

## ACCOUNTS OF NON-TRADING ORGANISATIONS-II

### 31.1 INTRODUCTION

In previous lesson, you have learnt the meaning and characteristics of non-trading organisations and Receipts and Payments A/c. The final Accounts of non-trading organisations consist of Receipts and Payments Account, Income and Expenditure A/c and Balance Sheet. Now we will discuss how to prepare the Income and Expenditure A/c and Balance-Sheet.

Income and Expenditure A/c is nothing but Profit and Loss A/c of a non-trading organisation. It discloses the excess of current revenues over current expenses or vice-versa. It is prepared with the help of Receipts and Payments A/c and related ledger accounts. Finally, we come to the preparation of Balance-Sheet. Balance-Sheet is prepared with the help of the cash balance as given in Receipts and Payments A/c, surplus or deficit of Income and Expenditure A/c and the balances of assets accounts and liabilities accounts in ledger.

In this lesson, you will learn to prepare Income and Expenditure A/c and Balance-Sheet of non-trading organisation.

### 31.2 OBJECTIVES

After studying this lesson, you will be able to :

- state the meaning and features of Income and Expenditure A/c;
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- prepare format of Income and Expenditure A/c;
- prepare Income and Expenditure A/c from the given transactions;
- explain Adjustments (subscriptions, outstanding and Prepaid expenses, Accrued and unearned incomes, Depreciation on Assets only) with respect to Income and Expenditure A/c;
- incorporate Adjustments while preparing Income and Expenditure A/c;
- distinguish between Receipts and Payments A/c and Income and Expenditure A/c;
- prepare Income and Expenditure A/c and Balance Sheet from given Receipts and Payments A/c and additional information.

### 31.3 INCOME AND EXPENDITURE A/C : MEANING, FEATURES AND ITEMS

#### Meaning

Income and Expenditure A/c is the summary of incomes and expenditures of the current year. It is like Profit and Loss A/c of trading organisations. It is prepared at the end of the accounting year. It covers all revenue expenses and all revenue incomes for a particular period. Any income or expenditure of previous year or next year is not considered in this account. The difference between income and expenditure side is either surplus or a deficit. If the income side of this account exceeds the expenditure side, the difference is known as surplus and excess of expenditure side over income side is known as deficit.

#### Features

The main features of the Income and Expenditure Account can be summarised as follows :-

1. It is prepared according to the principles of the Profit and Loss Account.
2. Items of revenue nature are only recorded in it.
3. Outstanding and prepaid expenses, accrued and unearned incomes are taken into consideration in this account.

4. The closing balance of this account reveals surplus or deficit, and is transferred to capital fund.

Items of incomes of non-trading organisations are subscriptions, general donation of small amount, entrance fees, Sale of sports materials, sale of newspapers, rent received, lockers rent, proceeds from entertainments, lecture, shows, etc. Items of expenditure may be wages, taxes, rent, telephone expenses, printing and stationery, newspaper expenses, upkeep of ground, honorarium paid, etc.

### INTEXT QUESTIONS 31.1

State whether the following statements are 'True' or 'False' by putting a tick (✓) in the appropriate column.

Statements	True	False
i. Receipts and Payments A/c is the basis of preparing Income and Expenditure A/c.		
ii. All items in the Receipts and Payments A/c are relevant for preparing Income and Expenditure A/c.		
iii. The revenue receipts as shown in the Receipts and Payments A/c need to be adjusted for advance and accrued receipts.		
iv. The amount of revenue expenses have to be adjusted in relation to the period for which Income and Expenditure A/c is prepared.		

### 31.4 PREPARATION OF INCOME AND EXPENDITURE A/C

Income and Expenditure Account is prepared from Receipts and Payments account and additional information, if any. While preparing this account, the following important points have to be kept in mind :-

1. Opening and closing balances of cash and bank are not recorded in it.

2. Capital receipts and capital expenses are not recorded in it.
3. Items of revenues nature only are recorded in it i.e. all items of revenue expenses are transferred to the debit side of this account and the items of revenue incomes are transferred to the credit side of this account.
4. It is prepared in the same manner in which Profit and Loss A/c is prepared.
5. It is necessary to provide for depreciation on fixed assets.
6. The closing balance of this account reveals **surplus** or **deficit**. If the credit side total is more than debit side total, the difference is placed in the debit amount column by writing the words, "surplus-Excess of Income over expenditure". If the debit side total is more than the credit side total, the difference is placed in the credit side amount' column by using the words 'By Deficit-Excess of Expenditure over Income'.

The following is the format of Income and Expenditures A/c of for the year ending on.

Dr			Cr
Expenditure	Amount Rs.	Income	Amount Rs.
To All Revenue Expenses (Paid during the year)		By All Revenue Income (received during the year)	
<u>Less</u> Expenses paid for last year		<u>Less</u> Income received for the last year	
<u>Less</u> Expenses paid for next year		<u>Less</u> Income received for the next year	
<u>Add</u> Current year's Outstanding		<u>Add</u> Income due but not received	
To Loss on sale of Fixed Assets		<u>Add</u> Advance received in previous year	
To Depreciation on Fixed Assets		By Deficit-Excess of Expenditure over Income	
To Reserve (If Any)		(Transferred to Capital Fund)	
To Surplus-Excess of Income over Expenditure (transferred to Capital Fund)			

**Example 1**

Prepare Income and Expenditure A/c from the following information of Modern Club Delhi for the year ending Dec 31, 1996.

	Rs.
Cash balance as on 1.1.96	2,300
Subscriptions	50,000
Interest received	3,000
Donation	10,000
Match Fund	10,000
Miscellaneous Receipts	500
Sale of Grass	200
Rent Paid	6,800
Salaries paid	20,000
Sundry Expenses	3,000
Investment purchase	10,000
Newspaper Expenses	700
Sports Materials	30,000
Cash Balance on 31 Dec 1996	2,500

**Solution :**

**Income and Expenditure A/c**  
for the year ending 31st Dec. 1996

Dr.		Cr.	
Expenditure	Amount Rs.	Income	Amount Rs.
To Rent	6,800	By Subscriptions	50,000
To Salaries	20,000	By Interest	3,000
To Sundry Expenses	3,000	By Miscellaneous Receipts	500
To Newspaper expenses	700	By Sale of grass	200
To Surplus-Excess of Income over expenditure	23,200		
	53,700		53,700

**Example 2**

Prepare Income and Expenditure Account relating to year 1996 from the figures given below :

Receipts	Amount Rs.	Payments	Amount Rs.
To Opening Balance	1,800	By Salaries	4,800
To Subscriptions	9,000	By Rent	500
To Sale of Investment	2,000	By Stationery	200
To Sale of old furniture (Book value Rs.400)	300	By Defence Bonds	3,000
To Donations	100	By Furniture purchased	2,000
		By Bicycle purchased	300
		By closing Balance	2,400
	<u>13,200</u>		<u>13,200</u>

**Solution**

Income and Expenditure A/c  
for the year ending Dec 1996

Dr		Cr	
Expenditure	Amount Rs.	Income	Amount Rs.
To Salaries	4,800	By Subscriptions	9,000
To Rent	500	By Donation	100
To Stationery	200		
To Loss on sale of Furniture	100		
To Surplus (Excess of Income over Expenditure)	3,500		
	<u>9,100</u>		<u>9,100</u>

**INTEXT QUESTIONS 31.2**

Below are given a few items. State whether they relate to Income or Expenditure items. Tick (✓) the appropriate Column.

Items	Income	Expenditure
1. Entrance Fees		
2. Subscriptions		
3. Sale of old newspaper		
4. Rent Received		
5. Salaries Paid		
6. Sale of grass		
7. Sale of old bats and balls		
8. Locker Rent Received		
9. Printing and Stationery		
10. Repairs		

### 31.5 ADJUSTMENT OF ITEMS IN INCOME AND EXPENDITURE ACCOUNT

Before preparing Income and Expenditure A/c and Balance Sheet, it is necessary to make suitable adjustments in certain items given in the Receipts and Payment Account. All such adjustments are done by preparing transfer vouchers and passing journal entries and posting them to relevant accounts.

#### I Subscriptions Received

It is the income of recurring nature and shown on the receipts side of Receipts and Payments Account. It may include arrears of previous year and advance for the next year. It may not include total subscription due this year. This may be because some of the members might have failed to pay current year's subscription and some members might have paid current year's subscription during the previous year.

For the purpose of preparing Income and Expenditure Account, only the subscriptions received for current year is to be considered, so the amount given in Receipts and Payments A/c needs to be adjusted.

The various adjustments, relating to subscriptions, are as follows



The following journal entry is passed :

Subscription A/c Dr. 1,000  
 To Subscription Due A/c 1,000  
 (Being subscription for 1995 collected in 1996  
 now adjusted with subscription Due A/c of 1995)

Effect : The amount of subscription received during the current year is reduced by the amount collected against subscription due for 1995. An Asset (Subscription Due A/c) appearing in the opening Balance Sheet of 1995 is eliminated.

ii. Subscription received in Advance during the current year

A transfer voucher is prepared by debiting the Subscription Account and crediting Advance Subscription Account so that next year's subscription is excluded from the current year's subscription Account. Similarly, journal entry is passed by debiting the Subscription A/c and crediting Advance subscription A/c.

Example 2

Subscription Received Rs.10,000 during 1996, including Rs.500/- being subscription for 1997. Prepare transfer voucher and pass journal entry for the same.

Solution

A transfer voucher given below will be prepared and posted to the relevant accounts:

Transfer Voucher

Name of Organisation		Date .....
Voucher No. ....		Amount
		Rs.
Debit :	<u>Subscription A/c</u>	500
		500
Credit :	<u>Advance Subscription A/c</u> (Being subscription collected for 1997 adjusted against Advance Subscription A/c)	500
		500
Sd/- Manager		Sd/- Accountant

The following journal entry is passed :

Subscription A/c Dr. 500

To Advance Subscription A/c 500  
(Being subscription collected for 1997)  
adjusted against Advance subscription A/c

**Effect :** The amount of Subscription received is reduced by the amount of subscription received in advance. Advance subscription will appear as a liability in the Balance Sheet of current year.

**iii Subscription due for current year but not received**

A transfer voucher debiting Subscriptions Outstanding Account and crediting Subscription Account is prepared and posted to the respective accounts. Similarly, the journal entry is passed by debiting Subscription Outstanding A/c and Crediting Subscription A/c.

**Example 3**

Subscription Collected during 1996 Rs.10,000. Subscription in arrear for 1996 Rs.1,000. Prepare transfer voucher and pass journal entry for the same.

**Solution**

A transfer voucher as given below will be prepared :

**Transfer Voucher**

Name of Organisation		Amount Rs.
Voucher No. ....	Date .....	
Debit :	<u>Subscription Outstanding A/c</u>	1,000
		1,000
Credit :	<u>Subscription A/c</u> (Being subscription for 1996, not yet received)	1,000
		1,000
Sd/- Manager		Sd/- Accountant



The following journal entry is passed

Advance Subscription A/c Dr 1,000  
 To Subscription A/c 1,000  
 (Being subscription for 1996 received  
 in advance in 1995, now adjusted)

**Effect :** The amount of Subscription increases by the amount received as advance in previous year 1995. A liability (Advance subscription) is eliminated.

Calculation of Subscriptions for 1996 on the basis of above examples is given below :	
Total Subscriptions received during 1996	10,000
<u>Add</u> : Subscription Outstanding on 31st Dec 1996	+1,000
	11,000
<u>Add</u> : Subscription for 1996 already received as advance subscription in 1995	+1,000
	12,000
<u>Less</u> : Outstanding Subscription for 1995 collected in 1996	-1,000
	11,000
<u>Less</u> : Advance Subscription for 1997 collected in 1996	-500
	10,500
Subscription to be shown in Income and Expenditure A/c for 1996 Rs. 10,500	

## II Other items of Receipts

For other items of receipts, adjustments, if necessary, will be made in a manner similar to the items of subscription as discussed above.

## III Outstanding Expenses and Prepaid Expenses

The items on payment side of the Receipts and Payments Account consist of expenditure on capital as well as revenue items. Some items

may need adjustment on account of pre-payment and due payments. The process of adjustment in such items is again through transfer vouchers (through journal entries) by debiting and crediting the appropriate accounts. Adjustments in case of one of such items 'Rent Paid' are explained below :

### **Rent Paid as Items of Expenditure**

The amount of rent paid as given in the Receipts and Payments A/c may include amount paid towards outstanding Rent of the previous year and may also include rent paid in advance. It will, however, not include amounts of rent due for the current year but not actually paid.

Thus, for the purpose of Income and Expenditure A/c, Rent paid A/c as given in the Receipts and Payments A/c needs to be adjusted. This adjustment is made in the following manner:-

#### **i. Rent Outstanding for previous year paid in current year**

A transfer voucher is prepared debiting the 'Rent Outstanding A/c' and crediting 'Rent A/c'. Similarly, the journal entry is passed by debiting the Rent outstanding A/c and crediting Rent A/c. The effect of this adjustment is to reduce the amount of rent paid in the current year and to eliminate the liability of 'Rent outstanding' from the last Balance Sheet.

#### **ii. Rent paid in advance during the previous year for current year**

A transfer voucher is prepared debiting the 'Rent' A/c and crediting 'Prepaid Rent A/c'. Similarly, the journal entry is passed by debiting Rent A/c and Crediting Prepaid Rent A/c. The effect of this adjustment is to increase the amount of Rent Paid account in the current year and to eliminate an asset 'Prepaid Rent' from the previous year's balance Sheet

#### **iii. Rent due for the current year but not paid**

A transfer voucher will be prepared debiting the Rent A/c and crediting Rent Outstanding A/c. Similarly, the journal entry is passed by debiting Rent A/c and Crediting Rent outstanding A/c. The effect of this

adjustment is to increase the amount of Rent paid and to create a liability Outstanding Rent in Current Balance Sheet.

#### iv. Advance Rent Paid for next year

A transfer voucher is prepared debiting the 'Advance Rent A/c' and crediting the 'Rent A/c'. Similarly the journal entry is passed by debiting Advance Rent A/c and Crediting Rent A/c. The effect is to reduce the amount of Rent paid and to create an asset 'Advance Rent A/c in the Balance Sheet of Current year.

#### Calculation of Actual Expenditure as Rent:

Rent paid in current year	.....
Add Rent due in current year but not paid	(+).....
Add Rent paid as advance in previous year for current year	(+) .....
Less Outstanding Rent paid for previous year in current year	(-) .....
Less Advance Rent paid for next year in current year	(-) .....
Amount of Rent to be debited to Income and Expenditure A/c	xxxxxx

In other items of payments, adjustments, if necessary, will be made with respect to 'due' and 'advance' amount of such items in a manner similar to the item of 'Rent' as discussed.

#### IV . Depreciation on Assets

Depreciation is a non-cash item. Usually, it is given as an additional information in the problem. For this, a transfer voucher is prepared debiting Depreciation A/c and crediting Fixed Assets A/c. Similarly, journal entry is passed.

In addition to this, another voucher debiting Income and Expenditure A/c and crediting Depreciation A/c. is prepared. The accounting voucher will appear as below :

Name of Organisation		Date .....
Voucher No. ....		Amount Rs.
Debit : <u>Income and Expenditure A/c</u>		
Credit : <u>Depreciation A/c</u> (Being transfer of Dep A/c)		
Sd/- Manager		Sd/- Accountant

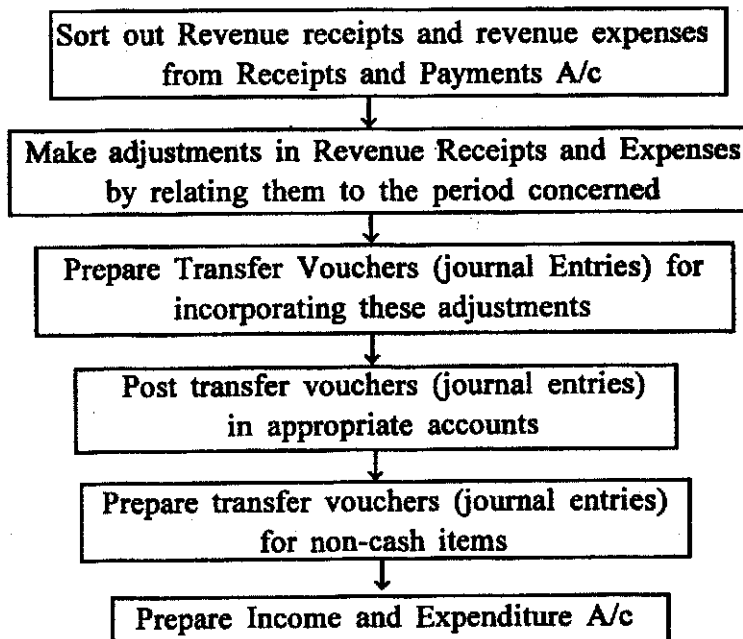
The following journal entry is passed:

Income and Expenditure A/c Dr.  
    To Depreciation A/c  
(Being Transfer of Depreciation A/c.)

The result of this adjustment is to increase the amount of Expenditure and decrease the value of concerned asset.

### Preparation of Income & Expenditure A/c :

You will now learn about the various steps in the preparation of Income and Expenditure A/c from Receipts & Payments A/c, and additional information.



**Example**

The following is Receipts and Payments A/c of Delhi Nursing Society for the year ended 31st Dec 1997.

**Receipts and Payments A/c for the year ending 31st Dec 1997**

Receipts	Amount Rs.	Payments	Amount Rs.
To Balance b/d.	2,010	By Salaries	656
To Subscriptions	1,115	By Board Laundry	380
To fees from non members	270	By Rent and Taxes	200
To Municipal Grant	1,000	By Purchase of Car	2,000
To Donation for Building fund	1,560	By Expenses of Car	840
To Interest	38	By Drugs and Incidental Expenses	670
		By Balance c/d	1,247
	5,993		5,993

**Additional Information**

1. A donation for Rs.100 received for building fund was wrongly included in subscription account.
2. A bill of medicines purchased during the year amounting to Rs.128 was outstanding.
3. Provide depreciation on Car 10% for full year.

Prepare Income and Expenditure A/c of Delhi nursing society.

**Solution :****Income and Expenditure A/c of Delhi Nursing Society for the year ending 31st Dec 1997**

Dr			Cr
Expenditure	Amount Rs.	Income	Amount Rs.
To Salaries	656	By Subscription 1,115	
To Boarding and Laundry	380	<u>Less</u> Donation for 100	
To Rent and Taxes	200	Building Fund	1,015
To Car Expenses	840	By Fees for Non-Members	270
To Drugs and Incidental expenses 670		By Municipal Grant	1,000
<u>Add</u> outstanding Exp on medicines 128	798	By Interest	38
To Depreciation on Car	200	By Deficit (Excess of expenditures over income)	751
	<u>3,074</u>		<u>2,074</u>

**Notes :**

- i. Donation for building fund is a capital receipt which should be recorded at the liabilities side.
- ii. Payment for drugs and incidental expenses is a revenue expense for a hospital. So, it will be shown as expenditure and outstanding bill will also be added.
- iii. Municipal grant is for general purpose, so it has been treated as income.
- iv. Cost of car is capital expenditure. Car is an asset so it will be shown on the assets side.
- v. Car expenses are recurring in nature, hence, treated as expenditure.
- vi. Depreciation is calculated as  $2,000 \times \frac{10}{100} = \text{Rs.}200$

## INTEXT QUESTIONS 31.3

Below are given a few transactions of 1996 State how will they be adjusted through transfer voucher

Transactions	Account to be	
	Debited	Credited
1. Rent paid for 1997 Rs.500		
2. Interest received on 31.12.1996 for six months starting from 1st Oct 1996 received in 1995 Rs.500.		
4. 1995 Balance Sheet shows Salaries Outstanding A/c with Rs.2,000 which are paid on 1.1.1996.		
5. Out of total donations of Rs.1,000 received for cultural programme, Rs.600 have been spent for the same.		

### 31.6 DIFFERENCE BETWEEN RECEIPTS AND PAYMENTS A/C AND INCOME AND EXPENDITURE A/C

After learning about Receipts and Payments A/c and Income Expenditure A/c in detail, let us make a comparative study of these two accounts:

Basis of Difference	Receipts and Payment A/c	Income and Expenditure A/c
1. Nature	It is a summary of the Cash Book.	It is like a Profit and loss account.
2. Side	Debit side of this account shows receipts and credit side shows payments.	Debit side of this account shows expenses and losses and credit side shows incomes and gains.
3. Opening Balance	It is started with the opening balance of Cash	There is no balance in the

4. Closing Balance	in hand or cash at bank. Closing balance of this account shows Cash in hand or cash at Bank.	beginning. Closing balance of this account shows excess of income over expenditure or excess of expenditure over income.
5. Capital and Revenue Items	In Receipts and payments A/c, both of capital and revenue nature items are recorded.	In Income and expenditure A/c, only revenue nature items are recorded.
6. Adjustment	Adjustments are not considered while preparing it.	It is necessary to consider adjustments while preparing it.
7. Transfer of closing balance	Closing balance of this account is transferred to the Receipts and Payments A/c of the next period.	Closing balance of this account is transferred to the capital fund in the Balance Sheet.

### INTEXT QUESTIONS 31.4

- A. Fill in the blanks with correct word or words from the words given in the brackets.
- Income and Expenditure is generally prepared \_\_\_\_\_. (Daily, Monthly, Annually).
  - Excess of Debit side total over the credit side total of Income and Expenditure is termed as \_\_\_\_\_. (Profit, Deficit, Surplus, Loss)
  - Excess of credit side total over debit side total of Income and Expenditure account is known as \_\_\_\_\_. (Profit, Deficit, Surplus, Loss)
  - Revenue expense items are transferred to the \_\_\_\_\_ side of Income and Expenditure Account. (Credit, Debit)
  - Receipts and Payments account is \_\_\_\_\_. (Asset Account, Revenue Account)

6. Subscription received in advance during the current year is \_\_\_\_\_ (Asset, Liability).

B From the following items, choose items that are shown in Receipts and Payments A/c and those shown in Income and Expenditure A/c for the year ending 31 December, 96 and Tick (✓) the appropriate column/columns.

Items	Receipts and Payment A/c for 31st Dec 1996		Income and Expenditure A/c for 31st Dec 1996	
	Receipts	Payments	Debit	Credit
i. Subscription received for the current year, 1996				
ii. Donation received during the year				
iii. Furniture purchased in 1996				
iv. Payments for Building purchased in 1996.				
v. Lockers Rent Received in 1996				
vi. Salaries paid for the year				
vii. Subscription for 1996 received in 1995				
viii. Cash Balance in the hand at the end of the year.				
ix. Subscriptions related to 1995 received in 1996.				

### 31.7 PREPARATION OF BALANCE SHEET

Usually, three statements are prepared in question :

1. **Income and Expenditure A/c**

It is prepared more or less in \_\_\_\_\_ manner in which the Profit & Loss A/c is prepared. \_\_\_\_\_ already been discussed in detail.

2. **Opening Balance Sheet**

beginning of the year.

3. **Closing Balance Sheet**

A Balance-Sheet is prepared by non-trading organisations to show the financial stability, strength and soundness on the last date of the accounting year. It is prepared from the balances remaining after the transfer of all revenue incomes and expenditure to the Income and Expenditures A/c. It contains only capital items i.e., assets, liabilities and capital fund. The principles and procedures governing the preparation of Balance Sheet for all types of organisation are the same. You have already learnt about the preparation of Balance-Sheet in the previous lessons in detail.

**Example**

From the following Receipts and Payments A/c of Cricket Club, Delhi, prepare Income and Expenditure A/c for the year ended 31st Dec 1996 and Balance Sheet as on that date.

**Receipts and Payments A/c for the year ending 31st Dec 1996**

To Balance b/d		By purchase of Crockery	265
Cash in hand	352	By Maintenance	682
Cash at Bank	5,738	By Match Expenses	1,324
To Subscription (including Rs.600 for 1995)	4,000	By Salaries	1,100
To Entrance fees	275	By Conveyance	82
To Donations	501	By upkeep of lawn	424
To Interest on fixed deposit	90	By Postage Stamps	105
To Tournament fund	2,000	By Purchase of cricket goods	972
To Sale of Crockery (Book value Rs.120)	200	By Sundry Expenses	200
		By Fixed Deposit (1.1.1996 at 6%)	3,000
		By Investments	570
		By Tournament Expenses	1,880
		By Balance c/d	
		Cash in hand	220
		Cash at bank	2,332
	<b>13,156</b>		<b>13,156</b>

**Additional Information :**

- (a) Monthly salary is Rs.100.
- (b) The value of unused postage stamps is as follows : 31st Dec 1995 Rs 75; 31st Dec 1996 Rs.90.
- (c) Stock of cricket materials is as follows : 31st Dec 1995 Rs.321; 31 Dec 1996 Rs.280.
- (d) Arrears of Subscription; 1995 Rs.660; 1996 Rs.800.

**Solution**

**Income and Expenditures A/c of Cricket Club, Delhi  
for the year ending 31st Dec, 1996**

Dr			Cr
Expenditure	Amount Rs.	Income	Amount Rs.
To Maintenance	682	By Subscription	4,000
To Match expenses	1,324	Less Received for 1995	-600
To Salaries	1,100	Add outstanding	3,400
Add outstanding	100	for 1996	800
To Conveyance	82	By Donation	501
To upkeep of lawn	424	By Interest on Fixed Deposit	90
To Postage stamp	105	Add outstanding	90
Add opening Stock	+75		
	180		180
Less closing stock	-90	By Profit on Sale of Crokery	80
To Cricket expenditure	972	By Deficit - Excess of Expenditure over income	54
Add opening stock	321		
	1,293		
Less closing stock	280		
To Sundry Expenses	200		
	5,015		5,015

**Balance Sheet of Cricket Club, Delhi**  
As on 31st Sheet 96

Liabilities	Amount Rs.	Assets	Amount Rs.
Entrance Fees	275	Cash in hand	220
Outstanding Salary	100	Cash at Bank	2,332
Tournament fund		Fixed Deposit	3,000
Expenses	2,000	Crockery	265
Capital fund	1,880	Investment	570
Less Deficit	7,266	Postage stamps	90
	54	Stock of Cricket Goods	280
		Subscription Due	
		for 1995	60
		for 1996	800
		Interest on Fixed Deposit	90
		Due	
	<u>7,707</u>		<u>7,707</u>

**Working Note**

- Entrance Fee is capitalised.
- Donation is taken as small Amount

**Balance Sheet of cricket Club, Delhi,**  
As on 1st Jan 1996

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital fund	7,266	Cash in hand	352
(balancing figure)		Cash at Bank	2,738
		Fixed Deposit	3,000
		Subscriptions	660
		Postage Stamps	75
		Cricket Goods	321
		Crockery	120
	<u>7,266</u>		<u>7,266</u>

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**INTEXT QUESTIONS 31.5**

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- A. Fill in the blanks with suitable word or words from those given in brackets :
- (i) The principles and \_\_\_\_\_ governing the preparation of a Balance Sheet are the \_\_\_\_\_ for all organisations. (arrangement, same, procedures, different)
  - (ii) A Balance-Sheet matches the \_\_\_\_\_ of an organisation with its \_\_\_\_\_ (Management, assets, workers, creditors liabilities)
  - (iii) A balance-sheet is a measure of \_\_\_\_\_ stability, \_\_\_\_\_ and \_\_\_\_\_ of an organisation. (Periodic, soundness, inefficiency strength financial, weakness)
- B. Given below are certain statements. Some of these statements are correct and some are in correct. Write 'correct' against correct statements and 'incorrect' against incorrect statements:
- (i) Subscription due is shown as a liability.
  - (ii) Salaries due is shown as a liability.
  - (iii) Interest accrued but not received is shown as an asset.
  - (iv) Capital Fund is shown as a liability.
  - (v) Surplus of Income and Expenditure account is deducted from the Capital Fund.
  - (vi) A Balance-Sheet shows the assets and liabilities on a particular date.
  - (vii) Deficit of Income and Expenditure account is deducted from the Capital Fund.
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### 31.8 WHAT YOU HAVE LEARNT

- Receipts and Payments account, Income and Expenditure account and Balance-Sheet constitute the final accounts of a non-trading organisation.
- All adjustments in Income and Expenditures are done by preparing transfer vouchers (journal entries).
- When the credit side total of Income and Expenditure account is more than the debit side total, the difference is placed on the debit side by using the words 'Surplus - Excess of Income over Expenditure'. This surplus is added to the capital fund in the Balance-Sheet.
- When the debit side total is more than the credit side total, the difference is put on the credit side by using the words 'Deficit - Excess of Expenditure over Income' This deficit is deducted from the Capital Fund in the Balance-Sheet.
- Balance-Sheet is a statement matching the assets of an organisation against its liabilities on a specified date.
- A Balance-Sheet serves as a device to measure financial strength, stability and soundness of an organisation.
- The Balance-Sheet of a non-trading organisation is simple than that of other organisation because it does not entail any legalities.
- The Balance Sheet is prepared by listing the liabilities first, with adjustments where necessary, on the liabilities side and assets are shown, with adjustments, where necessary on assets side-

### 31.9 TERMINAL QUESTIONS

1. Give three essential features of Income and Expenditure A/c.
2. Distinguish between Receipts and Payments A/c and Income and Expenditure A/c.

3. The Receipts and Payment Account of Bombay club is given below :

**Receipts and Payments Account  
for the year ended 31st Dec, 1997**

Receipts	Amount Rs.	Payments	Amount Rs.
To Balance b/d	250	By Salaries	1,200
To Subscriptions :-		By General Expenses	300
1996	250	By Electric Expenses	200
1997	1,000	By Books	100
1998	200	By Newspapers	400
To sale of old Furniture (Book value Rs.100/-)	60	By Postage	50
To Rent Received for use of Hall	740	By Furniture	250
To Profit from Entertainment	400	By Balance c/d	500
To Sales of old newspapers	100		
	3,000		3,000

**Additional Information :**

- (a) The club has 50 members each paying annual subscription of Rs.25/-.

Subscription outstanding on 31st Dec 1996 were Rs.300.

- (b) On the 31st Dec 1997 Salaries outstanding amounted to Rs.100, Salaries paid included Rs.100 for the year 1996.

- (c) On 1-1-1997, the club owned land and Building valued at Rs.10,000; Furniture Rs.600 and Books Rs.500.

Prepare Income and Expenditure A/c and Balance Sheet of the club.

4. From the following information prepare Balance Sheet of New Delhi sports club at Dec 31st, 1997.

**Income and Expenditure A/c of New Delhi Sports Club  
for year ending 31st Dec,1997**

Dr			Cr
Expenditure	Amount Rs.	Income	Amount Rs.
To Salaries	900		
To Printing and Stationery	1,320	By Entrance Fees	6,300
To Advertising	960	By Subscriptions	9,360
To Audit Fees	300	By Rent	2,400
To Fire Insurance	600		
To Depreciation on sports Equipments	5,400		
To Excess of Income over Expenditure	8,580		
	<b>18,060</b>		<b>18,060</b>

**Receipts and payments A/c of New Delhi Sports  
for the year ended 31st Dec, 1997**

Receipts	Amount Rs.	Payment	Amount Rs.
To Balance b/d	2,520	By Salaries	600
To Entrance Fees	6,300	By Printing & Stationery	1,560
To Subscription		By Advertising	960
1996	360	By Fire Insurance	720
1997	9,000	By Investment	12,000
1998	240	By Balance c/d	4,680
To Rent Received	2,100		
	<b>20,520</b>		<b>20,520</b>

**Information :-**

The assets on 1st January 1997, included club grounds and pavilion Rs.26,400, sports equipment Rs.15,000; and furniture and fixture Rs.2,400. Subscriptions in arrear on that day were Rs.480.

### 31.10 ANSWERS TO INTEXT QUESTIONS

31.1 i. True    ii. False    iii. True    iv. True

### 31.2

Items No	Income	Expenditure
1	√	—
2	√	—
3	√	—
4	√	—
5	—	√
6	√	—
7	√	—
8	√	—
9	—	√
10	—	√

### 31.3

Transaction No.	Account to be	
	Debited	Credited
1	Rent Advance A/c	Rent A/c
2	Interest A/c	Advance Interest A/c
3	Advance Subscription A/c	Subscription A/c
4.	Salaries Outstanding A/c	Salaries A/c
5.	Donation for Cultural Programmes A/c	Culture Programme A/c

31.4

- A . (1) Annually (2) Deficit  
 (3) Surplus (4) Debit  
 (5) Asset Account (6) Liabilities

B.

Items No	Receipts & Payments A/c		Income & Expenditure A/c	
	Receipts	Payments	Debit	Credit
(i)	√	—	—	√
(ii)	√	—	—	√
(iii)	—	√	—	—
(iv)	—	√	—	—
(v)	√	—	—	√
(vi)	—	√	√	—
(vii)	—	—	—	√
(viii)	—	√	—	—
(ix)	√	—	—	—

31.5

- A. (i) Procedures, same (ii) Assets, Liabilities  
 (iii) Financial, strength, soundness
- B (i) Incorrect (ii) Correct  
 (iii) Correct (iv) Correct  
 (v) Incorrect (vi) Correct  
 (vii) Correct