



INDIAN SCHOOL AL WADI AL KABIR

ACCOUNTANCY-XII

NOT FOR PROFIT ORGANISATIONS

1.

How are Specific donations treated while preparing final accounts of a 'Not-For-Profit Organisation' ?

Ans. Specific donations are taken on the liabilities side of the Balance Sheet of a Not-For-Profit Organisation

or

Specific donations are capitalized while preparing the final accounts of a Not-For-Profit Organisation.

2.

State the basis of accounting of preparing 'Income and Expenditure Account' of a Not-For-Profit Organisation.

Ans. Accrual Basis

3. What is meant by 'life membership fee' ?

Ans. Life membership fee is the membership fee paid by some members as a lump sum amount instead of a periodic subscription.

4.

How are general donations treated while preparing financial statements of a not-for-profit organisation ?

Ans. General donations are treated as revenue receipts.

5. Distinguish between Income and Expenditure Account and Receipts and Payments Account on the basis of 'Closing Balance'

Ans. In receipts and payments account, closing balance is cash in hand and cash at bank at the end whereas the balance at the end of income and expenditure account is either surplus or deficit, which is transferred to capital fund

6.

Which of the following is a capital receipt ?

- (A) Subscriptions
- (B) Sale of used sports material
- (C) Endowment fund
- (D) Entrance fees

Ans. Endowment fund

7.

Which of the following statements is **not** true for Receipts and Payments Account ?

- (A) It is a summary of the Cash Book.
- (B) It records receipts and payments of revenue nature only.
- (C) The receipts and payments may relate to current, preceding, or succeeding accounting periods.
- (D) Depreciation is not shown in it.

Ans. It records receipts and payments of revenue nature only.

8.

On 1st April, 2018, Maitreyi Club had a Prize Fund of ₹ 8,00,000. It incurred expenses on prizes amounting to ₹ 8,70,000 during the year. The balance of Prize Fund in the Balance Sheet as at 31st March, 2019 will be :

- (A) ₹ 70,000
- (B) ₹ 8,00,000
- (C) (₹ 70,000)
- (D) Zero

Ans. (Rs. 70,000)

9.

Which of the following is not a capital receipt?

- (a) Donations for tournament
- (b) Donations for building fund
- (c) Life membership fee
- (d) Entrance fees

Ans. Entrance fees

10.

Jaipur Club has a prize fund of ₹ 6,00,000. It incurs expenses on prizes amounting to ₹ 5,20,000. The expenses should be

- (a) debited to income and expenditure account.
- (b) presented on the asset side of the balance sheet.
- (c) debited to income and expenditure account and presented on the asset side of the balance sheet.
- (d) deducted from the prize fund on the liability side of the balance sheet.

Ans. (d)

11.

Name an item that is never shown on the payment side of Receipts and Payments Account, but is shown on the debit side of the Income and Expenditure Account.

Expenses outstanding like Salaries Outstanding, etc. for the current year are never shown on the payments side of Receipts & Payments Account but are debited to the Income & Expenditure Account.

12.

How the following items for the year ended 31st March, 2018 will be presented in the financial statements of Aisko Club :

Particulars	Debit Amount (₹)	Credit Amount (₹)
Tournament Fund	–	1,50,000
Tournament Fund Investments	1,50,000	–
Income from Tournament Fund Investments	–	18,000
Tournament Expenses	12,000	–

Additional Information :

Interest Accrued on Tournament Fund Investments ₹ 6,000

Ans. Balance Sheet of Aisko Club as on 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Tournament Fund	1,50,000	Tournament Fund Investments	1,50,000
Add Income from Tournament Fund Investments	18,000	Accrued Interest on Tournament Fund Investments	6,000
Add Accrued Interest	6,000		
Less Tournament expenses (12,000)			
	1,62,000		

13.

Present the following items in the Balance Sheet of Queen's Club as at 31st March, 2019 :

Capital Fund (1 st April, 2018)	₹ 10,80,000
Building Fund (1 st April, 2018)	₹ 4,80,000
Donation received for Building	₹ 6,00,000
10% Building Fund Investments (1 st April, 2018)	₹ 4,80,000
Interest received on Building Fund Investments	₹ 48,000

Expenditure on construction of building ₹ 3,60,000. The construction work is in progress and has not yet been completed.

Ans.

Balance Sheet of Queen's Club
As on 31st March 2019 (An extract)

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund 10,80,000		10% Building Fund	1/2
Add transferred from		Investments	4,80,000
Building Fund <u>3,60,000</u>	14,40,000		1/2
	1	Building	3,60,000
Building Fund 4,80,000			
Add donations 6,00,000			
Add interest on Building Fund			
Investments <u>48,000</u>			
11,28,000			
Less expenditure on			
construction transferred			
to Capital fund <u>3,60,000</u>	7,68,000		
	1		

14. What is Capital Fund?

Ans. It is the excess of assets over liabilities of a Not – for – Profit Organisation.

15. Name the term used for denoting 'Excess of Expenditure over Income' in case of a Not – for – Profit Organisation

Ans. Deficit

16. What will be the treatment of 'Subscription received in advance' during the current year in the balance sheet of a Not- for – Profit Organisation?

Subscription received in advance during the current year is recorded in the liabilities side of current year's balance sheet.

17.

From the following Receipts and Payments Account and additional information, prepare Income and Expenditure Account and Balance Sheet of Sears Club, Noida as on March 31, 2018.

Receipts and Payments & Account of Sears Club for the year ended 31-3-2018

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	20,000	By Stationery	23,400
To Subscriptions		By 12% Investments	8,000
2016-17 40,000		By Electricity expenses	10,600
2017-18 94,000		By Expenses on lectures	30,000
2018-19 <u>7,200</u>	1,41,200	By Sports equipment	59,000
To Donations for building	40,000	By Books	40,000
To Interest on Investments	800	By Balance c/d	50,000
To Government Grant	17,400		
To Sale of old furniture (Book value ₹ 4,000)	1,600		
	2,21,000		2,21,000

Additional Information :

- (i) The club has 200 members each paying an annual subscription of ₹ 1,000. ₹ 60,000 were in arrears for last year and 25 members paid in advance in the last year for the current year.
- (ii) Stock of stationery on 1-4-2017 was ₹ 3,000 and on 31-3-2018 was ₹ 4,000.

Ans. Dr. Income and Expenditure A/c for the year ended March 31, 2018 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Stationery consumed	22,400	By Subscriptions	2,00,000
To loss on sale of old furniture	2,400	By Interest on investments	800
To electricity expenses	10,600	Add interest accrued	160
To expenses on lectures	30,000	By Government Grant	17,400
To surplus	1,52,960		
	2,18,360		2,18,360

Balance Sheet of Sears Club as on 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Subscriptions received in advance	7,200	Outstanding Subscriptions	1,01,000
Donations for building	40,000	Stock of Stationery	4,000
Capital Fund 62,000		Cash	50,000
Add Surplus <u>1,52,960</u>	2,14,960	Investments	8,000
		Interest accrued on investments	160
		Sports Equipment	59,000
		Books	40,000
	2,62,160		2,62,160

Balance Sheet of Sears Club as on 31st March 2017

Liabilities	Amount (₹)	Assets	Amount (₹)
Subscriptions received in advance	25,000	Outstanding Subscriptions	60,000
Capital Fund	62,000	Stock of Stationery	3,000
		Cash	20,000
		Furniture	4,000
	87,000		87,000

18.

From the following Receipts and Payments Account and additional information of Modern Health Club, prepare Income and Expenditure Account for the year ended 31st March, 2019 and the Balance Sheet as at 31st March, 2019.

**Receipts and Payments Account for the year ended
31st March, 2019**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	17,000	By Salaries	30,000
To Subscriptions	60,000	By Rent	18,300
To Donations	2,000	By Repairs	4,700
To Furniture (Book Value ₹ 6,000)	5,000	By Books	16,000
To Life Membership Fees	7,000	By Buildings	30,000
To Interest on Investment (@ 5% for full year)	9,000	By Balance c/d	1,000
	1,00,000		1,00,000

Additional Information :

	Particulars	31.03.2018 (₹)	31.03.2019 (₹)
(i)	Subscription received in advance	4,000	5,000
(ii)	Outstanding Subscription	3,000	4,000
(iii)	Books	12,500	26,500

(Solution after Q.No: 20)

19. What is meant by Fund Based Accounting?

Ans. The concept of 'Fund Based Accounting' refers to the accounting whereby receipts and income relating to a particular fund are credited to that fund and related expenses are debited to it. Credit balance of the Fund Account is shown in the liabilities side of the Balance Sheet.

20. Why are adjustments for outstanding and prepaid expenses not recorded in Receipts and Payments Account?

As Receipts and Payments Account is prepared on cash basis of accounting, adjustments for the outstanding and prepaid expenses are not recorded in the Receipts and Payments Account.

Dr. Income and Expenditure A/c for the year ended March 31, 2019 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To depreciation on books	2,000	By Subscriptions 60,000	
To loss on sale of furniture	1,000	(+) Advance for current year 4,000	
To salaries	30,000	(-) Advance for next year (5,000)	
To rent	18,300	(-) o/s for last year (3,000)	
To repairs	4,700	(+) o/s for current yr <u>4,000</u>	60,000
To surplus	15,000	By donations	2,000
		By interest on investments	9,000
	71,000		71,000

Balance Sheet of Modern Health Club as on 31st March 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Subscriptions received in advance	5,000	Cash	1,000
Capital Fund	2,14,500	Investments	1,80,000
Add Life membership fee	7,000	Outstanding Subscriptions	4,000
Add Surplus	<u>15,000</u>	Books	26,500
	2,36,500	Building	30,000

Balance Sheet of Modern Health Club as on 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Subscriptions received in advance	4,000	Cash	17,000
Capital Fund	2,14,500	Investments	1,80,000
		Outstanding Subscriptions	3,000
		Books	12,500
		Furniture	6,000
	2,18,500		2,18,500

21.

How will the following items be treated while preparing the Income and Expenditure Account and Balance Sheet of a Not-for-profit-organization for the year ended 31st March, 2019?

	As at 1-4-2018	As at 31-3-2019
	(₹)	(₹)
Creditors for sports materials	18,000	41,000
Stock of sports materials	27,000	38,000

During 2018-19 the payment made to creditors for sports material was ₹ 5,23,000.

Dr.		Creditors for Sports Material A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Bank A/c (Payment to creditors)	5,23,000	By balance b/d	18,000		
To balance c/d	41,000	By Stock of Sports Material A/c (Purchases made) (Bal. Fig.)	5,46,000		
	5,64,000		5,64,000		

Dr.		Stock of Sports Material A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To balance b/d	27,000	By Income & Expenditure A/c (Bal. Fig.)	5,35,000		
To Creditors for Sports material a/c	5,46,000	By balance c/d	38,000		
	5,73,000		5,73,000		

In the books of
Income & Expenditure A/c
for the year ended 31st March, 2019

Dr.			Cr.
Expenditure	Amount (₹)	Income	Amount (₹)
To Sports Material consumed (WN 1)	5,35,000		

Balance Sheet
as at 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors for Sports Material	41,000	Stock of Sports Material	38,000

22.

From the following particulars of Glorious Club, prepare Receipts and Payments Account for the year ended 31st March, 2019.

Particulars	Amount (₹)
Opening balance of cash	16,000
Subscriptions (including ₹ 13,000 for 2017-18)	93,000
Investments purchased	35,000
Maintenance expenses	15,000
Locker rent	40,000
Life membership fees	85,000
Insurance premium	6,000

**In the books of Glorious Club
Receipts & Payment A/c
for the year ended 31st March, 2019**

Dr.			Cr.
Receipts	Amount (₹)	Payments	Amount (₹)
To balance b/d	16,000	By Investments	35,000
To Subscriptions:		By Maintenance Expenses	15,000
2017-18 13,000		By Insurance Premium	6,000
2018-19 80,000	93,000	By balance c/d	1,78,000
To Locker rent	40,000		
To Life Membership Fees	85,000		
	2,34,000		2,34,000

23.

From the given Receipts and Payments Account and additional information of Shine Club for the year ended 31st March, 2019, prepare Income and Expenditure Account for the year ended 31st March, 2019.

**Receipts and Payments Account of Shine Club for the
year ended 31st March, 2019**

Receipts	Amount (₹)	Payments	Amount (₹)
To balance b/d	50,000	By Furniture & equipments	1,22,000
To donations	45,000	By Salaries	32,000
To subscriptions :		By balance c/d	13,400
2017-18 1,600			
2018-19 60,000			
2019-20 5,000	66,600		
To interest received	5,800		
	1,67,400		1,67,400

Additional Information :

- (i) Furniture and equipments were purchased on 1-10-2018. Depreciation @ 10% p.a. was to be provided on furniture and equipments.
- (ii) Subscriptions in arrears for the year 2018-19 were ₹ 2,000
- (iii) Outstanding salary ₹ 6,000.

**In the books of Shine Club
Income & Expenditure A/c
for the year ended 31st March, 2019**

Dr.	Amount (₹)	Cr.	Amount (₹)
Expenditure		Income	
To Depreciation on Furniture A/c (1,22,000 × 10/100 × 6/12)	6,100	By Donations	45,000
To Salaries 32,000		By Subscriptions 60,000	
<i>Add: Outstanding Salary</i> 6,000	38,000	<i>Add: Outstanding</i> 2,000	62,000
		By Interest Received	5,800
To Surplus transferred to Capital Fund	68,700		
	1,12,800		1,12,800

24.

From the following information, calculate the amount of stationery consumed by 'Shree Club' for the year ended 31st March, 2018.

Particulars	31.3.2017 31.3.2018	
	₹	₹
Balance of stationery	24,000	29,500
Creditors for stationery	2,09,000	1,95,000

During the year creditors were paid ₹ 3,00,000

**Calculation of Stationery consumed by Shree Club for the year
ended 31st March 2018**

Particulars	Amount (₹)
Opening Stock of Stationery	24,000
<i>Add: Closing Creditors of Stationery</i>	1,95,000
Payment to Creditors during the year	3,00,000
	5,19,000
<i>Less: Opening Creditors of Stationery</i>	(2,09,000)
Closing Stock of Stationery	(29,500)
Amount to be debited to Income & Expenditure A/c	2,80,500

25.

From the following Receipts and Payments Account and additional information of Swachh Bharat Club, New Delhi for the year ended 31st March, 2018, prepare Income and Expenditure Account and Balance Sheet.

Receipts and Payments Account of Swachh Bharat Club for the year ended 31st march, 2018

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d		By Campaign Expenses	1,30,000
Cash	20,000	By Office rent	40,000
Bank	40,000	By Salary	10,000
	60,000	By Furniture hire rent	12,000
To Subscriptions	1,80,000	By Advertisement	15,000
To Sale of old furniture (book value ₹ 3,000)	2,000	By Fixed deposit (On 1.8.2017 @12% p.a)	2,00,000
To Life Membership fees	30,000	By Balance c/d	
To Government grants	2,00,000	Cash	25,000
		Bank	40,000
	4,72,000		65,000
			4,72,000

Additional Information:

Assets on 1.4.2017 were : Books ₹ 50,000; Computers ₹ 75,000. Liabilities and Capital fund on 1.4.2017 were : Creditors ₹ 60,000; Capital fund ₹ 1,28,000.

Income and Expenditure Account
for the year ending March 31, 2019

Dr.		Cr.	
Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Electricity	30,000	Subscription	2,65,000
Newspaper	18,500	Add: Current O/s	7,000
Loss on Sale of Furniture	13,000	Government Grant	1,20,000
Salary	36,000	Sale of Old News Paper	12,500
Add: Outstanding	6,000	Interest on Fixed Deposit (18,000 @ 10% for 6 months)	9,000
Rent	65,000		
Less: Prepaid	5,000		
General Expenses	32,000		
Postage Charges	3,000		
Surplus	2,15,000		
	4,13,500		4,13,500

Balance Sheet
as on March 31, 2019

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund	3,85,500	Subscriptions Outstanding	20,000
		Books	50,000
		Furniture	1,20,000
		Cash	40,000
		Bank	1,55,500
	3,85,500		3,85,500

Balance Sheet
as on March 31, 2019

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund		Books	50,000
Opening Balance	3,85,500	Add: Purchases	70,000
Add: Surplus	2,15,000	Subscriptions Outstanding	15,000
Subscription Received in Advance	5,000	Furniture	1,20,000
Salary Outstanding	6,000	Add: Purchases	1,05,000
		Less: Sale	50,000
		Fixed Deposit	1,80,000
		Add: Accrued Interest	4,500
		Prepaid Rent	5,000
		Cash	30,000
		Bank	82,000
	6,11,500		6,11,500