500</u>    | 8,500           |
| Furniture                 | 5,000         |                 | By Deficit- excess of expenditure over income |               | 16,700          |
| Books                     | <u>46,000</u> | 66,000          |   |               |                 |
|                           |               | <u>2,44,200</u> |   |               | <u>2,44,200</u> |

**Balance Sheet of Smith Library Society**  
**as on 31<sup>st</sup> March, 2022**

| Liabilities                             | ₹               | ₹        | Asset                    | ₹               | ₹        |
|---|-----------------|----------|--------------------------|-----------------|----------|
| Capital fund                            | 7,93,000        |          | Electrical fittings      | 1,50,000        |          |
| Add: Entrance fees                      | <u>22,500</u>   |          | Less: Depreciation       | <u>(15,000)</u> | 1,35,000 |
|   | 8,15,500        |          | Furniture                | 50,000          |          |
| Less: Excess of expenditure over income | <u>(16,700)</u> | 7,98,800 | Less: Depreciation Books | <u>(5,000)</u>  | 45,000   |
|   |                 |          | Less Depreciation        | <u>(46,000)</u> | 4,14,000 |
| Outstanding expenses:                   |                 |          | Investment:              |                 |          |
| Rent                                    | 4,000           |          | Securities               | 1,90,000        |          |

**FINANCIAL STATEMENTS OF NOT FOR  
PROFIT ORGANISATIONS**

**8.29**

|                                       |              |                 |                  |            |                 |
|---------------------------------------|--------------|-----------------|------------------|------------|-----------------|
| Salaries                              | <u>3,000</u> | 7,000           | Accrued interest | <u>500</u> | 1,90,500        |
| Membership subscription<br>in advance |              | <u>10,000</u>   | Cash at bank     |            | 20,000          |
|                                       |              | <u>8,15,800</u> | Cash in hand     |            | <u>11,300</u>   |
|                                       |              |                 |                  |            | <u>8,15,800</u> |

**Working Notes:**

|  |              |   |                |
|--|--------------|---|----------------|
| <b>1. Depreciation</b>                         |              | ₹ |                |
| Electrical fittings 10% of ₹ 1,50,000          |              |   | 15,000         |
| Furniture 10% of ₹ 50,000                      |              |   | 5,000          |
| Books 10% of ₹ 4,60,000                        |              |   | 46,000         |
| <b>2. Interest on Securities</b>               |              |   |                |
| Interest @ 5% p.a. on ₹ 1,50,000 for full year | 7,500        |   |                |
| Interest @ 5% p.a. on ₹ 40,000 for half year   | <u>1,000</u> |   | 8,500          |
| Less: Received                                 |              |   | <u>(8,000)</u> |
| Receivable                                     |              |   | <u>500</u>     |

**ILLUSTRATION 12**

From the following Income and Expenditure Account and the Balance Sheet of a club, prepare its Receipts and Payments Account and Subscription Account for the year ended 31st March, 2022:

**Income & Expenditure Account for the year 2021-22**

|                              | ₹             |                             | ₹             |
|------------------------------|---------------|-----------------------------|---------------|
| To Upkeep of Ground          | 10,000        | By Subscriptions            | 17,320        |
| To Printing                  | 1,000         | By Sale of Newspapers (Old) | 260           |
| To Salaries                  | 11,000        | By Lectures                 | 1,500         |
| To Depreciation on Furniture | 1,000         | By Entrance Fee             | 1,300         |
| To Rent                      | 600           | By Miscellaneous Income     | 400           |
|                              |               | By Deficit                  | 2,820         |
|                              | <u>23,600</u> |                             | <u>23,600</u> |

**Balance Sheet as at 31st March, 2022**

| <b>Liabilities</b>                   |  | ₹   | <b>Assets</b>       | ₹      |
|--------------------------------------|--|-----|---------------------|--------|
| Subscription in Advance<br>(2022-23) |  | 100 | Furniture           | 9,000  |
|                                      |  |     | Ground and Building | 47,000 |

|                           |         |        |                                   |        |
|---------------------------|---------|--------|-----------------------------------|--------|
| <i>Prize Fund :</i>       |         |        | <i>Prize Fund Investment</i>      | 20,000 |
| <i>Opening Balance</i>    | 25,000  |        | <i>Cash in Hand</i>               | 2,300  |
| <i>Add : Interest</i>     | 1,000   |        | <i>Subscription (outstanding)</i> | 700    |
|                           | 26,000  |        | <i>(2021-22)</i>                  |        |
| <i>Less : Prizes</i>      | (2,000) | 24,000 |                                   |        |
| <i>General Fund :</i>     |         |        |                                   |        |
| <i>Opening Balance</i>    | 56,420  |        |                                   |        |
| <i>Less : Deficit</i>     | (2,820) |        |                                   |        |
|                           | 53,600  |        |                                   |        |
| <i>Add : Entrance Fee</i> | 1,300   | 54,900 |                                   |        |
|                           |         | 79,000 |                                   | 79,000 |

The following adjustments have been made in the above accounts:

- (1) Upkeep of ground ₹ 600 and Printing ₹ 240 relating to 2020-2021 were paid in 2021-22.
- (2) One-half of entrance fee has been capitalised by transfer to General Fund.
- (3) Subscription outstanding in 2020-21 was ₹ 800 and for 2021-22 ₹ 700.
- (4) Subscription received in advance in 2020-21 was ₹ 200 and in 2021-22 for 2022-23 ₹ 100.

### SOLUTION

#### Receipts and Payments Account for the year ending 31st March, 2022

| Receipts                                 | ₹      | Payments                              | ₹      |
|--|--------|---------------------------------------|--------|
| To Balance b/d<br>(Balancing figure)     | 4,660  | By Upkeep of Ground<br>(10,000 + 600) | 10,600 |
| To Subscription                          | 17,320 | By Printing (1,000 + 240)             | 1,240  |
| To Interest on Prize Fund<br>Investments | 1,000  | By Salaries                           | 11,000 |
| To Lecture (fee)                         | 1,500  | By Rent                               | 600    |
| To Entrance Fee                          | 2,600  | By Prizes                             | 2,000  |
| To Sale of Newspapers (old)              | 260    | By Balance c/d                        | 2,300  |
| To Misc. Income                          | 400    |                                       |        |
|  | 27,740 |                                       | 27,740 |

**Note:** In order to arrive at the payments under Upkeep of ground and printing, even the payment for 2020-21 has been considered, as receipts and payments A/c shows all the period payments

**Subscription Account**

|       |                                      | ₹      |         |                                       | ₹      |
|-------|--------------------------------------|--------|---------|---------------------------------------|--------|
| 2021  |                                      |        | 2021    |                                       |        |
| April | To Subscription                      |        | April 1 | By Cash (Balancing figure)            | 17,320 |
|       | Outstanding (2020-21)                | 800    |         | By Subscription Outstanding (2021-22) | 700    |
|       | To Subscription In Advance (2022-23) | 100    |         | By Subscription in Advance (2020-21)  | 200    |
| 2022  |                                      |        |         |                                       |        |
| March | To Income & Expenditure A/c          | 17,320 |         |                                       |        |
|       |                                      | 18,220 |         |                                       | 18,220 |



## **5. EDUCATIONAL INSTITUTIONS**

### **Registration**

The educational institutions which are functioning in India are mostly registered as Societies under the Indian Societies Registration Act of 1860, in some of the States, where Public Trust Acts have been passed all the Societies registered under the Indian Societies Registration Act, 1860 are required to be simultaneously registered under the Trust Act. Accordingly, in the State of Maharashtra, all the Societies have simultaneously been registered under the Bombay Public Trust Act, 1950.

### **Organizational Pattern**

The Trust Societies are autonomous bodies with office bearers consisting of President, Secretary, Treasurer and Executive Committee Members. The General Body consists of all the Members of the Society. In case of Societies/Trusts which run a number of colleges and schools etc., for managing the affairs of each individual school or college, there is a governing body, wherein the head of the Unit, such as Principal of the college or Head Master of the school as, the case may be, are also members of the Governing Body.

The function of the Governing Body is to supervise the smooth functioning of the individual school or college.

### **Salient Features**

The basic tenets pre-suppose, that part of the expenses of the educational institutions are met from the funds raised by the educational institutions themselves, either from donations, or from charities, collected from benevolent citizens in the country.

The State Governments through grant-in-aid-code have evolved different patterns of giving assistance to the educational institutions. There is, as such, no uniformity in the giving of assistance to the educational institutions in the form of grants.

All the educational institutions follow financial year as their accounting year.

## **5.1 Sources of Finance for Running the Educational Institution**

There are three main sources through which amounts are collected by the educational institutions. These are:

- (1) Donation from Public;
- (2) Fees in the form of annual tuition fees, term fees, admission fees, laboratory fee etc., and
- (3) Grants received from the Government.

The Government grants are of four kinds namely Maintenance Grant, Equipment grant, Building Grant and such other grants as may be sanctioned by the Government from time to time.

## **5.2 Specific items**

### **5.2.1 Donation from Public**

These are received either for recurring or non-recurring purposes. Donations are received either in cash or in kind. The 'in kind' donations are in the form of land and building, shares and securities, utensils, furniture and fixtures and the like, generally with a desire to perpetuate the memory of a distinguished member of the family of the donor.

### **5.2.2 Capitation fees or admission fees**

Amounts are collected from parents/guardians of the students who seek admission in the educational institution. These are either in the form of capitation fees or admission fees and are generally collected by the Parent Body which runs the institution. In recent times, such collections have been a matter of severe attack and ban.



### **5.2.3 Laboratory and Library deposit**

These are generally collected by schools and colleges and they remain with the institution till the student finally leaves it.

The School Code prescribes the rates of tuition and other fees, to be charged from the students.

### **5.2.4 Use of Term Fees**

A separate account of receipts and expenditures shall be maintained and surplus carried over to the next year. The following are main items on which term fee can be used:

- (1) Medical Inspection.
- (2) School Magazine-manuscript and/or printing.
- (3) Examination expenses i.e. printing, of question papers and supply of answer books if there is sufficient balance.
- (4) Contribution to athletic and cultural associations, connected with school activities.
- (5) School functions and festivals.
- (6) Inter-class and Inter-school tournaments.
- (7) Sports and Games-major and minor.
- (8) Newspapers and magazines.
- (9) Extra-curricular excursion and visits.
- (10) School competition such as elocution competition etc.
- (11) Scouting and Guiding.
- (12) School Band.
- (13) Social and Cultural activities and equipment required for the same.
- (14) Vocational Guidance in general.
- (15) Prizes for Co-curricular activities.
- (16) Any other extra-curricular or co-curricular activities.
- (17) Maintenance of playground.
- (18) Purchase of books for Pupils Library.
- (19) Drawing and Craft material.
- (20) Audio-Visual Education.

- (21) Curricular visits and excursions.
- (22) Equipment for Physical education.

### **5.2.5 Recurring grants**

Recurring grants in the form of Maintenance Grants are received in instalments spread out throughout the year.

### **5.2.6 Use of grant-in-aid**

The School Code provides a detailed list of items of expenditure which are admissible for grant-in-aid:

- (1) Staff salaries and allowances
- (2) Leave Allowance.
- (3) Bad Climate Allowance.
- (4) Water Allowance.
- (5) Leave Salary.
- (6) Expenditure on training of teachers.
- (7) Pension and Gratuity as may be applicable.
- (8) Expenditure on the appointment of Librarian.
- (9) Rent, Taxes and Insurance.
- (10) Other Contingencies: expenditure of printing and stationery, conveyance expenditure, expenditure on purchase of books and furniture equipment.
- (11) Current repairs.
- (12) Miscellaneous Expenses: e.g. School Garden, Physical Education.
- (13) Prizes.
- (14) Expenditure on co-operative stores.
- (15) Registration fee paid to the Board for recognition.
- (16) Maintenance of Tiffin Rooms.
- (17) Bonus to Teachers.
- (18) Electrical charges.
- (19) Telephone Charges.
- (20) Expenditure in connection with Conferences.

- (21) Subscription to educational Association etc.
- (22) Medical charges.
- (23) Audit fees of the auditors in accordance with prescribed scale.
- (24) Sales-tax and General tax on purchase of the school requirements.
- (25) Payments for merit scholarships.

**ILLUSTRATION 13**

*From the following balances and particulars of Republic College, prepare Income & Expenditure Account for the year ended March, 2022 and a Balance Sheet as on the date :*

|  | ₹        | ₹         |
|--|----------|-----------|
| <i>Seminars &amp; Conference Receipts</i>      |          | 4,80,000  |
| <i>Consultancy Receipts</i>                    |          | 1,28,000  |
| <i>Security Deposit - Students</i>             |          | 1,50,000  |
| <i>Capital Fund</i>                            |          | 16,06,000 |
| <i>Research Fund</i>                           |          | 8,00,000  |
| <i>Building Fund</i>                           |          | 25,00,000 |
| <i>Provident Fund</i>                          |          | 5,10,000  |
| <i>Tuition Fee Received</i>                    |          | 8,00,000  |
| <i>Government Grants</i>                       |          | 5,00,000  |
| <i>Donations</i>                               |          | 50,000    |
| <i>Interest &amp; Dividends on Investments</i> |          | 1,85,000  |
| <i>Hostel Room Rent</i>                        |          | 1,75,000  |
| <i>Mess Receipts (Net)</i>                     |          | 2,00,000  |
| <i>College Stores-Sales</i>                    |          | 7,50,000  |
| <i>Outstanding expenses</i>                    |          | 2,25,000  |
| <i>Stock of-stores and Supplies (opening)</i>  | 3,00,000 |           |
| <i>Purchases - Stores &amp; Supplies</i>       | 8,00,000 |           |
| <i>Salaries (Teaching staff)</i>               | 9,70,000 |           |
| <i>Scholarships</i>                            | 80,000   |           |
| <i>Students Welfare expenses</i>               | 38,000   |           |
| <i>Repairs &amp; Maintenance</i>               | 1,12,000 |           |

|                               |             |             |
|-------------------------------|-------------|-------------|
| Games & Sports Expenses       | 50,000      |             |
| Misc. Expenses                | 65,000      |             |
| Research Fund Investments     | 8,00,000    |             |
| Other Investments             | 18,50,000   |             |
| Provident Fund Investment     | 5,10,000    |             |
| Seminar & Conference Expenses | 4,50,000    |             |
| Consultancy Expenses          | 28,000      |             |
| Land                          | 1,00,000    |             |
| Building                      | 16,00,000   |             |
| Plant and Machinery           | 8,50,000    |             |
| Furniture and Fittings        | 6,00,000    |             |
| Motor Vehicle                 | 1,80,000    |             |
| Provision for Depreciation:   |             |             |
| Building                      |             | 4,80,000    |
| Plant & Equipment             |             | 5,10,000    |
| Furniture & Fittings          |             | 3,36,000    |
| Cash at Bank                  | 6,42,000    |             |
| Library                       | 3,60,000    |             |
|                               | 1,03,85,000 | 1,03,85,000 |

**Adjustments:**

|  | ₹        |
|--|----------|
| (1) Materials & Supplies consumed: (From college stores)                         |          |
| Teaching staff   | 2,00,000 |
| Students Welfare   | 75,000   |
| Games or Sports  | 25,000   |
| (2) Tuition fee receivable from Government for backward class Scholars           | 80,000   |
| (3) Stores selling prices are fixed to give a net profit of 10% on selling price |          |
| (4) Depreciation is provided on straight line basis at the following rates:      |          |
| (1) Building   | 5%       |
| (2) Plant & Equipment  | 10%      |

|   |     |
|---|-----|
| (3) Furniture & Fixtures                                  | 10% |
| (4) Motor Vehicle   | 20% |
| (5) Government grant is to be treated as revenue receipt. |     |

**SOLUTION**

**Republic College**

**Income and Expenditure Account for the year ending 31st March, 2022**

| Expenditure                                     | ₹      | ₹         | Income                         | ₹          | ₹         |
|---|--------|-----------|--------------------------------|------------|-----------|
| To Salaries: Teaching staff                     |        | 9,70,000  | By Tuitions & other fee        |            | 8,80,000  |
| To Material & Supplies Consumed: Teaching staff |        | 2,00,000  | By Govt. Grants                |            | 5,00,000  |
| To Repairs & Maintenance                        |        | 1,12,000  | By Income from Investments     |            | 1,85,000  |
| To Sports & Games Expenses:                     |        |           | By Hostel room rent            |            | 1,75,000  |
| Cash  | 50,000 |           | By Mess Receipts               |            | 2,00,000  |
| Materials                                       | 25,000 | 75,000    | By Profit-Stores Sales         |            | 75,000    |
| To Students Welfare Expenses:                   |        |           | By Seminar and Conferences:    |            |           |
| Cash  | 38,000 |           | Income                         | 4,80,000   |           |
| Materials                                       | 75,000 | 1,13,000  | By Less : Expenses             | (4,50,000) | 30,000    |
| To Misc. Expenses                               |        | 65,000    | By Consultancy charges: Income | 1,28,000   |           |
| To Scholarships                                 |        | 80,000    | Less : Expenses                | (28,000)   | 1,00,000  |
| To Depreciation:                                |        |           | By Donations                   |            | 50,000    |
| Building  |        | 80,000    |                                |            |           |
| Plant & Equipment                               |        | 85,000    |                                |            |           |
| Furniture                                       |        | 60,000    |                                |            |           |
| Motor Vehicle                                   |        | 36,000    |                                |            |           |
| To Excess of Income over Expenditure            |        | 3,19,000  |                                |            |           |
|   |        | 21,95,000 |                                |            | 21,95,000 |

## Republic College

## Balance Sheet as on 31st March, 2022

| Liabilities                               | ₹         | ₹         | Assets                     | ₹          | ₹         |
|---|-----------|-----------|----------------------------|------------|-----------|
| Capital Fund                              |           |           | Fixed Assets:              |            |           |
| Opening balance                           | 16,06,000 |           | Land                       |            | 1,00,000  |
| Add: Excess of Income<br>over Expenditure | 3,19,000  | 19,25,000 | Building Cost              | 16,00,000  |           |
| Other Funds                               |           |           | Less: Depreciation         | (5,60,000) | 10,40,000 |
| Research Fund                             |           | 8,00,000  | Equipment Cost             | 8,50,000   |           |
| Building Fund                             |           | 25,00,000 | Less: Depreciation         | (5,95,000) | 2,55,000  |
| Current Liabilities :                     |           |           | Furniture & Fittings:      |            |           |
| Outstanding<br>Expenses                   |           | 2,25,000  | Cost                       | 6,00,000   |           |
| Provident Fund                            |           | 5,10,000  | Less: Depreciation         | (3,96,000) | 2,04,000  |
| Security Deposit                          |           | 1,50,000  | Motor Vehicles             |            |           |
|   |           |           | Cost                       | 1,80,000   |           |
|   |           |           | Less: Depreciation         | (36,000)   | 1,44,000  |
|   |           |           | Library                    |            | 3,60,000  |
|   |           |           | Investments:               |            |           |
|   |           |           | Capital Fund               |            | 18,50,000 |
|   |           |           | Investments                |            |           |
|   |           |           | Research Fund              |            | 8,00,000  |
|   |           |           | Investment                 |            |           |
|   |           |           | P.F. Investment            |            | 5,10,000  |
|   |           |           | Stock (stores)             |            |           |
|   |           |           | Material & Supplies        |            | 1,25,000  |
|   |           |           | Tuition fees<br>receivable |            | 80,000    |
|   |           |           | Cash in hand & at<br>Bank  |            | 6,42,000  |
|   |           | 61,10,000 |                            |            | 61,10,000 |

**Working Notes:**

|     |   |          | ₹                    | ₹                      |
|-----|---|----------|----------------------|------------------------|
| (1) | Material & Supplies - Closing Stock   |          |                      |                        |
|     | Opening Stock   |          |                      | 3,00,000               |
|     | Purchases   |          |                      | 8,00,000               |
|     |   |          |                      | 11,00,000              |
|     | <i>Less</i> : Cost of Material & Supplies<br>[7,50,000*90% (100-10)]  |          | 6,75,000             |                        |
|     | Consumed  |          | 3,00,000             | (9,75,000)             |
|     | Balance   |          |                      | 1,25,000               |
| (2) | Provisions for Depreciation   |          |                      |                        |
|     |   | Building | Plant &<br>Equipment | Furniture<br>& Fitting |
|     |   | ₹        | ₹                    | ₹                      |
|     | Opening Balance   | 4,80,000 | 5,10,000             | 3,36,000               |
|     | Addition  | 80,000   | 85,000               | 60,000                 |
|     | Closing Balance   | 5,60,000 | 5,95,000             | 3,96,000               |
|     | <i>Note:</i> Expense related to income earned like consultancy charges, conference expenses are shown as net of income. |          |                      |                        |

## SUMMARY

- ◆ A non profit organization is a legal accounting entity that is operated for the benefit of the society as a whole, rather than for the benefit of a sole proprietor or a group of partners or shareholders. Financial Statements of such organizations consists of:
  1. Receipts and Payments Account
  2. Income and Expenditure Account
  3. Balance Sheet
- ◆ A Receipts and Payments Account is a summary of the cash book.

- ◆ The income and expenditure account is equivalent to the Profit and Loss Account of a profit making enterprise and is based on the accrual principle of accounting. Only items of revenue nature pertaining to the current accounting period are recorded.
- ◆ Non-profit organizations registered under section 8 of the Companies Act, 2013 are required to prepare their Income and Expenditure account and Balance Sheet as per the Schedule III to the Companies Act, 2013.
- ◆ It may be noted that after various accounts have been adjusted as is considered necessary - all the revenue accounts shall be closed by transfer to the Income and Expenditure Account, and the remaining balances of capital accounts will be closed by transferring the balances to the balance sheet. To ascertain the opening capital fund- the opening balance sheet will also be prepared. A balance sheet is thus a complement to such an account.
- ◆ Donations, Entrance and Admission Fees, Subscription, Life Membership Fee are some of the sources of incomes for the non-profit organizations. These sources of income are either taken to the Income and Expenditure account or the balance sheet, based on the nature, of the receipt.
- ◆ Educational institutions are quite different from other not-for-profit organisations in terms of sources of finance and items of expenditure.

## TEST YOUR KNOWLEDGE

### True and False

1. *The Receipts and payment account for a non-profit organization follows the accrual concept of accounting.*
2. *Both the revenue and capital nature transactions are recorded in the Income and expenditure account.*
3. *Sale of grass by a sports club is to be treated as sale of an asset.*
4. *Subscriptions outstanding for the current year are disclosed under the Fixed assets side of the Balance sheet.*
5. *Receipts and payments account gives the details about the expenses outstanding for the year.*
6. *Adjustments in the form of additional information shall be adjusted in the final accounts of a Non- profit organisation only in one place.*



7. *Tournament expenses incurred are more than the Tournament fund, then the excess to be shown as an asset in the closing Balance sheet.*
8. *For Non-profit organisation, Excess of income over expenditure in the Income and Expenditure account is termed as profit.*
9. *Surplus of non-profit organizations is distributed among its members.*
10. *Tournament fund, building fund, library fund is based on the fund based accounting.*
11. *Subscription fees refers to the one-time fees paid by the members to get admission for the benefits of the club.*
12. *Token payment made to a person, who voluntarily undertakes a service which would normally be paid in case of profitable organization is termed as Honorarium.*
13. *An Insurance company is an example of non-profit organization.*
14. *Part amount of entrance fees which is to be capitalized shall be disclosed in the income and expenditure account.*
15. *Both the income and expenditure of the current and the previous year are recorded in the Income and Expenditure account.*
16. *Amount received as donation by an Non-profit organisation under the will of a deceased person is termed as legacy.*
17. *Where a Non-profit organisation has a separate trading activity, the profit/loss from the trading account shall be transferred to Income and Expenditure Account at the time of consolidation.*
18. *Not for profit concerns concentrate their efforts to maximize the profit earning avenues.*
19. *All the receipts are of revenue nature in case of Non-profit organisation.*
20. *There is opening balance of Income and expenditure account.*

### **Multiple Choice Questions**

1. *Scholarship granted to students out of specific funds provided by Government will be debited to*
  - (a) *Income and Expenditure Account.*
  - (b) *Receipts and payments Account.*
  - (c) *Funds granted for Scholarship account.*
2. *In case of NPO, excess of total assets over liabilities is known as*
  - (a) *Profits.*

- (b) Surplus.
- (c) Capital Fund.
3. General donations and legacies are credited to
- (a) Receipts and Payments Account.
- (b) Income and Expenditure Account.
- (c) Capital Fund.
4. Interest on prize funds is
- (a) Credited to Income and Expenditure Account.
- (b) Credited to Receipts and Payments Account.
- (c) Added to prize fund.
5. Special aids are
- (a) Treated as capital receipts.
- (b) Treated as revenue receipts.
- (c) Both (a) and (c).
6. If there exist a specific sports fund, the expenses incurred in relation to sports activities will be taken to
- (a) Income and Expenditure Account
- (b) Receipt and Payment Account
- (c) Sports fund

### Theoretical Question

1. Distinguish between Receipt and Payment and Income and Expenditure Account.

### Practical Questions

1. The following is the Receipts and Payments Account of Lion Club for the year ended 31st March, 2022.

| <b>Receipts</b>  | <b>₹</b> | <b>Payments</b>         | <b>₹</b>  |
|------------------|----------|-------------------------|-----------|
| Opening balance: |          | Salaries                | 1,20,000  |
| Cash             | 10,000   | Creditors               | 15,20,000 |
| Bank             | 3,850    | Printing and stationary | 70,000    |

|                              |           |                                |           |
|------------------------------|-----------|--------------------------------|-----------|
| <i>Subscription received</i> | 2,02,750  | <i>Postage</i>                 | 40,000    |
| <i>Entrance donation</i>     | 1,00,000  | <i>Telephones and telex</i>    | 52,000    |
| <i>Interest received</i>     | 58,000    | <i>Repairs and maintenance</i> | 48,000    |
| <i>Sale of assets</i>        | 8,000     | <i>Glass and table linen</i>   | 12,000    |
| <i>Miscellaneous income</i>  | 9,000     | <i>Crockery and cutlery</i>    | 14,000    |
| <i>Receipts at</i>           |           | <i>Garden upkeep</i>           | 8,000     |
| <i>Coffee room</i>           | 10,70,000 | <i>Membership fees</i>         | 4,000     |
| <i>Soft drinks</i>           | 5,10,000  | <i>Insurance</i>               | 5,000     |
| <i>Swimming pool</i>         | 80,000    | <i>Electricity</i>             | 28,000    |
| <i>Tennis court</i>          | 1,02,000  | <i>Closing balance:</i>        |           |
|                              |           | <i>Cash</i>                    | 8,000     |
|                              |           | <i>Bank</i>                    | 2,24,600  |
|                              | 21,53,600 |                                | 21,53,600 |

The assets and liabilities as on 1.4.2021 were as follows:

|  | ₹        |
|--|----------|
| <i>Fixed assets (net)</i>                            | 5,00,000 |
| <i>Stock</i>   | 3,80,000 |
| <i>Investment in 12% Government securities</i>       | 5,00,000 |
| <i>Outstanding subscription</i>                      | 12,000   |
| <i>Prepaid insurance</i>                             | 1,000    |
| <i>Sundry creditors</i>                              | 1,12,000 |
| <i>Subscription received in advance</i>              | 15,000   |
| <i>Entrance donation received pending membership</i> | 1,00,000 |
| <i>Gratuity fund</i>                                 | 1,50,000 |

The following adjustments are to be made while drawing up the accounts:

- (i) Subscription received in advance as on 31st March, 2022 was ₹ 18,000.
- (ii) Outstanding subscription as on 31st March, 2022 was ₹ 7,000.
- (iii) Outstanding expenses are salaries ₹ 8,000 and electricity ₹ 15,000.
- (iv) 50% of the entrance donation was to be capitalized. There was no pending membership as on 31st March, 2022.
- (v) The cost of assets sold net as on 1.4.2021 was ₹ 10,000.

- (vi) Depreciation is to be provided at the rate of 10% on assets.
- (vii) A sum of ₹ 20,000 received in October 2021 as entrance donation from an applicant was to be refunded as he has not fulfilled the requisite membership qualifications. The refund was made on 3.6.2022.
- (viii) Purchases made during the year amounted ₹ 15,00,000.
- (ix) The value of closing stock was ₹ 2,10,000.
- (x) The club as a matter of policy, charges off to income and expenditure account all purchases made on account of crockery, cutlery, glass and linen in the year of purchase.

You are required to prepare an Income and Expenditure Account for the year ended 31st March, 2022 and the Balance Sheet as on 31st March, 2022 along with necessary workings.

2. During the year ended 31st March, 2022, Sachin Cricket Club received subscriptions as follows:

|                                  | ₹        |
|----------------------------------|----------|
| For year ending 31st March, 2021 | 12,000   |
| For year ending 31st March, 2022 | 6,15,000 |
| For year ending 31st March, 2023 | 18,000   |
| Total                            | 6,45,000 |

There are 500 members and annual subscription is ₹ 1,500 per member.

On 31st March, 2022, a sum of ₹ 15,000 was still in arrears for subscriptions for the year ended 31st March, 2021.

Ascertain the amount of subscriptions that will appear on the credit side of Income and Expenditure Account for the year ended 31st March, 2022. Also show how the items would appear in the Balance Sheet as on 31st March, 2021 and the Balance Sheet as on 31st March, 2022.

3. Summary of receipts and payments of Bombay Medical Aid society for the year ended 31.12.2022 are as follows:

Opening cash balance in hand ₹ 8,000, subscription ₹ 50,000, donation ₹ 15,000 (raised for meeting revenue expenditure), interest on investments @ 9% p.a. ₹ 9000, payments for medicine supply ₹ 30,000 Honorarium to doctor ₹ 10,000, salaries ₹ 28,000, sundry expenses ₹ 1,000, equipment purchase ₹ 15,000, charity show expenses ₹ 1,500, charity show collections ₹ 12,500.

Additional information:

|   | <b>1.1.2022</b> | <b>31.12.2022</b> |
|---|-----------------|-------------------|
| <i>Subscription due</i>                 | 1,500           | 2,200             |
| <i>Subscription received in advance</i> | 1,200           | 700               |
| <i>Stock of medicine</i>                | 10,000          | 15,000            |
| <i>Amount due for medicine supply</i>   | 9,000           | 13,000            |
| <i>Value of equipment</i>               | 21,000          | 30,000            |
| <i>Value of building</i>                | 50,000          | 48,000            |

*You are required to prepare receipts and payments account and income and expenditure account for the year ended 31.12.2022 and balance sheet as on 31.12.2022.*

## **ANSWER / HINTS**

### **True and False**

1. False: It depicts the cash system of accounting rather than the accrual system, as the cash receipts and payments pertaining to any year are entered in the Receipts and payments account. The principle of accrual is not followed with regard to the receipts and payments account of a non-profit organization.
2. False: The income and expenditure account records only the revenue income and expenditure. The capital transactions are being recorded in the Balance sheet.
3. False: The grass for a sports club is not a capital item, hence the sale of such grass shall be treated as a revenue receipt.
4. False: They are disclosed under the current assets of the Balance sheet as they will be paid within the next year and not to be treated as non-current assets.
5. False: Receipts and payments account gives information about the expenses paid in cash for the current year, previous or the next year. It is only from the additional information we identify the outstanding expenses.
6. False: Additional information means that information which has been identified just before the preparation of the final accounts. As NPO follows the double entry system of book keeping, there shall be 2 effects for each of the additional information.
7. False: The excess of expenditure over the tournament fund shall be debited to the income and expenditure account and not taken to the closing balance sheet.
8. False: The excess of the income over the expenditure is called as Surplus and not profit for an Non-profit organisation.

9. False: The Non-profit organisation credits the surplus earned in a year to the general fund maintained by it.
10. True: It is Fund based accounting that records the fund balances in the balance sheet.
11. False: Subscription is a regular fees paid by the members to keep the membership alive.
12. True: Honorarium refers to the nominal amount paid for the services with a non-commercial intent.
13. False: Insurance Company has a profit motive, hence it is not a non-profit organization.
14. False: It shall be shown in the Balance sheet- where it is to be capitalized.
15. False: It is only the current year income and expenditure which is recorded in the Income and Expenditure account as per the accrual concept.
16. True: While on the death bed, if there is any will written that the assets of a person shall be donated to any NPO- then such a donation to the NPO, is termed as Legacy.
17. True: Where in case of the trading activities, the profit /loss from such activity to be transferred to the Income and expenditure account in case of consolidated accounts.
18. False: The Non-profit organisation has its very existence to serve the members and the society. Profit earning shall never be its motive.
19. False: Receipts can be both of revenue as well as capital nature. Receipts of both the nature are recorded in the receipts and payments account.
20. False: It represents a nominal account and is prepared in accordance with the accrual concept, hence there can be no opening balances.

### Multiple Choice Questions

|    |     |    |     |    |     |    |     |    |     |    |     |
|----|-----|----|-----|----|-----|----|-----|----|-----|----|-----|
| 1. | (c) | 2. | (c) | 3. | (b) | 4. | (c) | 5. | (c) | 6. | (c) |
|----|-----|----|-----|----|-----|----|-----|----|-----|----|-----|

### Theoretical Question

1. Non-profit making organizations such as public hospitals, public educational institutions, clubs etc., conventionally prepare Receipt and Payment Account and Income and Expenditure Account to show periodic performance for a particular accounting period. For distinguishing features of both the accounts, Refer para 3.2.

## Practical Questions

**1. Income and Expenditure Account of Lion Club  
for the year ended 31st March, 2022**

| Expenditure                | ₹        | Income                                   | ₹        |
|----------------------------|----------|--|----------|
| To Salaries                | 1,28,000 | By Subscription                          | 1,94,750 |
| To Printing and stationary | 70,000   | By Entrance donation                     | 90,000   |
| To Postage                 | 40,000   | By Interest                              | 60,000   |
| To Telephone and telex     | 52,000   | By Miscellaneous income                  | 9,000    |
| To Repairs and maintenance | 48,000   | By Profit from operations                | 92,000   |
| To Glass and table linen   | 12,000   | By Excess of expenditure over<br>income  |          |
| To Crockery and cutlery    | 14,000   | (deficit) transferred to capital<br>fund | 30,250   |
| To Garden upkeep           | 8,000    |  |          |
| To Membership fees         | 4,000    |  |          |
| To Insurance               | 6,000    |  |          |
| To Electricity charges     | 43,000   |  |          |
| To Loss on sale of assets  | 2,000    |  |          |
| To Depreciation            | 49,000   |  |          |
|                            | 4,76,000 |  | 4,76,000 |

**Balance Sheet of Lion Club as on 31st March, 2022**

| Liabilities                      | ₹         | Assets                   | ₹         |
|----------------------------------|-----------|--------------------------|-----------|
| Capital fund                     | 10,89,600 | Fixed assets             | 4,41,000  |
| Gratuity fund                    | 1,50,000  | Stock                    | 2,10,000  |
| Sundry creditors                 | 92,000    | Investments              | 5,00,000  |
| Subscription received in advance | 18,000    | Subscription outstanding | 7,000     |
| Entrance donation refundable     | 20,000    | Interest accrued         | 2,000     |
| Outstanding expenses             | 23,000    | Bank                     | 2,24,600  |
|                                  |           | Cash                     | 8,000     |
|                                  | 13,92,600 |                          | 13,92,600 |

**Working Notes:**

1.

**Opening Balance Sheet****Balance Sheet of Lion Club as on 1st April, 2021**

| <b>Liabilities</b>                    | <b>₹</b>  | <b>Assets</b>            | <b>₹</b>  |
|---------------------------------------|-----------|--------------------------|-----------|
| Sundry creditors                      | 1,12,000  | Fixed assets             | 5,00,000  |
| Subscription received in advance      | 15,000    | Stock                    | 3,80,000  |
| Entrance donation received in advance | 1,00,000  | Investments              | 5,00,000  |
| Gratuity fund                         | 1,50,000  | Subscription outstanding | 12,000    |
| Capital fund (balance figure)         | 10,29,850 | Prepaid expenses         | 1,000     |
|                                       |           | Cash                     | 10,000    |
|                                       |           | Bank                     | 3,850     |
|                                       | 14,06,850 |                          | 14,06,850 |

2.

**Subscription**

|  | <b>₹</b> |
|--|----------|
| Subscription received during the year                | 2,02,750 |
| <i>Add:</i> Outstanding subscription on 31.3.2022    | 7,000    |
|  | 2,09,750 |
| <i>Add:</i> Received in advance as on 1.4.2021       | 15,000   |
|  | 2,24,750 |
| <i>Less:</i> Outstanding subscription as on 1.4.2021 | (12,000) |
|  | 2,12,750 |
| <i>Less:</i> Received in advance as on 31.3.2022     | (18,000) |
|  | 1,94,750 |

3.

**Entrance donation**

|  | <b>₹</b> |
|--|----------|
| Entrance donation received during the year     | 1,00,000 |
| <i>Add:</i> Received in advance as on 1.4.2021 | 1,00,000 |
|  | 2,00,000 |



|   |          |
|---|----------|
| Less: Entrance donation in respect of ineligible member | (20,000) |
|   | 1,80,000 |
| Less: 50% capitalized                                   | (90,000) |
| Taken to income and expenditure account                 | 90,000   |

**4. Loss on sale of asset**

|                       | ₹       |
|-----------------------|---------|
| Cost of asset sold    | 10,000  |
| Less: Sale proceeds   | (8,000) |
| Loss on sale of asset | 2,000   |

**5. Depreciation**

|                                  | ₹        |
|----------------------------------|----------|
| Fixed asset as per trial balance | 5,00,000 |
| Less: Cost of asset sold         | (10,000) |
|                                  | 4,90,000 |
| Depreciation on ₹ 4,90,000 @ 10% | 49,000   |

**6. Salaries**

|                                  | ₹        |
|----------------------------------|----------|
| Salary paid during the year      | 1,20,000 |
| Add: Outstanding as on 31.3.2022 | 8,000    |
|                                  | 1,28,000 |

**7. Electricity charges**

|  | ₹      |
|--|--------|
| Electricity charges paid during the year | 28,000 |
| Add: Outstanding as on 31.3.2022         | 15,000 |
|  | 43,000 |

## 8. Interest

|   | ₹        |
|---|----------|
| Interest on 12% Government securities investment<br>(₹ 5,00,000 @ 12% p.a.) | 60,000   |
| <i>Less:</i> Interest received during the year                              | (58,000) |
| Interest accrued  | 2,000    |
| Interest credited to Income and Expenditure Account                         | 60,000   |

## 9. Profit from operations

|                               | ₹          |
|-------------------------------|------------|
| Cost of goods sold:           |            |
| Opening stock                 | 3,80,000   |
| <i>Add:</i> Purchases         | 15,00,000  |
|                               | 18,80,000  |
| <i>Less:</i> Closing stock    | (2,10,000) |
| Cost of goods sold (A)        | 16,70,000  |
| Receipts from operations:     |            |
| Receipts from coffee room     | 10,70,000  |
| Receipts from soft drinks     | 5,10,000   |
| Receipts from swimming pool   | 80,000     |
| Receipts from tennis court    | 1,02,000   |
| Total receipts (B)            | 17,62,000  |
| Profits from operations (B-A) | 92,000     |

## 10. Insurance

|  | ₹     |
|--|-------|
| Insurance paid during the year               | 5,000 |
| <i>Add:</i> Prepaid insurance as on 1.4.2021 | 1,000 |
|  | 6,000 |

**11. Sundry creditors**

|  | ₹           |
|--|-------------|
| Opening balance as on 1.4.2021             | 1,12,000    |
| <i>Add:</i> Purchases made during the year | 15,00,000   |
|  | 16,12,000   |
| <i>Less:</i> Payments made during the year | (15,20,000) |
| Closing balance as on 31.3.2022            | 92,000      |

**12. Outstanding expenses**

|                                 | ₹      |
|---------------------------------|--------|
| Outstanding salaries            | 8,000  |
| Outstanding electricity charges | 15,000 |
| Outstanding expenses            | 23,000 |

**13. Fixed assets**

|                                  | ₹        |
|----------------------------------|----------|
| Fixed assets as on 1.4.2021      | 5,00,000 |
| <i>Less:</i> Cost of assets sold | (10,000) |
|                                  | 4,90,000 |
| <i>Less:</i> Depreciation        | (49,000) |
| Fixed assets as on 31.3.2022     | 4,41,000 |

**14. Capital fund**

|  | ₹         |
|--|-----------|
| Capital fund as on 1.4.2021                    | 10,29,850 |
| <i>Add:</i> Entrance donation capitalised      | 90,000    |
|  | 11,19,850 |
| <i>Less:</i> Excess of expenditure over income | (30,250)  |
| Balance as on 31.3.2022                        | 10,89,600 |

**2. Income & Expenditure Account (An extract) of Sachin Cricket Club  
for the year ended 31st March, 2022**

|  | ₹ |   | ₹        |
|--|---|---|----------|
|  |   | By Subscription<br>(500 members × ₹ 1,500 per member) | 7,50,000 |

**Balance Sheet of Sachin Cricket Club as on 31st March, 2021 (An extract)**

| Liabilities | ₹ | Assets   | ₹      |
|-------------|---|--|--------|
|             |   | Subscription Receivable<br>(₹15,000 + ₹12,000) | 27,000 |

**Balance Sheet of Sachin Cricket Club as on 31st March, 2022 (An extract)**

| Liabilities           | ₹      | Assets                                 | ₹        | ₹        |
|-----------------------|--------|--|----------|----------|
| Unearned Subscription | 18,000 | Outstanding Subscription<br>of 2020-21 | 15,000   |          |
|                       |        | of 2021-22<br>₹ (7,50,000 – 6,15,000)  | 1,35,000 | 1,50,000 |

**3. Receipts and Payments Account of Bombay Medical Aid Society  
for the year ended 31st December, 2022**

| Receipts                    | ₹      | Payments                  | ₹      |
|-----------------------------|--------|---------------------------|--------|
| To Cash in hand (opening)   | 8,000  | By Medicine supply        | 30,000 |
| To Subscription             | 50,000 | By Honorarium to doctors  | 10,000 |
| To Donation                 | 15,000 | By Salaries               | 28,000 |
| To Interest on investment   | 9,000  | By Sundry expenses        | 1,000  |
| To Charity show collections | 12,500 | By Purchase of equipment  | 15,000 |
|                             |        | By Charity show expenses  | 1,500  |
|                             |        | By Cash in hand (closing) | 9,000  |
|                             | 94,500 |                           | 94,500 |

**Income and Expenditure Account of Bombay Medical Aid Society  
for the year ended 31st December, 2022**

| Expenditure                                  |       | ₹      | Income                     |         | ₹      |
|--|-------|--------|----------------------------|---------|--------|
| To Medicine consumed                         |       | 29,000 | By Subscription            |         | 51,200 |
| To Honorarium to doctors                     |       | 10,000 | By Donation                |         | 15,000 |
| To Salaries                                  |       | 28,000 | By Interest on investments |         | 9,000  |
| To Sundry expenses                           |       | 1,000  | By Profit on charity show: |         |        |
| To Depreciation on                           |       |        | Show collections           | 12,500  |        |
| To Depreciation on Equipment                 | 6,000 |        | Less: Show expenses        | (1,500) | 11,000 |
| To Depreciation on Building                  | 2,000 | 8,000  |                            |         |        |
| To Surplus-excess of income over expenditure |       | 10,200 |                            |         |        |
|  |       | 86,200 |                            |         | 86,200 |

**Balance Sheet of Bombay Medical Aid Society  
as on 31st December, 2022**

| Liabilities                      | ₹        | ₹        | Assets                  | ₹       | ₹        |
|----------------------------------|----------|----------|-------------------------|---------|----------|
| Capital fund:                    |          |          | Building                | 50,000  |          |
| Opening balance                  | 1,80,300 |          | Less: Depreciation      | (2,000) | 48,000   |
| Add: Surplus                     | 10,200   | 1,90,500 | Equipment               | 21,000  |          |
| Subscription received in advance |          | 700      | Add: Purchase           | 15,000  |          |
| Amount due for medicine supply   |          | 13,000   |                         | 36,000  |          |
|                                  |          |          | Less: Depreciation      | (6,000) | 30,000   |
|                                  |          |          | Stock of medicine       |         | 15,000   |
|                                  |          |          | Investments             |         | 1,00,000 |
|                                  |          |          | Subscription receivable |         | 2,200    |
|                                  |          |          | Cash in hand            |         | 9,000    |
|                                  |          | 2,04,200 |                         |         | 2,04,200 |

**Working Notes:**

| <b>Subscription for the year ended 31st December, 2022:</b> |       | <b>₹</b> |
|---|-------|----------|
| Subscription received during the year                       |       | 50,000   |
| <i>Less:</i> Subscription receivable on 1.1.2022            | 1,500 |          |
| <i>Less:</i> Subscription received in advance on 31.12.2022 | 700   | (2,200)  |
|   |       | 47,800   |
| <i>Add:</i> Subscription receivable on 31.12.2022           | 2,200 |          |
| <i>Add:</i> Subscription received in advance on 1.1.2022    | 1,200 | 3,400    |
|   |       | 51,200   |
| <b>Purchase of medicine:</b>                                |       |          |
| Payment for medicine supply                                 |       | 30,000   |
| <i>Less:</i> Amounts due for medicine supply on 1.1.2022    |       | (9,000)  |
|   |       | 21,000   |
| <i>Add:</i> Amounts due for medicine supply on 31.12.2022   |       | 13,000   |
|   |       | 34,000   |
| <b>Medicine consumed:</b>                                   |       |          |
| Stock of medicine on 1.1.2022                               |       | 10,000   |
| <i>Add:</i> Purchase of medicine during the year            |       | 34,000   |
|   |       | 44,000   |
| <i>Less:</i> Stock of medicine on 31.12.2022                |       | (15,000) |
|   |       | 29,000   |
| <b>Depreciation on equipment:</b>                           |       |          |
| Value of equipment on 1.1.2022                              |       | 21,000   |
| <i>Add:</i> Purchase of equipment during the year           |       | 15,000   |
|   |       | 36,000   |
| <i>Less:</i> Value of equipment on 31.12.2022               |       | (30,000) |
| Depreciation on equipment for the year                      |       | 6,000    |

**Balance Sheet of Medical Aid Society**

**as on 1st January, 2022**

| <b>Liabilities</b>               | <b>₹</b> | <b>Assets</b>                 | <b>₹</b> |
|----------------------------------|----------|-------------------------------|----------|
| Capital fund (balancing figure)  | 1,80,300 | Building                      | 50,000   |
| Subscription received in advance | 1,200    | Equipment                     | 21,000   |
| Amount due for medicine supply   | 9,000    | Stock of medicine             | 10,000   |
|                                  |          | Investments (₹ 9,000 x 100/9) | 1,00,000 |
|                                  |          | Subscription receivable       | 1,500    |
|                                  |          | Cash in hand                  | 8,000    |
|                                  | 1,90,500 |                               | 1,90,500 |

