# Accounts of 'Not for Profit' Concerns

## EXERCISE - 2 [PAGES 111 - 112] Exercise - 2 | Q 1 | Page 111 Select the most appropriate alternative from those given below. Not for Profit Concern renders \_\_\_\_\_\_ services to public at large. 1. Commercial 2. Social 3. Individual 4. Group **Solution:** Not for Profit Concern renders **Social** services to public at large. Exercise - 2 | Q 2 | Page 111 Select the most appropriate alternative from those given below. Donation for Scholarship Fund is \_\_\_\_\_. 1. Capital Receipt 2. Revenue Receipt 3. Capital Expenditure 4. Revenue Expenditure **Solution:** Donation for Scholarship Fund is **Capital Receipt.** Exercise - 2 | Q 3 | Page 111 Select the most appropriate alternative from those given below. Income and Expenditure Account is a \_\_\_\_\_ Account 1. Capital 2. Real 3. Personal 4. Nominal **Solution:** Income and Expenditure Account is a **Nominal** Account. Exercise - 2 | Q 4 | Page 111 Select the most appropriate alternative from those given below. Outstanding subscription at the end of the Accounting Year represents \_\_\_\_\_. 1. Liability 2. An Expenditure 3. An Asset

4. Capital Fund

**Solution:** Outstanding subscription at the end of the Accounting Year represents <u>An</u> <u>Asset</u>.

# Exercise - 2 | Q 5 | Page 112

# Select the most appropriate alternative from those given below.

Subscription received in advance during the accounting year is \_\_\_\_\_.

- 1. An income
- 2. An expenditure
- 3. An asset





## 4. A liability

Solution: Subscription received in advance during the accounting year is a liability.

## **Explanation:**

Subscription income which is not related to the current year but received during the year is known as income received in advance. It is also known as unearned income and therefore, these are shown on the Liabilities side of the Balance Sheet.

## Exercise - 2 | Q 6 | Page 112

Select the most appropriate alternative from those given below.

Excess of Income over Expenditure is termed as \_\_\_\_\_\_.

- 1. Deficit
- 2. Profit
- 3. Surplus
- 4. Loss

Solution: Excess of Income over Expenditure is termed as Surplus.

## Exercise - 2 | Q 7 | Page 112

Select the most appropriate alternative from those given below.

Not for Profit Concerns prepares \_\_\_\_\_\_ account instead of Profit and Loss account to know the result.

- 1. Trading
- 2. Income and Expenditure
- 3. Cash
- 4. Receipt and Payments

**Solution:** Not for Profit Concerns prepares <u>Income and Expenditure</u> account instead of Profit and Loss account to know the result.

## Exercise - 2 | Q 8 | Page 112

#### Select the most appropriate alternatives from those given below.

The closing balance of Receipts and Payments account usually represent \_\_\_\_\_.

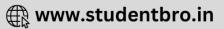
- 1. Closing Stock
- 2. Cash and Bank Balance
- 3. Surplus
- 4. Deficit

**Solution:** The closing balance of Receipts and Payments account usually represents **Cash and Bank Balance**.

## Exercise - 2 | Q 9 | Page 112

#### Select the most appropriate alternative from those given below.





Not for Profit Organization is also called \_\_\_\_\_\_ organization.

- 1. Service
- 2. Trading
- 3. Profit Making
- 4. Commercial

Solution: Not for Profit Organization is also called <u>Service</u> organization.

## Exercise - 2 | Q 10 | Page 112

#### Select the most appropriate alternative from those given below.

Expenditure on Purchase of Building is a \_\_\_\_\_ Expenditure.

- 1. Capital
- 2. Revenue
- 3. General
- 4. Recurring

**Solution:** Expenditure on Purchase of Building is a <u>Capital</u> Expenditure.

## EXERCISE - 2 [PAGE 112]

#### Exercise - 2 | Q 1 | Page 112

#### Write the word/phrase/term, which can substitute the following sentence.

The Form of Organization providing services to the society only.

Solution: The Form of Organization providing services to society only. - Not for profit concern

## Exercise - 2 | Q 2 | Page 112

#### Write the word/phrase/term, which can substitute the following sentence.

An account which is prepared by Not for Profit concern instead of Profit and Loss Account.

**Solution:** An account which is prepared by Not for Profit concern instead of Profit and Loss Account. - **Income and Expenditure Account.** 

## Exercise - 2 | Q 3 | Page 112

## Write the word/phrase/term, which can substitute the following sentence.

Donation received for a specific purpose.





Solution: Donation received for a specific purpose. - Specific donation / Capital receipt.

#### Exercise - 2 | Q 4 | Page 112

Write the word/phrase/term, which can substitute the following sentence. The receipts which are not recurring in nature.

Solution: The receipts which are not recurring in nature. - Capital Receipt

#### Exercise - 2 | Q 5 | Page 112

Write the word/phrase/term, which can substitute the following sentence.
An Account which records only revenue items in case of Not for profit concern.
Solution: An Account which records only revenue items in case of Not for profit concern.
Income and Expenditure Account.

## Exercise - 2 | Q 6 | Page 112

Write the word/phrase/term, which can substitute the following sentence.
Accounts which records only cash transactions in case of Not for Profit Concern.
Solution: Accounts which records only cash transactions in case of Not for Profit
Concern. -Receipts and Payments Account.

## Exercise - 2 | Q 7 | Page 112

Write the word/phrase/term, which can substitute the following sentence.
The income which is earned during the year but not received during the year.
Solution: The income which is earned during the year but not received during the year.
Outstanding income.

#### Exercise - 2 | Q 8 | Page 112

Write the word/phrase/term, which can substitute the following sentence.The credit balance of Income and Expenditure Account.Solution: The credit balance of Income and Expenditure Account. - Surplus

## Exercise - 2 | Q 9 | Page 112

Write the Word/ Term/ Phrase which can substitute the following statement:





To excess of total assets over total liabilities of a Not for Profit concern.

Solution: To excess of total assets over total liabilities of a Not for Profit concern.

## - Capital Fund.

## Exercise - 2 | Q 10 | Page 112

#### Write the word/phrase/term, which can substitute the following sentence.

All such receipts which are non-recurring in nature and not forming a part a regular flow of income.

Solution: All such receipts which are non-recurring in nature and not forming a part a

regular flow of income. - Capital receipts

## EXERCISE - 2 [PAGE 112]

## Exercise - 2 | Q 1 | Page 112

## State whether the following statement is True or False with reasons.

Not for Profit Concerns do not have profit motive.

- 1. True
- 2. False

Solution: Not for Profit Concerns do not have profit motive. - True.

#### **Explanation:**

Not for profit concerns', main aim is to give services to its members or to the society at large. They do not carry any Trading activity or Manufacturing activity so there is no question of having profit motive for 'Not for Profit' concerns.

## Exercise - 2 | Q 2 | Page 112

#### State whether the following statement is True or False with reasons.

Charitable Institutions prepare Profit and Loss Account, at the end of every financial

year.

- 1. True
- 2. False

**Solution:** Charitable Institutions prepare Profit and Loss Accounts at the end of every financial year. - **False.** 

## **Explanation:**





Charitable Institutions, Not for Profit concerns, do not undertake any trading activities and hence instead of a Profit and Loss Account prepare an Income-Expenditure Account to record all revenue expenses/losses and revenue incomes/gains of current year.

## Exercise - 2 | Q 3 | Page 112

#### State whether the following statement is True or False with reasons.

There is no difference between Receipts and Payments Account and Income and

Expenditure Account.

- 1. True
- 2. False

**Solution:** There is no difference between Receipts and Payments Account and Income and Expenditure Account. - **False.** 

#### **Explanation:**

In the receipts and Payments Account, all receipts and payments transactions in cash or through bank are recorded irrespective of the current year, previous year or next year while in IncomeExpenditure Account, only current year's incomes and expenses (revenue) are recorded.

## Exercise - 2 | Q 4 | Page 112

## State whether the following statement is True or False with reasons.

Income and Expenditure Account represents either surplus or deficit.

- 1. True
- 2. False

Solution: Income and Expenditure Account represents either surplus or deficit. - True.

## **Explanation:**

In Income and Expenditure Account, all revenue incomes and expenses are recorded and at the end of the specified period, the difference is found out which is known as 'Surplus' (revenue incomes are more than revenue expenses) or 'Deficit' (revenue expenses are more than revenue incomes).

## Exercise - 2 | Q 5 | Page 112

## State whether the following statement is True or False with reasons.

Receipts and Payments Accounts do not have any opening balance.

- 1. True
- 2. False





Solution: Receipts and Payments Accounts do not have any opening balance. - False.

#### **Explanation:**

Receipts and Payments Account is just like a cash book of trading concern and opening balance (Cash or Bank or Cash and Bank) must be there to start a recording of transactions.

## Exercise - 2 | Q 6 | Page 112

#### State whether the following statement is True or False with reasons.

Not for Profit concerns do not prepare Balance Sheet.

- 1. True
- 2. False

Solution: Not for Profit concerns do not prepare Balance Sheet. - False.

#### **Explanation:**

To know the financial position of the organisation, at the end of the particular period, Not for Profit concerns prepare Balance Sheet.

## Exercise - 2 | Q 7 | Page 112

#### State whether the following statement is True or False with reasons.

Purchases of Sports Equipments is a Capital Expenditure.

- 1. True
- 2. False

Solution: Purchases of Sports Equipments is a Capital Expenditure. - True.

#### **Explanation:**

Generally, life span of sports equipments is more than one year, so purchase of sports equipment is considered as capital expenditure.

## Exercise - 2 | Q 8 | Page 112

#### State whether the following statement is True or False with reasons.

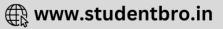
Income and Expenditure Account is Real Account.

- 1. True
- 2. False

Solution: Income and Expenditure Account is Real Account. - False.

**Explanation:** 





In Income and Expenditure Account, all the revenue incomes and revenue expenses are recorded and therefore it is a Nominal Account and not a real Account.

## Exercise - 2 | Q 9 | Page 112

## State whether the following statement is True or False with reasons.

Receipts and Payments Account contains only the transactions relating to the current year.

- 1. True
- 2. False

**Solution:** Receipts and Payments Account contains only the transactions relating to the current year. - **False** 

#### **Explanation:**

In receipts and Payments Account, transactions of the not only the current year but of the previous year or of next year are also recorded.

## Exercise - 2 | Q 10 | Page 112

#### State whether the following statement is True or False with reasons.

Excess of Assets over liabilities is called Capital Fund.

- 1. True
- 2. False

Solution: Excess of Assets over liabilities is called Capital Fund. - True.

#### **Explanation:**

For 'Not for Profit' concerns in the Balance Sheet, when total of Assets is more than the total of Liabilities, the difference of amount is considered as 'Capital Fund'.

## EXERCISE - 2 [PAGE 113]

## Exercise - 2 | Q 1 | Page 113

#### Fill in the blank:

Not for Profit Organization never is engaged in \_\_\_\_\_\_ activities.

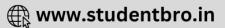
Solution: Not for Profit Organization never is engaged in trading activities.

## Exercise - 2 | Q 2 | Page 113

#### Fill in the blank:

Not for Profit organization is called \_\_\_\_\_ organization.





Solution: Not for Profit organization is called <u>service</u> organization.

## Exercise - 2 | Q 3 | Page 113

#### Fill In the blank:

Receipts and Payments Account falls under the category of \_\_\_\_\_ Account. **Solution:** Receipts and Payments Account falls under the category of <u>Real</u> Account.

## Exercise - 2 | Q 4 | Page 113

#### Fill in the blank:

In Receipts and Payments Account the summary of \_\_\_\_\_ transactions are recorded. **Solution:** In Receipts and Payments Account the summary of <u>Cash</u> transactions are recorded.

#### Exercise - 2 | Q 5 | Page 113

#### Fill in the blank:

Income and Expenditure Account is similar to the \_\_\_\_\_ account of Trading Concern. **Solution:** Income and Expenditure Account is similar to the **Profit and loss** account of Trading Concern.

## Exercise - 2 | Q 6 | Page 113

# Fill in the blank : Credit side of Receipts and Payments Account shows cash \_\_\_\_\_. Solution: Credit side of Receipts and Payments Account shows cash <u>payments.</u>

#### Exercise - 2 | Q 7 | Page 113

#### Fill in the blank:

Income and Expenditure Account is a \_\_\_\_\_ Account. Solution: Income and Expenditure Account is a <u>Nominal</u> Account

## Exercise - 2 | Q 8 | Page 113

#### Fill in the blank:

Mumbai University prepares \_\_\_\_\_ Account instead of a Profit and Loss account.





**Solution:** Mumbai University prepares **Income and expenditure** account instead of a Profit and Loss account.

#### Exercise - 2 | Q 9 | Page 113

#### Fill in the blank:

Subscription received from the members is considered as \_\_\_\_\_\_ receipts. Solution: Subscription received from the members is considered as <u>revenue</u> receipts.

#### Exercise - 2 | Q 10 | Page 113

#### Fill in the blank:

The transactions recorded in Income and Expenditure Account are related only to the

\_\_\_\_\_ year.

**Solution:** The transactions recorded in Income and Expenditure Account are related only to the <u>Current</u> year.

EXERCISE - 2 [PAGES 112 - 113]

## Exercise - 2 | Q 1 | Page 113

#### Answer in one sentence only.

What do you mean by 'Not for Profit' Concern?

**Solution:** A concern or organisation which is formed and established to serve its members and society or general public by undertaking various activities without any profit motive is called a 'Not for Profit' concern.

## Exercise - 2 | Q 2 | Page 113

#### Answer in one sentence only.

Which organisations prepare Income and Expenditure Account? **Solution:** 'Not for profit' concern prepares Income and Expenditure Account.

## Exercise - 2 | Q 3 | Page 113

#### Answer in one sentence only.

What is Receipts and Payments Account?





**Solution:** An account which is prepared by a 'Not for Profit Concern' to record a summary of all types of cash receipts and cash payments inclusive of bank transactions is called receipts and Payments Account.

#### Exercise - 2 | Q 4 | Page 113

#### Answer in one sentence only.

Why Income and Expenditure Account is prepared? **Solution:** Income and Expenditure Account is prepared to ascertain, whether the concern has sufficient incomes to meet its expenses, or not.

#### Exercise - 2 | Q 5 | Page 113

#### Answer in one sentence only.

What is Capital Fund?

#### Solution 1:

In the case of not-for-profit organizations, excess of assets over liabilities is called a capital fund. It is similar to the capital account in the case of profit-making entities. Any surplus/ deficit shown by the Income and Expenditure Account will be added/ deducted from the opening capital and the net capital fund will be shown on the Liabilities side.

#### Solution 2:

Excess of assets over liabilities in case of not for profit concern is known as capital fund.

#### Solution 3:

Capital fund consists of contributions, entrance fees, surplus income, legacies, and donations specifically received for capital fund.

#### Exercise - 2 | Q 6 | Page 113

#### Answer in one sentence only.

What is a Subscription?

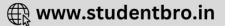
**Solution:** Subscription is the periodical payment made by the members to the 'Not for Profit' concern for maintaining his membership.

#### Exercise - 2 | Q 7 | Page 112

#### Answer in one sentence only.

What is 'Legacy'?





**Solution:** Any asset, property or amount of cash which 'Not for Profit' concern receives as per the provisions made in the will of the donor after his death is called Legacy.

## Exercise - 2 | Q 8 | Page 113

#### Answer in one sentence only.

What is Surplus?

**Solution 1:** Excess of income over expenditure in case of not for profit concern is known as surplus.

**Solution 2:** Excess of income over expenditure shown by Income and Expenditure Account represents Surplus for the financial year.

## Exercise - 2 | Q 9 | Page 113

#### Answer in one sentence only.

What do you mean by Non-recurring Expenses ?

**Solution:** Non-recurring expenses are the expenses which is made for acquisition of fixed assets which gives benefits for a long period.

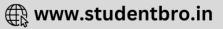
## Exercise - 2 | Q 10 | Page 113

#### Answer in one sentence only.

To which account 'Surplus' or 'Deficit' is transferred?

**Solution:** 'Surplus' or 'Deficit' is transferred to Balance Sheet by adding it or subtracting it from Capital Fund.





## EXERCISE - 2 [PAGES 113 - 114]

## Exercise - 2 | Q 1 | Page 113

#### **Complete the Table:**

Sr. No.	Income (₹)	Expenditure (₹)	Surplus/Deficit (₹)
1.	10,000	?	5,000 (Deficit)
2.	8,000	?	4,000 (Surplus)
3.	?	15,000	8,000 (Surplus)
4.	7,500	9,000	?
5.	15,000	11,300	?

## Solution:

Sr. No.	Income ₹	Expenditure ₹	Surplus/Deficit ₹
1	10,000	<u>15,000</u>	5,000 (Deficit)
2	8,000	<u>4,000</u>	4,000 (Surplus)
3	<u>23,000</u>	15,000	8,000 (Surplus)
4	7,500	9,000	1,500 (Deficit)
5	15,000	11,300	<u>3,700 (Surplus)</u>

## Exercise - 2 | Q 2 | Page 113

## **Complete the Table:**

Salaries paid during the year

Sr. No	Total ₹	Prepaid/Outstanding	ŧ	Expenditure for the year
1	1,100	Prepaid	100	?
2	2,700	Prepaid	?	2,000
3	8,250	Prepaid	?	6,650
4	1,200	Outstanding	200	?
5	?	Outstanding	600	5,100
6	1,800	Outstanding	?	2,200





## Solution:

Salaries paid during the Year

Sr. No.	Total ₹	Prepaid/Outstanding	₹	Expenditure for the year
1	1,100	Prepaid	100	<u>1,000</u>
2	2,700	Prepaid	<u>700</u>	2,000
3	8,250	Prepaid	<u>1,600</u>	6,650
4	1,200	Outstanding	200	<u>1,400</u>
5	<u>4,500</u>	Outstanding	600	5,100
6	1,800	Outstanding	<u>400</u>	2,200

# Exercise - 2 | Q 3 | Page 114

## Complete the Table:

Rent received during the year

Sr.No	Total Received ₹	Rent received in Advance/Accrued	₹	Income for the year ₹
1	1,300	Received in Advance	200	?
2	?	Received in Advance	400	1,400
3	2,650	Received in Advance	?	2,000
4	?	Accrued	290	3,190
5	1,700	Accrued	?	2,150
6	2,600	Accrued	500	?



## Solution:

Rent received during the year

Sr.No	Total Received ₹	Rent received in Advance/Accrued	₹	Income for the year ₹
1	1,300	Received in Advance	200	<u>1,100</u>
2	<u>1,800</u>	Received in Advance	400	1,400
3	2,650	Received in Advance	<u>650</u>	2,000
4	<u>2,900</u>	Accrued	290	3,190
5	1,700	Accrued	<u>450</u>	2,150
6	2,600	Accrued	500	<u>3100</u>

## EXERCISE - 2 [PAGE 114]

Exercise - 2 | Q 1 | Page 114

## Calculate the following:

10 % p.a. Depreciation on Furniture ₹ 50,000 (for three months)

## Solution:

10 % p.a. Depreciation on Furniture ₹ 50,000 (for three months)

Depreciation = Cost of Asset × Rate × Period

=50,000×10/100×3/12

= ₹ 1250 Depr. for 3 months

Thus, Depreciation on furniture @10% on ₹ 50,000 for 3 months = ₹ 1250.

# Exercise - 2 | Q 2 | Page 114

Calculate the following:





12% p.a. Interest on Bank Ioan ₹ 80,000 for 1 year.

## Solution:

12 % p.a. Interest on Bank Ioan ₹ 80,000 for 1 year.

```
I=PRN/100=80,000×12/100×1=₹9600
```

Thus, interest on Bank Ioan ₹ 80,000 for 1 year = ₹ 9600.

# Exercise - 2 | Q 3 | Page 114

## Calculate the following:

Opening stock of stationery ₹ 5,000, purchases of stationery ₹ 7000, outstanding stationery bill ₹ 12,000, closing stock ₹ 1000. What is the amount of stationery consumed?

#### Solution:

To consumption of stationary	₹
Opening stock	5,000
Add: Purchases	7,000
Add: Outstanding stationary bill	12,000
	24,000
Less: Closing Stock	1,000
Consumption of stationary	23,000

## Exercise - 2 | Q 4 | Page 114

## Calculate the following:

Salary ₹ 10,000, outstanding salary ₹ 5,000. Calculate the salary to be debited to Income and Expenditure Account.

## Solution:

Dr.	Income and expenditure Account	Cr.
-----	--------------------------------	-----





Particulars	Amt ₹	Amt ₹	Particulars	Amt ₹	Amt ₹
To Salary	10,000				
Add: Outstanding Salary	5,000	5,000			

## Exercise - 2 | Q 5 | Page 114

#### Calculate the following

Library Books ₹ \_\_\_\_\_ ? Less 10 % Depreciation ₹ 5,000 = ₹ 45,000

#### Solution:

Library Books ₹ 50,000

#### Less 10 % Depreciation ₹ 5,000 = ₹ 45,000

%	Depreciation (₹)	
10	5000	= 50,000
100	? (Cost)	

## EXERCISE - 2 [PAGE 114]

## Exercise - 2 | Q 1 | Page 114

## Find odd one:

- 1. Trading Account
- 2. Profit and Loss Account
- 3. Receipts and Payments Account,
- 4. Balance Sheet.

**Solution:** Trading Account, Profit and Loss Account, Receipts and Payments Account, Balance Sheet. - **Receipts and Payments Account.** 

## Exercise - 2 | Q 2 | Page 114

## Find odd one:

1. Machinery





- 2. Furniture
- 3. Computers
- 4. Salaries.

Solution: Machinery, Furniture, Computers, Salaries. - Salaries

Exercise - 2 | Q 3 | Page 114

## Find odd one :

- 1. Subscription
- 2. Stationery
- 3. Interest Received
- 4. Locker Rent received

Solution: Subscription, Stationery, Interest Received, Locker Rent received,

- Stationery.

## Exercise - 2 | Q 4 | Page 114

## Find odd one :

- 1. Reliance Industries
- 2. Venna Vidya Mandir
- 3. Laxmi Hospital
- 4. Manoj Sports club

Solution: Reliance Industries, Venna Vidya Mandir, Laxmi Hospital, Manoj Sports club.

- Reliance Industries.

## Exercise - 2 | Q 5 | Page 114

## Find odd one:

- 1. Surplus
- 2. Deficit
- 3. Net Profit
- 4. Capital fund

Solution: Surplus, Deficit, Net Profit, Capital fund. - Net Profit.





# PRACTICAL PROBLEMS [PAGES 114 - 124]

## Practical Problems | Q 1 | Page 114

(Calculation of stationery consumed during the year)							
Liabilities	Amt. ₹	Amt. ₹	Assets	Amt. ₹	Amt. ₹		
			Stock of Stationery		400		

Dr Receipts and Payments Account for the year ending 31.03.2019					Cr
Receipts	Amt. ₹	Amt. ₹	Payments	Amt. ₹	Amt. ₹
			By Stationery Purchased		6,300

## Adjustments :

- 1. ₹ 1,000 Outstanding for Stationery bill.
- 2. Stock of Stationery as on 31.03.2019 was valued at ₹1,800

With the above information, calculate the amount of Stationery consumed during the year and show its presentation in final Accounts of a concern. Solution:

In the books of \_\_\_\_\_

Dr	Income and Expenditure Account for the year ended 31st March, 2019							
Ex	(penditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)		
To Stat Consur Year	ionery ned during the							
Openin	g Stock	400						





Add: Stationery Purchased during the Year	6,300			
Add: Credit Purchase of Stationery (Outstanding bill)	1,000			
	7700			
Less: Closing Stock of Stationery	1800	5,900		

## Practical Problems | Q 2 | Page 115

	Balance Sheet as on 01.04.2018							
Liabilities	Amt. ₹	Amt. ₹	Assets	Amt. ₹	Amt .₹			
Subscription received in Advance for 2018 - 19	20,000		Outstanding Subscription					
			2016 - 17	26,000				
			2017 - 18	35,000	61,000			

Dr	Receipt	s and Payme	and Payments Account for the year ending 31.03.2019.					
I	Receipts	Amt. ₹	Amt. ₹	Payments	Amt.₹	Amt. ₹		
To Subs	scriptions							
	2016 - 17	23,000						
4	2017 - 18	30,000						
	2018 - 19	4,10,000						
	2019 - 20	21,000	4,84,000					

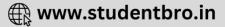
#### Adjustments :

Outstanding Subscription for 2018 - 19 is ₹ 32,000

With the above information present the item Subscription in Income and

Expenditure Account for the year ended 31.03.2019 Balance Sheet as on the date.





#### Solution:

In the books of \_\_\_\_\_

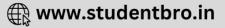
Dr	Inc	ome and Ex	•	Account for the year arch 2019	ended 31s	it Cr
Expend	liture	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
				By Subscription	4,10,000	
				Add: Outstanding Subscription for Current Year 2018– 19	32,000	
					4,42,000	
				Add: Subscription of Current Year received in Advance in the Previous Year 2017–18	20,000	4,62,000

Bala	nce She	et as on	31st March 2019		
Liabilities	Amt (₹)	Amt (₹)	Assets	Amt (₹)	Amt (₹)
Subscription received in Advance for the Year 2019 – 20		21,000	Outstanding Subscription for		
			Add: Year 2018–19 (Current year)	32,000	
			Add : Year 2016– 17 (26,000 – 23,000)	3,000	
			Add : Year 2017– 18 (35,000 – 30,000)	5,000	40,000

#### Working Note :

Outstanding subs. given in the balance sheet as on 01 – 04 – 2018 are ₹ 26,000 (for 2016–17) and ₹ 35,000 (for 2017 – 18). Against that as shown in receipt – Payment A/c ₹ 23,000 and ₹ 30,000 are received respectively. Means ₹ 3,000 and ₹ 5,000 are still outstanding which are known in the current year balance sheet.





## Practical Problems | Q 3 | Page 115

Dr	Receipts and Payments Account for the year ending 31.03.2018.							
	Receipts	Amt. ₹	Amt. ₹	Payments	Amt.₹	Amt. ₹		
To S	ubscriptions							
2016	- 17	2,000						
2017	- 18	60,000						
2018	- 19	4,500	66,500					

## Adjustments :

Subscription Outstanding for the year 2017 - 18 is ₹ 6,000.

During previous year Subscription received in advance for 2017 - 18 is ₹ 2,000.

Outstanding subscription of 2016 - 2017 is ₹ 2,500

With the help of the above information present the item Subscription in Income and Expenditure Account for the year ending 31.03.2018 and Balance Sheet as on that date.

Solution:

In the books of \_\_\_\_\_

Dr	Income a	ind Expendit		unt for the year ende 018	ed 31st Marc	h, Cr
Exp	benditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
				By Subscription (Year 2017–18)	60,000	
				Add: Outstanding Subscription of Current Year 2017–18	6,000	
				Add: Subscription received in Advance of Current Year in Previous Year	2,000	68,000





Balance Sheet as on 31st March, 2018								
Liabilities	Amt (₹)	Amt (₹)	Assets	Amt (₹)	Amt (₹)			
Subscription received in Advance in the Current Year for the Year 2018 – 19		4,500	Outstanding Subscription for Current Year (2017– 18)		6,000			
			Outstanding Subscription for the Year 2016 – 17 (2,500 – 2,000)		500			

## Practical Problems | Q 4 | Page 116

Following is the Receipts and Payments Account of "Satara Sports Club" Satara

Prepare Income and Expenditure Account for the year ending 31.03.2019.

Dr	Receipts and Payments Account for the year ending 31.03.2019.					
Receipts	Amt ₹	Amt ₹	Payments	Amt ₹	Amt ₹	
To Balance b/d			By Salaries		5,000	
Cash in hand	4,500		By Rent (Including ₹ 2,000 for 2017 - 18)		5,000	
Cash at Bank	12,000	16,500	By Electricity Charges		1,450	
To Subscription			By Fixed Deposit		60,000	
2017 - 18	4,000		By Printing and Stationery		750	
2018 - 19	44,500		By General Expenses (Including ₹ 500 paid for next year)		5,500	





2019 - 20	3,500	52,000	By Sports Material Purchased		40,000
To Entrance fees		8,000	By Balance c/d		
To Donation for Building fund		70,000	Cash in Hand	8,900	
To Interest		600	Cash at Bank	25,000	33,900
To Sale of furniture (Book Value ₹ 8000)		4,500			
		1,51,600			1,51,600

## Adjustments:

1) Outstanding Subscription for Current Year is ₹ 4,500

2) Outstanding Rent for Current Year amounted to ₹ 1,000

3) Entrance Fees are to be treated as Revenue Income

4) Stock of Sports Material as on 01.04.2018 ₹ 6,000 and on 31.03.2019 ₹ 14,000

## Solution:

## In the books of 'Satara Sports Club' Satara

Dr	Income and Expenditure Account for the year ended on 31st March 2019						
Ехре	nditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹	
To Salarie	es		5,000	By Subscription received for 2018 – 19	44,500		
To rent		5,000		Add: Outstanding Subscription for Current Year	4,500	49,000	
Add: Outs rent of Cu	standing Irrent Year	1,000		By Entrance Fees		8,000	





Less: rent received for the Year 2017 – 18	2,000	4,000	By Interest	600
To Electricity Charges		1,450		
To Printing and Stationery		750		
To General Expense	5,500			
Less: Amount Paid for Next Year	500	5,000		
To Sports Material Consumed				
Opening Stock	6,000			
Add: Sports Material Purchased in Current Year	40,000			
	46,000			
Less: Closing Stock of Sports Material	14,000	32,000		
To Loss due to Sale of Furniture (8,000 – 4,500)		3,500		
To Surplus (Excess of income over expenditure)		5,900		
		57600		57600

## Working Notes :

(1) Entrance fees are to be treated as revenue income. Therefore the entire amount is recorded on the income side.

(2) Since the selling price of Furniture ₹ 4,500 is lower than its cost price of ₹ 8,000, there is Loss on sale of furniture.

It is calculated as follows :

Loss on sale of furniture = Book value (cost) - Selling price

= 8,000 - 4,500

= ₹ 3,500

It is debited to Income and Expenditure A/c.

## Practical Problems | Q 5 | Page 117

"Bhartiya Kala Kendra", Solapur gives you the following information, for the year ended

on 31.03.2018 Prepare Income and Expenditure Account for the year ending

31.03.2018

Dr	Receipts and payments Account for the year ending 31.03.2018.					
Receipts	Amount ₹	Payments	Amount ₹			
To Balance b/d		By Stationery	600			
Cash in Hand	200	By Furniture Purchased	7,000			
Cash at Bank	12,500	By Investments in govt securities	14,000			
To Locker Rent	400	By Expenses of Drama	3,000			
To Entrance fees	2,900	By Postage	450			
To Sale of old newspapers	250	By Magazine and newspaper	600			
To Receipts from Drama	9,000	By Salaries	4,400			
To Legacies	12,000	By Balance c/d				
To Interest of Govt. Securities	400	Cash in Hand	700			





To Miscellaneous Receipts	400	Cash at Bank	7,300
	38050		38050

## **Additional Information :**

- 1) Legacies are to be capitalized
- 2) Outstanding Salary ₹ 200
- 3) 50 % of Entrance Fees are to be Capitalised

## Solution:

#### In the books of Bhartiya Kala Kendra, Solapur

Dr	Income and Expenditure Account for the year ended 31st March 2018				
Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Stationery		600	By Locker rent		400
To Expenses of Drama		3,000	By Entrance Fees	2,900	
To Postage		450	Less: 50 % Capitalised	1,450	1,450
To Magazine and Newspaper		600	By Sale of Old Newspapers		250
To Salaries	4,400		By receipts from Drama		9,000
Add: Outstanding Salaries	200	4,600	By Interest on Govt. Securities		400





To Surplus (Excess of income over expenditure)	2,650	By Miscellaneous receipts	400
	11900		11900

## Practical Problems | Q 6 | Page 117

From the following particulars relating to "Radha-Krishna Charitable Hospital" Pune.

Prepare Income and Expenditure Account for the year ending 31.03.2020 and Balance Sheet as on that date.

Dr	Receipts and	for the year	Cr	
Receipts	Amount ₹	Paymen	ts	Amount ₹
To Balance b/d		By Medicines Purchased		41,000
Cash	8,230	By General Expense	ses	1,050
To Subscriptions	52,000	By Salaries		23,500
To Donations (General)	17,500	By Stationery		2,000
To Interest in Investments	10,000	By Expenses on Charity Show		550
To Proceeds from Charity Show	8,530	By Surgery and Dis	spensary	4,200
		By Equipments		10,000
		By Balance c/d		
		Cash in Hand	960	
		Cash at Bank	13,000	13,960
	96,260			96,260

#### Additional Information :

Particulars	01.04.2019 ₹	31.03.2020 ₹





1. Subscription Due	310	350
2. Subscription Received in Advance	600	150
3. Stock of Medicine	8,000	11,000
4. Estimated Value of Equipment	15,000	?
5. Building	40,000	?
6. Capital Fund	1,70,940	?
7. 10 % Investment	1,00,000	?

Provide Depreciation on Equipments ₹ 1,900 and on Building ₹ 1,500

## Solution:

## In the books of Radha-Krishna Charitable Hospital, Pune

Dr Income and Expenditure Account for the year ended 31st March 2020 Cr						
Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)	
To Medicines Consumed			By Subscriptions	52,000		
Opening Stock	8,000		Add: Outstanding of Current Year	350		
Add: Purchases	41,000		Add: received in Advance in Previous Year	600		
	49,000			52,950		
Less: Closing Stock	11,000	38,000	Less: received in Current Year of the Previous Year	150		





		88,520			88,520
income over expenditure)					
(Excess of					
To Surplus		15,820			
Building	1,500	3,400			
Equipments	1,900				
To Depreciation					
To Surgery and Dispensary Expense		4,200			
To Expenses on charity show		550	By Proceeds from Charity Show		8,530
To Stationery		2,000	By Interest on Investments		10,000
To Salaries		23,500	By Donations (General)		17,500
To General Expenses		1,050	Less: Subscription due of Previous Year	310	52,490

Balance Sheet as on 31st March 2020						
Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)	
Capital Fund	1,70,940		Outstanding Subscription		350	
Add : Surplus	15,820	1,86,760	Closing Stock of Medicines		11,000	



Subscription received	150	Equipments	15,000	
in Advance		opening Balance		
		Add: Purchases	10,000	
			25,000	
		Less: Depreciation	1,900	23,100
		Buildings	40,000	
		Less: Depreciation	1,500	38,500
		10% Investments		1,00,000
		Cash in Hand		960
		Cash at Bank		13,000
	1,86,910			1,86,910

#### Working Notes :

(1) To find medicines consumed, here in the opening stock, purchases is added and the closing stock of medicine is subtracted.

(2) For equipment, in opening balance, add equipment purchased during the year and subtract depreciation to get the closing balance of equipment.

(3) Interest ₹ 10,000 is received on 10 % investments means there is no outstanding interest.

#### Practical Problems | Q 7 | Page 118

From the following transactions of Receipts and Payments Account of "Pavan - Putra

Hanuma Vyayamshala" Parbhani, and the adjustments given, you are required to

nuoneus luceuse en el Eveneuel	ture Assessment and Dalama	- Charter an Odet March 2010
prepare income and Expendi	iture Account and Balance	e Sheet as on 31st March 2019.

Dr Rec	Dr Receipts and Payments Account for the year ending 31.03.2019.							
Receipts		Receipts Amount Payments ₹		Amount ₹				
To Balance b/c	ł		By Salaries	6,000				
Cash in Hand		5,000	By Entertainment Expenses	2,480				
To Subscriptions			By Sundry Expenses	1,300				
2018 - 19	18,000		By Electricity Charges					
2019 - 20	410	18,410	By Rent	700				



To Donations	6,000	By Investment		15,000
To Receipts from Entertainment	5,400	By Printing and Stationery		800
To Interest	400	By Postage		3,200
To Entrance fees	6,200	By Fixed Deposit By Balance c/d		3,900
		Cash in Hand	830	
		Cash at Bank	6000	6,830
	41,410		1	41,410

#### Adjustments:

1) There are 500 members paying an annual Subscription of ₹ 50 each

2) Outstanding Salary was ₹ 1,200

3) The Assets on 01.04.2018 were as follows: Building ₹ 50,000, Furniture ₹ 15,000

4) Provide depreciation on Building and Furniture at 5% and 10% respectively.

5) 50% Entrance Fee is to be capitalized.

6) Interest on Investment at 5% p. a. has accrued for 6 months.

7) Capital Fund ₹ 70,000 on 01.04.2018

## Solution:

#### In the books of Pavan-putra Hanuman Vyayamshala, Parbhani

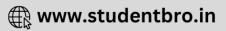
Dr	Dr Income and Expenditure Account for the year ended on 31st March, 2019							
Ex	penditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹		
To S	Salaries	6,000		By Subscription	18,000			
Adc Out	l*: standing	1,200	7,200	Add: Outstanding Subscription for Current Year	7000	25000		
_	ertainment enses		2,480	By Donations		6,000		
	Sundry enses		1,300	By receipts from Entertainment		5,400		
	Electricity arges		1,200	By Interest		400		



To Rent		700	By Outstanding Interest on Investments (6 Months)		375
To Printing and Stationery		800	By Entrance Fees	6,200	
To Postage		3,200	Less : 50 % capitalised	3,100	3,100
To Depreciation					
Building	2,500				
Furniture	1,500	4,000			
To Surplus		19,395			
(Excess of income over expenditure)					
		40,275			40,275

	Balance Sheet as on 31st March, 2019						
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹		
Capital Fund	70,000		Building	50,000			
Add: Surplus	19,395		Less: Depreciation	2,500	47,500		
Add: 50 % Entrance Fees	3,100	92,495	Furniture	15,000			
Outstanding Salary		1,200	Less: Depreciation	1,500	13,500		
Subscription received in Advance		410	Investments		15,000		
			Outstanding Interest on Investments		375		
			Fixed Deposit		3,900		
			Cash in Hand		830		
			Cash at Bank		6,000		
			Outstanding Subscription of Current Year		7,000		





	94,105			94,105
--	--------	--	--	--------

#### Working Notes :

(1) Interest on investment is receivable for 6 months

₹I=PRN/100=15,000×5/100×6/12=₹ 375 (outstanding interest on investment)

(2) 50% of entrance fees (i.e. 6200/2 = ₹ 3100) is to be capitalised means add it to capital fund.

(3) Total subscription of current year = 500 members × ₹ 50 = ₹ 25,000 But actual subscription received = ₹ 18,000 means difference (25,000 – 18,000) of ₹ 7,000 is outstanding subscription.

## Practical Problems | Q 8 | Page 119

"Jeevan Jyoti Art Circle" a newly established concern has presented the following

information.

Receipts	Amount ₹	Amount ₹	Payments	Amount ₹	Amount ₹
To Admission ees		22,000	By Furniture		12,000
To Subscriptions		40,000	By Stationery		4,000
To Donations		18,000	By Office Rent		2,600
			By Newspapers & Periodicals		300
			By Telephone Expenses		560





	By Investments		23,000
	By Balance c/d		
	Cash in Hand	7,540	
	Cash at Bank	30,000	37,540
80,000			80,000

## Adjustments:

1) Subscription Outstanding for the year was ₹ 5,000

2) Depreciate Furniture @10 % p.a

3) Full amount of Admission Fees and 50\*% Donations are to be capitalized.

You are required to prepare Income and Expenditure Account for the year ending

31.03.2018 and Balance Sheet as on that date.

#### Solution:

#### In the books of Jeevan Jyoti Art Circle

Dr Income an	Dr Income and Expenditure Account for the year ended 31st March 2018						
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹		
To Stationery		4,000	By Donations	18,000			
To Office rent		2,600	Less: 50 % Capitalised	9,000	9,000		
To Newspapers and Periodicals		300	By Subscription	40,000			
To Telephone Expenses		560	Add: Outstanding of Current Year	5,000	45,000		
To Depreciation Furniture		1,200					
To Surplus (Excess of income over expenditure)		45,340					
		54000			54000		





Balance Sheet as on 31st March, 2018							
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹		
Capital Fund	-		Furniture	12,000			
Add: Surplus	45,340		Less: Depreciation	1,200	10,800		
Add: Admission Fees (Capitalised)	22,000		Investments		23,000		
Add : Donations (50 % Capitalised)	9,000	76,340	Cash in Hand		7,540		
			Cash at Bank		30,000		
			Outstanding Subscription		5,000		
		76,340			76,340		

#### Working Notes:

The full amount of admission fees and 50% of donations are added to the surplus amount to get the capital funds. (Opening balance of the capital fund is not given.)

## Practical Problems | Q 9 | Page 119

Given below is the Receipts and Payments Account of "Vithai Mahila Mandal"

Pandharpur for the year ending 31.03.2018. Prepare an Income and Expenditure

Account for the year ended 31.03.2018 and Balance Sheet as on that date.

Dr Receip	Dr Receipts and Payments Account for the year ending 31.03.2018.						
Receipts	Amount ₹	Amount ₹	Payments	Amount ₹	Amount ₹		
To Balance b/d			By Stationery		6000		
Cash in Hand	3,000		By Repairs to Furniture		950		
Cash at Bank	20,000	23,000	By Rent		8,300		





To Entrance Fees	3,500	By Salaries		15,000
To Subscription	19,000	By Miscellaneous Expenses		450
To Miscellaneous Receipts	850	By Balance c/d		
		Cash in Hand	1,650	
		Cash at Bank	14,000	15,650
	46,350			46,350

# Adjustments :

- 1) Capital Fund on 01.04.2017 was ₹ 90,000
- 2) Outstanding Subscription ₹ 4,000
- 3) Entrance Fees are to be capitalized
- 4) Rent paid includes ₹ 800 paid for April 2018
- 5) They have the following Assets and Liabilities 01.04.2017

Furniture ₹ 9,000,

Building ₹ 70,000,

Outstanding Expenses ₹ 12,000

# Solution:

# In the books of Vithai Mahila Mandal, Pandharpur

Dr Income	DrIncome and Expenditure Account for the year ended 31st March 2018Cr					
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹	
To Stationery		6,000	By Subscription	19,000		
To Repairs to Furniture		950	Add: Outstanding Subscription	4,000	23,000	
To Rent	8,300		By Miscellaneous receipts		850	
Less: Prepaid Rent	800	7,500	By Deficit (Excess of expenses over incomes)		6,050	
To Salaries		15,000				





To Miscellaneous Expense	450		
	29,900		29,900

	Balance Sheet as on 31st March 2018						
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹		
Capital Fund	90,000		Furniture		9,000		
Add: Entrance Fees (Capitalised)	3,500		Building		70,000		
Less: Deficit	6,050	87,450	Outstanding Subscription		4,000		
Outstanding Expenses		12,000	Cash in Hand		1,650		
			Cash at Bank		14,000		
			Prepaid rent		800		
		99,450			99,450		

(1) Outstanding subscription of ₹ 4,000 is first added to subscription received on the credit side of Income and Expenditure A/c and then it is shown on the Assets side of the Balance Sheet.

(2) The entire amount of the entrance fees ₹ 3,500 is added to the capital fund.

(3) Prepaid ₹ 800 is first deducted from rent paid on the debit side of Income & Expenditure A/c and then shown on the Assets side of the Balance Sheet.

(4) Outstanding expenses ₹ 12,000 is directly shown on the Liabilities side of the Balance Sheet.

# Practical Problems | Q 10 | Page 120

From the following Receipts and Payments Account "K.B.P. Engineering College"

Nashik for the year ending on 31.03.2019 and additional information, prepare Income

and Expenditure Account for the year ending 31.03.2019 and Balance Sheet as on that date.

Dr	Receipts and payments Account for the year ending	Cr
	31.03.2019.	





Receipts	Amount ₹	Payments	Amount ₹
To Balance b/d		By Salaries to Teaching Staff	11,70,000
Cash in Hand	18,000	By Electricity Charges	55,000
Cash at Bank	1,00,400	By Books	61,000
To Interest	55,000	By Furniture	51,000
To Subscriptions	28,300	By Stationery	21,850
To Life Membership fees	25,000	By Fixed Deposit (31.03.2019)	8,50,000
To Donation	7,00,000	By Balance c/d	
To Tuition Fees	12,30,000	Cash in Hand	16,650
To Term Fees	2,00,800	Cash at Bank	2,00,000
To Sundry Receipts	8,000		
To Admission Fees (Revenue)	60,000		
· · · · · · · · · · · · · · · · · · ·	24,25,500		24,25,500

# Additional Information :

Particulars		
Books	6,00,000	6,00,000
Furniture	3,19,000	3,00,000
Building Fund	10,00,000	?
Fixed Deposit	9,10,000	?
Capital Fund	9,47,400	?
Capital I unu	9,47,400	

1) 50% of Donation are for Building Fund and the balance is to be treated Revenue Income.

2) Outstanding subscription ₹ 5,300

3) Life membership fees are to capitalised

Solution:

# In the books of K.B.P. Engineering College, Nashik

Dr	Dr Income and Expenditure Account for the year ended on 31st March,					Cr
	2019					
	ExpenditureAmountAmountIncomeAmountAmount ₹₹₹₹₹					

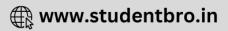




To Salaries to Teaching Staff		11,70,000	By Interest		55,000
To Electricity Charges		55,000	By Subscription	28,300	
To Stationery		21,850	Add: Outstanding Subscription	5,300	33,600
To Depreciation			By Donations	7,00,000	
Furniture	70,000		Less: 50 % for Building Fund	3,50,000	3,50,000
Books	61,000	1,31,000	By Tuition Fees		12,30,000
To Surplus		5,59,550	By Term Fees		2,00,800
(Excess of income over expenditure)					
			By Sundry receipts		8,000
			By Admission Fees		60,000
		19,37,400			19,37,400

	Bala	ance Sheet as	s on 31st Marc	h, 2019	
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	9,47,400		Outstanding Subscription		5300
Add: Surplus	5,59,550		Books	6,00,000	
Add: Life Membership Fees (Capitalised)	25,000	15,31,950	Add: Purchases	61,000	
Building Fund	10,00,000			6,61,000	
Add: 50% of Donations	3,50,000	13,50,000	Less: Depreciation	61,000	6,00,000
			Furniture	3,19,000	
			Add: Purchase	51,000	
				3,70,000	
			Less: Depreciation	70,000	3,00,000





	Fixed Deposits (Old)	8,50,000
	Cash in Hand	16,650
	Cash in Bank	2,00,000
	Fixed Deposits (New)	9,10,000
28,81,950		28,81,950

(1) Life membership fees are to be capitalised, means add entire amount in capital fund.

(2) 50% of Donations of ₹ 7,00,000 i.e., ₹ 3,50,000 is to be added to the Building Fund, and the remaining amount of donation i.e., ₹ 3,50,000 is credited to Income and Expenditure A/c.

(3) The depreciation on Fixed assets is calculated by using following formula:

Depreciation = Opening balance + Purchases - Closing value

: Depreciation on Books = 6,00,000 + 61,000 - 6,00,000

= 6,61,000 - 6,00,000

= ₹ 61,000

∴ Depreciation on Furniture = 3,19,000 + 51,000 - 3,00,000

- = 3,70,000 3,00,000
- = ₹ 70,000

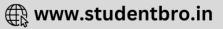
(4)

Fixed deposit :	
Opening balance given	= ₹ 9,10,000
Fixed deposit (31 – 03 – 2019) (Newly purchased)	= ₹ 8,50,000
∴ Total fixed deposits	= ₹ 17,60,00

(5) Admission Fees ₹ 60,000 is recorded on the credit side of Income and Expenditure A/c because it is taken as revenue income.

# Practical Problems | Q 11 | Page 121





From the following Balance Sheet and Receipts and Payments Account of "New English School", Barshi, Prepare Income and Expenditure Account for the year ending 31.03.2020 and a Balance Sheet as on that date.

Balance Sheet as on 01.04.2019					
Liabilities	Amount ₹	Assets	Amount ₹		
Capital Fund	6,43,000	Cash in Hand	6,000		
		Cash at Bank	10,000		
		Building	4,50,000		
		Furniture	72,000		
		Library Books	45,000		
		Computer Laboratory	60,000		
	6,43,000		6,43,000		

DrReceipts and Payments Account for the year ending 31.03.2020C						
Receipts	Amount ₹	Amount ₹	Payments	Amount ₹	Amount ₹	
To Balance b/d			By Salary		90,000	
Cash in Hand	6,000		By Library Books		14,000	
Cash at Bank	10,000	16,000	By Office Rent		10,000	
To Tuition Fees		90,000	By Printing and Stationery		22,000	
To Term Fees		3,000	By Sundry Expenses		12,000	
To Admission Fees		12,000	By Insurance		10,200	
To Donation (Capital)		61,000	By Sport Expenses		8,000	
To Interest Received		2,000	By Annual Gathering Exp		9,000	
To Government Grant (Revenue)		1,20,000	By Furniture		50,000	
To Sundry Receipts		11,000	By Repairs		15,000	
•			By Balance c/d			
			Cash in Hand	4,800		
			Cash at Bank	70,000	74,800	





315000 31500
--------------

# Additional Information :

1) Outstanding Salary of ₹ 9,000

2) Outstanding Tuition Fees ₹ 15,000

3) Depreciate Library Books by ₹ 9,000 and Furniture by ₹ 10,000

### Solution:

### In the books of New English School, Barshi

Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salary	90,000		By Tuition Fees	90,000	
Add: Outstanding Salary	9,000	99,000	Add: Outstanding tuition Fees	15,000	1,05,000
To Office rent		10,000	By Term Fees		3,000
To Printing and Stationery		22,000	By Admission Fees		12,000
To Sundry Expenses		12,000	By Interest Received		2,000
To Insurance		10,200	By Government Grant		1,20,000
To Sport Expenses		8,000	By Sundry Receipts		11,000
To Annual Gathering Expenses		9,000			
To Repairs		15,000			
To Depreciation					
Library Books	9,000				
Furniture	10,000	19,000			
To Surplus		48,800			
(Excess of income over expenditure)					
		2,53,000			2,53,000





Balance Sheet as on 31st March, 2020						
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹	
Capital Fund	6,43,000		Building		4,50,000	
Add: Surplus	48,800		Furniture	72,000		
Add: Donation	61,000	7,52,800	Add: Purchases	50,000		
Outstanding Salary		9,000		1,22,000		
			Less: Depreciation	10,000	1,12,000	
			Library Books	45,000		
			Add: Purchases	14,000		
				59,000		
			Less: Depreciation	9,000	50,000	
			Computer Laboratory		60,000	
			Cash in Hand		4,800	
			Cash at Bank		70,000	
			Outstanding Tuition Fees		15,000	
		7,61,800			7,61,800	

(1) Donation (Capital) is added in Capital fund.

(2) Government Grant ₹ 1,20,000 is recorded on the credit side of Income & Expenditure A/c because it is revenue income of the organisation.

(3) Outstanding tuition fees ₹ 15,000 and outstanding salary ₹ 9,000 are added to respective head of Account and then they are shown separately on the Assets side and Liabilities side of Balance Sheet respectively.

# Practical Problems | Q 12 | Page 122

Following is the Receipts Payments Account of "Dhananjay Library, Mumbai" for the

year ending 31.03.2020

Dr Receipts and	Dr Receipts and Payments Account for the year ending 31.03.2020. Cr					
Receipts	Amount ₹	Payments	Amount ₹			
To Balance b/d	5,000	By Salaries	9,000			
To Admission Fees	4,500	By Rent	7,500			
To Subscriptions	20,000	By Investments	6,000			
To Lecture Hall Hire Charges	4,200	By Stationery	1,350			
To Miscellaneous Income	250	By Electricity Charges	850			
To Interest on Investment	900	By Books	5,000			
		By Outstanding Expenses (2018 - 19)	500			
		By Balance c/d	4,650			
	34850		34850			

# You are required to prepare an Income and Expenditure Account for the year

# ended 31.03.2020 and Balance Sheet as on that day.

The following information is also made available to you.

1) On 31.03.2019, the Library had the following Assets also; Books at ₹ 50,000,

Furniture ₹ 6,500, and Machinery of ₹ 30,000

- 2) Subscription received in advance amounted to ₹ 500
- 3) Outstanding Salaries ₹ 1300 and for Rent ₹ 950
- 4) 50% of the Admission Fees should be capitalized.
- 5) Furniture to be depreciated at 10% p.a.
- 6) Library Books were purchased on 1st April 2019 charge Depreciation at 10% p. a.

7) The Investments were purchased on 01.04.2019 and they carry interest at 20\*% p.a **Solution:** 





DrIncome and Expenditure Account for the year ended 31st March 2020Cr							
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹		
To Salaries	9,000		By Subscription	20,000			
Add: Outstanding Salary	1,300	10,300	Less: Subscription Received in Advance	500	19,500		
To Rent	7,500		By Admission Fees	4,500			
Add: Outstanding Rent	950	8,450	Less: 50% Capitalised	2,250	2,250		
To Stationery		1,350	By Lecture Hall Hire Charges		4,200		
To Electricity Charges		850	By Miscellaneous Income		250		
To Depreciation			By Interest on Investments	900			
Furniture	650		Add: Outstanding Interest	300	1,200		
Library Books (5000 + 500)	5,500	6,150					
To Surplus (Excess of Income over expenditure)		300					
		27400			27400		

# In the books of Dhananjay Library, Mumbai

Balance Sheet as on 31st March 2020						
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹	
Capital Fund	91,000		Machinery		30,000	
Add : 50 % Admission	2,250		Books	50,000		

Add: Surplus	300	93,550	Add: Purchases	5,000	
Outstanding Salaries		1,300		55,000	
Outstanding Rent		950	Less: Depreciation (5000 + 500)	5,500	49,500
Subscription Received in Advance		500	Furniture	6,500	
			Less: Depreciation	650	5,850
			Investments	6,000	
			Add: Outstanding Interest	300	6,300
			Cash in Hand		4,650
		96300			96300

(1) Opening Balance Sheet is prepared to find out opening capital fund :

Balance Sheet as on 31st March 2019					
Liabilities	Amount ₹	Assets	Amount ₹		
Outstanding Expenses	500	Books	50,000		
Capital Fund (Balancing figure)	91,000	Furniture	6,500		





	Machinery	30,000
	Cash in Hand (Opening balance of Receipt – Payment A/c)	5,000
91500		91500

(2) Outstanding expenses of the previous year, paid in the current year so no entry for outstanding expenses (2018 - 19)

(3)

Interest on Investment @ 20 % on ₹ 6,000	= ₹1,200
Interest on Investment received	<u>=₹900</u>
Outstanding interest on investment	= ₹ 300

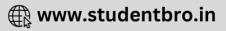
(4)

Depreciation on library books at 10 % p.a. on opening balance of ₹ 50,000 (for whole year)	=₹ 5,000
On purchases on 01 – 04 – 2019 (for whole year)	<u>=₹</u> <u>1,500</u>
Total Depreciation	= ₹ 5,500

(5) Subscriptions received in advance ₹ 500 is deducted from subscription received on credit side of Income and Expenditure A/c and then subscription received in advance is shown separately on the Liabilities side of the Balance Sheet.

(6) Outstanding salaries and outstanding rent are added to the respective head of Account on the debit side of the Income & Expenditure Account and both the outstanding items are recorded on the Liabilities side of the Balance Sheet.





# Practical Problems | Q 13 | Page 123

From the following information supplied to you, prepare Income and Expenditure Account for the year ending on 31.03,2020 and Balance Sheet as on that date for "Morya Sports Club" Thane.

Balance Sheet as on 01.04.2019.						
Liabilities	Assets	Amount ₹				
Capital Fund	64,500	Machinery	69,000			
Bank overdraft	38,000	Outstanding Subscriptions	8,000			
Outstanding Salary	4,000	Prepaid Insurance Premium	2,000			
		Furniture	15,000			
		Cash in Hand	12,000			
		Outstanding Locker's Rent	500			
	1,06,500		1,06,500			

Dr Receipts and Payments Account for the year ended 31.03.2020				
Liabilities	Amount ₹	Payments	Amount ₹	
To Balance b/d	12,000	By Balance b/d (Bank Overdraft)	38,000	
To Subscription	1,05,000	By Salary	17,500	
To Entrance Fees (Capitalized)	9,300	By Insurance Premium	11,000	
To Locker Rent	1,500	By Interest	1,400	
To Donations (Capitalized)	800	By Refreshment Expenses	4,200	
		By Furniture	30,000	
		By Balance c/d		
		Cash in Hand	6,500	
		Cash at Bank	20,000	
	1,28,600		1,28,600	

### Adjustments :

1) Subscription received includes ₹ 3,000 for 2018 - 19 and Outstanding Subscription

**CLICK HERE** 

≫

for 2019 - 20 was ₹ 14,000.

2) On 31.03.2020, Prepaid Insurance Premium was ₹ 2,500.



3) Depreciate Furniture by ₹ 3,000.

4) Locker Rent Outstanding for 2019 - 20 is ₹ 400

# Solution:

# In the books of 'Morya Sports Club' Thane

Dr	Income and Expenditure Account for the year ended 31st March, 2020				
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salary	17,500		By Subscription	1,05,000	
Less: Outstanding salary of 2018 – 19	4,000	13,500	Add: Outstanding Subscription for Current Year	14,000	
To Insurance Premium	11,000			1,19,000	
Less: Prepared Insurance Premium	2,500		Less: Subscription Received of 2018 – 19	3,000	1,16,000
	8,500		By Locker Rent	1,500	
Add: Prepaid Insurance premium of current year Paid in previous year	2,000	10,500	Add: Outstanding Locker Rent	400	
To Depreciation				1,900	

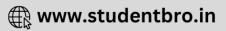




Furniture	3,000	Less: Outstanding Locker Rent of Previous Year	500	1,400
To Interest	1,400			
To Refreshment Expenses	4,200			
To Surplus (Excess of income over Expenditure)	84,800			
	1,17,400			1,17,400

	Balance Sheet as on 31st March, 2020							
Liabilities	Liabilities Amount Amount Assets An ₹ ₹			Amount ₹	Amount ₹			
Capital Fund	64,500		Machinery		69,000			
Add: Surplus	84,800		Outstanding Subscription (2018 – 19) (8,000 – 3,000)		5,000			
Add: Entrance fees (Capitalised)	9,300		Outstanding Subscription (2019–20)		14,000			
Add: Donations (Capitalised)	800	1,59,400	Prepaid Insurance Premium		2,500			
			Furniture	15,000				





	Add: Purchases	30,000	
		45,000	
	Less: Depreciation	3,000	42,000
	Outstanding Locker Rent (2019 – 20)		400
	Cash in Hand		6,500
	Cash at Bank		20,000
1,59,400			1,59,400

(1) Outstanding subscription (2018–19) ₹ 8,000 given in b/s against that ₹ 3,000 received in 2019–20.

Means still receivable subscription = ₹ 5,000 (8,000 – 3,000).

(2) Prepaid insurance premium (2018 – 19) ₹ 2,000 is for the current year. Therefore, in current year's insurance premium, ₹ 2,000 is to be added and then subtract current year's prepaid insurance premium.

(3) Outstanding salary of (2018 – 19), ₹ 4,000 of the previous year is to be subtracted from the current year's salary.

(4) The total amount of donations and entrance fees are to be capitalised so add the entire amount of both the items to the Capital fund.

(5) Outstanding locker's rent (2018 – 19) ₹ 500 is given in Balance Sheet. It is to be subtracted from current year's locker's rent and then add current year's outstanding locker rent.





# Practical Problems | Q 14 | Page 124

Following information has been provided by "Vivekanand Charitable Hospital" Latur.

You are required to prepare Income and Expenditure Account for the year ending on

Balance Sheet as on 01.04.2018.						
Liabilities	Amount ₹	Assets	Amount ₹			
Capital Fund	11,00,000	Building	10,50,000			
Bank Loan	6,50,000	Ambulance	4,00,000			
Outstanding Bill for Drugs	50,000	Stock of Drugs	42,000			
		Hospital Equipments	3,04,000			
		Cash in Hand	4,000			
	1800000		1800000			

31.03.2019 and Balance Sheet as on that date.

Dr Receipts and Payments Account for the year ended 31.03.2019				
Receipts	Amount ₹	Payments	Amount ₹	
To Balance b/d	4,000	By Purchase of Drugs (Includes 40,000 for 2017 - 18)	2,00,000	
To Subscription	2,22,000	By Salary to Staff	85,000	
To Life Membership Fees	30,000	By Honorarium to Doctors	4,00,000	
To Hospital Receipts (Revenue)	5,10,400	By Repairs and Maintenance	18,000	
		By Furniture	45,000	
		By General Expenses	16,000	
		By Balance c/d	2,400	
	7,66,400		7,66,400	

# Adjustments :

1) On 31.03.2019 Stock of Drugs was valued at ₹ 22,000.

2) Depreciation on Building at 5<sup>\*</sup>% p.a. and on Ambulance ₹ 30,000.

3) Life Membership Fees are to be capitalized.

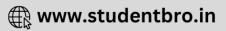
# Solution:



Dr Income and Ex	penditure .	Account fo	r the year ended 31st I	March, 201	9 Cr
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salary to Staff		85,000	By Subscription		2,22,000
To Honorarium to Doctors		4,00,000	By Hospital Receipts		5,10,400
To Repairs and Maintenance		18,000	By Deficit (Excess of expenditure over income)		49,100
To General Expenses		16,000			
To Depreciation					
Building	52,500				
Ambulance	30,000	82,500			
To Drugs Consumed					
Opening Stock	42,000				
Add : Purchases (2,00,000 – 40,000)	1,60,000				
	2,02,000				
Less : Closing stock	22,000	1,80,000			
		7,81,500			7,81,500

Balance Sheet as on 31st March, 2019						
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹	
Capital Fund	11,00,000		Building	10,50,000		
Add: Life Membership Fees (Capitalised)	30,000		Less: Depreciation	52,500	9,97,500	
	11,30,000		Ambulance	4,00,000		
Less: Deficit	49,100	10,80,900	Less: Depreciation	30,000	3,70,000	
Outstanding Bill for Drugs (50,000 – 40,000)		10,000	Hospital Equipment		3,04,000	
Bank Loan		6,50,000	Closing stock of Drugs		22,000	
			Furniture		45,000	





		Cash in Hand	2,400
	17,40,900		17,40,900

(1) Purchase of drugs ₹ 2,00,000 includes ₹ 40,000 of 2017–18 and in the Balance Sheet of 2017–18, the outstanding bill of drugs is ₹ 50,000 given. So, ₹ 10,000 is still outstanding

(2) Consumption of drugs :

Opening stock (2017 – 18)	42,000	
Add: Purchase of drugs	<u>1,60,000</u>	
	2,02,000	
Less: Closing stock of drugs	<u>22,000</u>	
Consumption of drugs	1,80,000	



