UNIT NO:2
FINAL ACCOUNTS OF CHARITABLE TRUST (CLUB, HOSPITALS, LIBRARIES ETC.)

➢ Meaning

These are the institutions that are set-up with general or specific objectives for rendering services and providing other social activities to enhance the welfare of general or a particular group of people. Main aim of such institutions is not to earn profit; however, the organisations are capable of earning profit. For examples of such organisations are schools, colleges, public hospitals, literacy societies for promoting sports, Libraries, culture, etc.

➢ Characteristics of Charitable Trust or Non-Trading Organisatio:

- **Formed by Promoters:** These organisations are formed by the promoters who can be either individual or groups of individuals and enterprises.
- **Separate Existence:** These organisations have separate existence from its members, i.e. the life of an NPO is unaffected by the life of its members.
- **Purpose:** Its purpose is to further cultural, educational, religious, professional or public service objectives**.**
- **Form:** It is set-up as a charitable society or trust.
- **No Profit Motive:** Its aim is not to earn profit, however, the organisation is capable of earning profit. Any surplus is used by the organisation for its prescribed objectives rather than distributing it among the members.
- **Management:** It is managed by a group of individuals known as Trustees or Managing Committee.
- **Funding:** The main source of their income is subscription, donations, government grants and other receipts
- **Accounts:** Unlike profit-seeking organisations, NPOs do not prepare Profit and Loss Account; rather they prepare Income and Expenditure Account to show a summary of revenue incomes and revenue expenses. The NPOs prepare final accounts every year which comprises of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet.

- **Difference between Non-Trading Organisation (Not for Profit Organisation) and Trading Organisation (Profit Earning Organisation) :**

Sr. no.	Basis	Non-Trading Organisation (Not for Profit Organisation)	Trading Organisation (Profit Earning Organisation)
1	**Purpose**	To render services	Its purpose is to earn profits.
2	**Formation & Management by**	Formed by Promoters and managed by Trustees	Formed by Entrepreneur(s) and managed by Owners or Managers
2	**Funds**	It raises funds by way of Membership Fee, Donations, and Surplus from Operations which are shown in the books as General or Capital or Corpus funds.	It receives funds from the proprietor, partners in the form of capital (in case of proprietorship and partnership) and from shareholders in the form of Share Capital (in case of Companies). Profits which are not distributed to partners and shareholders are shown as reserves.
3	**Financial Statements**	Final accounts are prepared every year that comprises of Receipt and Payment Account, Income and Expenditure Account and Balance Sheet.	Final accounts prepared comprises of Trading, Profit and Loss Account and Balance Sheet.
4	**Surplus/Profit**	Excess of income over expenditure in the Income and Expenditure Account is termed as Surplus/Profit.	Excess of credit side over the debit side of the Profit and Loss Account is termed as Net Profit.

- **Financial Statements prepared in Charitable Trust:**

1. **Receipts and Payments Account,**
2. **Income and Expenditure Account and**
3. **Balance Sheet.**

1. Receipts and Payments Account:

It is an account that shows the summary of all cash and bank transactions occurred during an accounting period. It starts with the opening balances of cash and bank and ends with the closing balances of cash and bank. This account is a Real Account and lays the basis for the preparation of Income and Expenditure Account and the Balance Sheet.

Features:

- **Nature:** It is a summary of cash receipts and payments and hence, it an Asset Account/Real Account
- **Recording:** It provides the summary of all cash and bank transactions in a chronological order.
- **Basis of Preparing:** It is prepared on cash basis, i.e., it records only cash inflow and outflow. Accrued and outstanding transactions are not recorded in this account.
- **Capital and Revenue:** It records all the transactions whether capital or revenue.
- **Period:** It records all the cash and bank transactions irrespective of whether they relate to current, previous or succeeding accounting periods.
- **Opening and Closing Balances:** Opening balance of this account is the cash in hand/ bank at the beginning of the accounting year and the closing balance shows cash in hand/bank at the end of the accounting period**.**
- **Adjustment:** Adjustments for accrued, outstanding items and depreciation is not required to be made in this account.
- **Purpose:** The purpose of preparing this account is to show amount received and paid under various heads during the accounting year and also to know the cash position of the entity.

Specimen Format of Receipts and Payments Account:

Dr. Receipts and Payments Account for the year ended …

Cr

Receipts	**Rs**	**Payments**	**Rs**
To Balance b/d (Opening Balance):		By Balance b/d (Opening Balance)	
Cash in Hand	…	(in case of Bank Overdraft)	
Cash at Banks	…	By Salaries By Rent	…
To Subscriptions:		By Postage Expenses	…
For Previous Year …		By Newspapers and Magazines, etc.	…
For Current Year …		By Repairs	…
For Next Year …	…	By Audit Fee	…
To General Donations	…	By Maintenance Expenses	
To Entrance/Admission Fees	…	By Insurance	…
To General Grants	…	By Secretary's Honorarium	…
To Sale of Newspaper, Grass, etc.	…	By Honorarium	…
To Sale of Old Used Sports Materials	…	By Municipal Tax	…
		By Prize Distributed	…
To Interest on Investments	…	By Office Expenses	…
To Income from Concerts/Lectures	…	By Expenses on Show	…

To Dividends	…	By Miscellaneous Payments	…
To Rent Received	…	By Purchase of Fixed Assets (e.g.,	…
To Interest Received	…	Furniture)	…
To Miscellaneous Receipts	…	By Sports Equipment	…
To Life Membership Fees	…	By Investments	…
To Subscriptions for Specific Purpose	…	By Books	
To Donation for Specific Purpose	…	By Loan (Repayment)	…
To Legacies	…	By Building	…
To Endowment Fund	…	By Balance c/d (Closing Balance):	…
To Sale of Fixed Assets		Cash in Hand	…
To Receipts on Account of Special		Cash at Bank*	
Fund, i.e., Match Fund, Prize Fund,	…		
To Balance c/d (Bank Overdraft)*			…
	…		…

2. Income and Expenditure Account:

i. It is like Profit and Loss Account of an enterprise or business firm.

ii. It shows all revenue income earned and revenue expenses incurred during an accounting period.

iii. It is prepared at the end of the accounting period on accrual basis of accounting.

iv. It determines the result of the organisation's operations, whether it has surplus or deficit.

v. It has two sides namely, debit and side. All the incomes and gains are recorded on the credit side and all the expenses and losses are recorded on the debit side.

vi. Excess of credit side over the debit side is termed as surplus, whereas, excess of debit side over the credit side is termed as deficit. Such surplus or deficit, as the case maybe, is either added to or deducted from the Capital Fund in the Balance Sheet.

➢ **Features:**

i. Nature: It is a Nominal Account and therefore, all revenue expenses and losses incurred are recorded on the debit side and all revenue incomes and gains earned are recorded on the credit side of this account.

ii. Basis of Recording: It follows the accrual basis of accounting to ascertain Surplus or Deficit arising after meeting all revenue expenses against all revenue incomes at the end of an accounting period

iii. Period: It records only those expenses and incomes which relate to the current accounting period.

iv. Opening and Closing Balances: It has no opening balance, however, balance at the end is either surplus or deficit which is then transferred to Capital Fund in the Balance Sheet.

v. Adjustments: Since, it follows accrual basis of accounting, all the adjustments are to be given effect which are necessary to record the incomes, gains, expenses and losses relating to the current accounting period.

- **Steps in the Preparation of Income and Expenditure Account**

Following steps may be helpful in preparing an Income and Expenditure Account from a given Receipt and Payment Account:

1. Pursue the Receipt and Payment Account thoroughly.
2. Exclude the opening and closing balances of cash and bank as they are not an income.
3. Exclude the capital receipts and capital payments as these are to be shown in the Balance Sheet.
4. Consider only the revenue receipts to be shown on the income side of Income and Expenditure Account. Some of these need to be adjusted by excluding the amounts relating to the preceding and the succeeding periods and including the amounts relating to the current year not yet received.
5. Take the revenue expenses to the expenditure side of the Income and Expenditure Account with due adjustments as per the additional information provided relating to the amounts received in advance and those not yet received.
6. Consider the following items not appearing in the Receipt and Payment Account that need to be taken into account for determining the surplus/ deficit for the current year:

(a) Depreciation of fixed assets.
(b) Provision for doubtful debts, if required.
(c) Profit or loss on sale of fixed assets.

Specimen Format of Income and Expenditure Account:

Income & Expenditure Account

Expenditure	Rs.	Rs.	Income	Rs.	Rs.
To Salary			By General Donation		
To Gardening			By Term Fees		
To Printing & Stationery			By Admission Fees		
To Postage			By Tuition Fees		
To Telephone charges			By Examination Fees		
To Sundry Expenses			By Income from visit		
To Office Expenses			By Receipt from dispensary		
To General Expenses			By Sundry receipt		
To Insurance			By Subscription		
To Advertisement			By Locker Rent		
To Rent, Rates, & Taxes			By Entrance Fees		
To Misc. Expenses			By Receipt from Drama		
To Examination Expenses			By Interest		
To Depreciation on Assets			By Profit on sales of Assets		
To Drug, medical, medicine			By Cricket Fees		
To Vehicle charges			By Billiard fees		
To Lighting			By Bar receipt		
To Journals & Newspaper			By Match receipt		
To Expenses Of Matches			By proceed from dinner		

To Drama Expenses			By Contribution to dinner		
To Traveling Expenses			By Entertainment receipt		
To Conveyance			By Govt. Grant (Salary)		
To Law charges			By **Deficit (Loss)**		
To Cricket material					
To Billiard Expenses					
To Cricket Expenses					
To Rent of dispensary					
To Bar Expenses					
To water clearing charges					
To Petty Expenses					
To Honorarium					
To Entertainment exp.					
To **Surplus (profit)**					

➢ **Difference between Receipts and Payments Account and Income and Expenditure Account:**

Sr.	**Basis**	**Receipts and Payments Account**	**Income and Expenditure Account**
1	Purpose	It is prepared to show difference between two sides showing Cash/Bank balance at the end.	It shows net result of activities undertaken during the year resulting in surplus or deficit.
2	Nature	It is a classified summary of cash transactions showing receipts and payments under different heads for the period, hence is a real account in nature.	It is like a Profit and Loss Account and therefore is a nominal account.
3	Form	It records receipts on the debit side and payments on the credit side.	It records all the expenses and losses on the debit side and all the incomes and gains on the credit side
4	Balance	Opening balance means cash in hand and bank balance in the beginning and closing balance means cash in hand and bank balance at the end.	Opening balance does not exist in this Account. Any closing balance at the end is either a surplus or deficit.

5	Capital and Revenue Items	It records receipt and payment items of capital as well as revenue nature.	It records incomes and expenses during the accounting period which are of revenue nature only. Items of capital nature are not recorded in this account.
6	Content s	It records receipts and payments during the year whether they relate to past, current or succeeding year.	It records incomes and expenditures of the current year only.
7	Adjustme nts	It follows cash system of accounting and therefore, no adjustments are made.	It follows accrual system of accounting and therefore, adjustments are to be made for prepaid and outstanding incomes and expenses.
8	Depreciat ion	It records only cash items and non-cash items like depreciation are ignored.	It records non-cash items and therefore, non-cash items depreciation can be recorded in this account.

➢ **Specimen Format of Opening Balance Sheet of Charitable Trust:**

Opening Balance Sheet as at …

Liabilities	**Rs**	**Assets**	**Rs**
Bank Overdraft, if any	…	Cash in Hand	…
Outstanding Expenses	…	Cash at Bank	…
Advance Subscription	…	Fixed Assets, if any	…
Capital Fund* (balancing figure)	…	Investments, if any	…
		Outstanding Subscriptions	…
		Prepaid Expenses	…
	…		**…**

➢ **Specimen Format of Closing Balance Sheet Charitable Trust:**

Balance Sheet as at …

Liabilities	**Rs**	**Assets**	**Rs**
Capital Fund Add: Surplus (or Less: Deficit) **Building Fund:** Add: Donation for Building **Investment Sports Fund:** Add: Donation for Sports Fund **Current Liabilities:** **Outstanding Expenses:** Rent Salaries Electricity/ Water Charges		Fixed Assets: Building: Add: Additions/ New Less: Depreciation Furniture: Add: Additions/ New Less: Depreciation Less: Sale **Current Assets:** Cash in Hand	

Advance Income: Advance Subscriptions		Cash at Bank **Outstanding Income:** Outstanding Subscriptions O/s Interest on Investments: **Prepaid Expenses:** Insurance Rent	
Total	**xxx**	Total	xxx

Some Important Terms:

Subscriptions: Subscription is a membership fee paid by the member on annual basis. This is the main source of income of such orgnisations. Subscription paid by the members is shown as receipt in the Receipt and Payment Account and as income in the Income and Expenditure Account. It may be noted that Receipt and Payment Account shows the total amount of subscription actually received during the year while the amount shown in Income and Expenditure Account is confined to the figure related to the current period only irrespective of the fact whether it has been received or not.

Donations: It is a sort of gift in cash or property received from some person or organisation. It appears on the receipts side of the Receipts and Payments Account. Donation can be for specific purposes or for general purposes.

(i) Specific Donations:

If donation received is to be utilised to achieve specified purpose, it is called Specific Donation. The specific purpose can be an extension of the existing building, construction of new computer laboratory, creation of a book bank, etc. Such donation is to be capitalised and shown on the liabilities side of the Balance Sheet irrespective of the fact whether the amount is big or small. The intention is to utilise the amount for the specified purpose only.

(ii) General Donations:

Such donations are to be utilised to promote the general purpose of the organisation. These are treated as revenue receipts as it is a regular source of income hence, it is taken to the income side of the Income and Expenditure Account of the current year.

Legacies: It is the amount received as per the will of a deceased person. It appears on the receipts side of the Receipt and Payment Account and is directly added to capital fund/general fund in the balance sheet, because it is not of recurring nature. However, legacies of a small amount may be treated as income and shown on the income side of the Income and Expenditure Account.

Life Membership Fees: Some members prefer to pay lump sum amount as life membership fee instead of paying periodic subscription. Such amount is treated as capital receipt and credited directly to the capital/general fund.

Entrance Fees: Entrance fee also known as admission fee is paid only once by the member at the time of becoming a member. In case of organisations like clubs and some charitable institutions, is limited and the amount of entrance fees is quite high. Hence, it is treated as non-recurring item and credited directly to capital/general fund. However,

for some organisations like educational institutions, the entrance fees is a regular income and the amount involved may also be small. In their case, it is customary to treat this item as a revenue receipt. However, if there is specific instruction, it is advisable to treat the entire amount as capital receipt and the relevant amount should be directly added to capital/general fund.

Sale of old asset: Receipts from the sale of an old asset appear in the Receipts and Payments Account of the year in which it is sold. But any gain or loss on the sale of asset is taken to the Income and Expenditure Account of the year. For example, if an item furniture with a book value of Rs. 800 is sold for Rs. 700, this amount of Rs. 700 will be shown as receipt in Receipts and Payments Account and Rs. 100 on the expenditure side of the Income and Expenditure Account as a loss on sale of old asset and while showing furniture in the balance sheet Rs. 800 will be deducted from its total book value.

Sale of Periodicals: It is an item of recurring nature and shown as the income side of the Income and Expenditure Account.

Sale of Sports Materials: Sale of sports materials (used materials like old balls, bats, nets, etc) is the regular feature with any Sports Club. It is usually shown as an income in the Income and Expenditure Account.

Payments of Honorarium: It is the amount paid to the person who is not the regular employee of the institution. Payment to an artist for giving performance at the club is an example of honorarium. This payment of honorarium is shown on the expenditure side of the Income and Expenditure Account.

Endowment Fund: It is a fund arising from a bequest or gift, the income of which is devoted for a specific purpose. Hence, it is a capital receipt and shown on the Liabilities side of the Balance Sheet as an item of a specific purpose fund.

Government Grant: Schools, colleges, public hospitals, etc. depend upon government grant for their activities. The recurring grants in the form of maintenance grant is treated as revenue receipt (i.e. income of the current year) and credited to Income and Expenditure account. However, grants such as building grant are treated as capital receipt and transferred to the building fund account. It may be noted that some Not-for-Profit organisations receive cash subsidy from the government or government agencies. This subsidy is also treated as revenue income for the year in which it is received.

PROBLEM NO: 1

Dr. Receipt & Payment A/c for the year ending on 31st March,2020 Cr.

Receipts	Rs.	Payments	Rs.
To General Donation	10000	By Furniture purchase	10000
To Entrance Fees	5000	By Salary	4000
To Terms Fees	1000	By Sport material purchased	3000
To Admission Fees	1000	By printing & Stationery	1000
To Tuition Fees	3000	By office expenses	1000
		By Closing Balance (Cash at Bank)	1000
	20000		**20000**

Additional information

1) Outstanding salary Amount. 1000
2) Depreciate furniture & sport material @ 10% p.a
3) Entrance fees are to be capitalized

Prepare Income & Expenditure Account & Closing Balance Sheet as on 31-3-2020.

Solution:-

Dr. Income & Expenditure Account for the year ended 31st March 2020 Cr.

Expenditures	Rs.	Rs.	Incomes	Rs.	Rs.
To Salary	4000		By General Donation		10000
(+) Outstanding	1000	5000	By Term fees		1000
To Printing & Stationery		1000	By Admission fees		1000
To Office Expenses		1000	By Tuition fees		3000
To Depreciation on,					
To furniture	1000				
To Sport material	300	1300			
To Surplus		6700			
		15000			**15000**

Balance Sheet as on 31st March, 2020

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund			Furniture	10000	
Opening Balance	-		(+) 10 % Depreciation	1000	9000
(+) Entrance fees	5000		Sport Material	3000	
(+) Surplus	6700	11700	(-) 10 %Depreciation	300	2700
Outstanding Salary		1000	Cash at Bank		1000
		12700			**12700**

PROBLEM NO: 2

Dr. Receipt & Payment A/c for the year ending on 31st March, 2020 Cr

Receipt	Rs.	Payment	Rs.
To General Donation	15000	By Furniture purchase	10000
To Life member fees	10000	By Salary	14000
To Term fees	500	By Sport material Purchase	5000
To Admission fees	500	By Printing & stationery	3500
To Tuition fees	5000	By postage	500
To Library deposit	1000	By Office Expenses	1200
To Examination fees	1200	By Library Books	4000
To Donation for Building	15000	By Examination Expenses	1000
		By Closing Balance	
		Cash at Bank	8000
		Cash in Hand	1000
	48200		**48200**

Other Information:-

1. Outstanding salary Rs. 1200/-
2. Depreciation on Furniture & Sport material & Library Books @ 5 % p.a
3. Life member fees are to be capitalized.
4. Tuition fees **receivable** from students for the year ended on 31st March, 2020 Rs. 1500/-

Prepare Income & Expenditure A/c & Balance Sheet as on 31st March, 2020.

Solution:-

Dr. Income & Expenditure Account for the year ended 31st March 2020 Cr.

Expenditure	Rs.	Rs.	Income	Rs.	Rs.
To Salary	14000		By General Donation		15000
(+) Outstanding Salary	1200	15200	By Term Fees		500
To Printing & Stationary		3500	By Admission Fees		500
To Postage		500	By Tuition Fees	5000	
To Office expenses		1200	(+) Outstanding	1500	6500
To Examination Expenses		1000	By Examination Fees		1200
To Depreciation On,					
Furniture	500				
Sport Material	250				
Library Books	200	950			
To Surplus		1350			
		23700			**23700**

Balance sheet as on 31st March 2020

Liabilities	Rs.	Rs.	Asset	Rs.	Rs.
Capital Fund			Furniture	10000	
Opening Balance	-		(-) 5% Depreciation	500	9500
(+) Life member fees	10000				
(+) Surplus	1350	11350	Sport Material	5000	
Library deposit		1000	(-) 5% Depreciation	250	4750
Donation for Building		15000			
Outstanding Salary		1200	Library Books	4000	
			(-) 5% Depreciation	200	3800
			Cash at Books		8000
			Cash in Hand		1000
			O/s Tuition fees		1500
		28550			**28550**

PROBLEM NO: 3

Dr. Receipt & Payment A/c for the year ending on 31st Dec.2020 Cr

Receipts	Rs.	Payments	Rs.
To Opening Cash Balance	10000	By Sport material purchase	14000
To Donation	15000	By Insurance	1000
To Subscription	20000	By Furniture	3000
To locker Rent	2000	By Investment	5000
To Entrance fees	1000	By Play ground expense	1500
		By Salary	2500
		By Postage	500
		By Printing	1000
		By Sundry expenses	3500
		By Closing Cash Balance	16000
	48000		**48000**

Other information:-

1) The Assets on 1st Jan. 2020. Were as follows.

Land & Building	Rs. 2, 00,000
Furniture	Rs. 20,000
Play ground	Rs. 30,000
Sport material	Rs. 25,000
Investment	Rs. 10,000

Subscription Received Include Outstanding

Rs. 300 for 2019

Rs. 2500 for 2020

Rs. 200 for 2021

2) Half of donation & Full amount of Entrance fees to be capitalized.

Prepare

1) Income & Expenditure A/c for the year ending on 31st Dec.2020

2) Opening Balance Sheet as on 1st Jan.2020

3) Closing Balance sheet as on 31st Dec.2020

Solution:-

In the books of ------

Dr. Income & Expenditure Account for the year ended 31st March 2020 Cr.

Expenditures	**Rs.**	**Rs.**	**Incomes**	**Rs.**	**Rs.**
To Insurances		1000	By Locker		2000
To Play Ground expenses		1500	By Donation	15000	
To Salary		2500	(-) ½ Capitalised	7500	7500
To Postage		500			
To Printing		1000	By Subscription	20000	
To Sundry expenses		3500	(-) Outstanding on for 2019	300	
To Surplus		21500		19700	
			(+) Outstanding for 2020	2500	
				22200	
			(-) Advance for 2021	200	22000
		31500			**31500**

Opening Balance Sheet as on 1/1/2020

Liabilities	Rs.	Assets	Rs.
Capital Fund (B/F)	295300	Cash in hand (Opening Balance)	10000
		Land & Building	200000
		Furniture	20000
		Play Ground	30000
		Sport material	25000
		Investment	10000
		Outstanding Subscription (2019)	300
	295300		**295300**

Closing Balance Sheet as on 31st Dec, 99

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund	295300		Outstanding Subscription		2500
(+) ½ Donation	7500		Sport Material	14000	
(+) Entrance fees	1000		(+) Additions	25000	39000
(+) Surplus	21500	325300	Furniture	3000	
Subscription received		200	(+) Addition	20000	23000
in Advances (for the year 2021)			Investment	5000	
			(+) Addition	10000	15000
			Cash in hand		16000
			Land & Building		200000
			Play Ground		30000
		325500			**325500**

PROBLEM NO: 4

Dr. Receipt & Payment A/c for the year ending on 31st March, 2020 Cr

Receipt	Rs.	Payment	Rs.
To Opening Cash Balance	8600	By Salary	3200
To Donation	13800	By Postage	450
To Locker Rent	1550	By Printing	1650
To Entrance fees	1300	By Repair of sport material	830
To Subscription	15600	By Expenses Of matches	850
		By Sundry Expenses	1470
		By Play ground Expenses	1700
		By Insurance	500

		By Furniture	2900
		By Investment	5000
		By Sport material purchase	16000
		By Closing Cash Balance	6300
	40850		**40850**

1) **The Assts on 1-4-2019 were as follows**

Furniture **Rs.** 10.000
Investment **Rs.** 8.000
Sport Material **Rs.** 22.000
Land & Building **Rs.** 3.00.000
Play ground **Rs.** 25.000

2) Subscription received included a subscription for the year
2018-2019 **Rs.** 300
2019-2020 **Rs.** 2,500
2020-2021 **Rs.** 800

3) Half of the donation & full amount of entrance fees are to be Capitalized

4) O/s Salary Rs.650 & prepaid Insurance Rs. 200

5) Depreciate Land & Building @ 2.5% p.a , Furniture @ 7.5% p.a,
Sport material % 12.5% p.a on Opening Balance

Prepare Income & Expenditure A/c, Opening & Closing Balance Sheet

Solution:-

Dr. Income & Expenditure Account for the year ended 31st March 2020 Cr.

Expenditures	**Rs.**	**Rs.**	**Incomes**	**Rs.**	**Rs.**
To Insurance	500	-	By Donation	13800	
(-) Prepaid	200	300	(-) ½ Capitalized	6900	6900
To Play ground exp		1700	By Locker Rent		1550
To Salary	3200		By Subscription	15600	
(+) Outstanding	650	3850	(-) Outstanding for 2018-19	300	
				15300	
To Postage		450	(+) Outstanding for 2019-20	2500	
To Printing		1650		17800	
To Repairs of sport mat		830	(-) Advance for. 2020-21	800	17000
To Expenses of matches		850			
To Sundry Expenses		1470			
To Depreciation On					
Land Building	7500				
Furniture	750				
port Material	2750	11000			
To Surplus		3350			
		25450			**25450**

Opening Balance Sheet As on 1-1-2019

Liabilities	Rs.	Assets	Rs.
		Cash in hand	8600
Capital Fund	373900	Land & Building	300000
		Furniture	10000
		Play ground	25000
		Sport Material	22000
		Investment	8000
		Outstanding subscription (98)	300
	373900		**373900**

Closing Balance Sheets as on 31st March 2020

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund	373900		Sport material	22000	
(+) Donation	6900		(+) Addition	16000	
	380800			38000	
(+) Entrance fees	1300		(-) 12.5% Depreciation(op)	2750	35250
	382100		Furniture	10000	
(+) Surplus	3350	385450	(+) Addition	2900	
Subscription received				12900	
In advance (year 2000)		800	(-) 7.5% Depreciation(op)	750	12150
Outstanding Salary		650	Investment	8000	
			(+) Addition	5000	13000
			Cash in hand		6300
			Land & Building	300000	
			(-) 2.5% Depreciation(op)	7500	292500
			Play Ground		25000
			Outstanding subscription (2019-20)		2500
			Prepaid Insurance		200
		386900			**386900**

PROBLEM NO: 5

Dr. Receipt & Payment A/c for the year ending on 31st Dec, 2018 Cr

Receipt	Rs.	Rs.	Payment	Rs.	Rs.
To Balance b/d		4160	By Salary		5200
To Subscription			By Drama Expenses		2580
2017	340		By Lighting		936
2018	16000		By General Expenses		1400
2019	412	16752	By Rent & taxes		480
			By Printing & stationery		964
To Donation		4800	By Outstanding Expenses paid		2400
To Receipt From Drama		3504	for 2017		
To Interest		324	By 10% Fixed Deposit		16000
To Entrance Fess		4000	(31st Dec.18)		
			By Balance c/d		3580
		37540			**37540**

Adjustment

1) Outstanding Salary was Amount. 800
2) Pre paid Rent & tax Rs.80
3) Land & Building in Bank @ Rs. 6000 Furniture Rs. 4600 & it was. Depreciated @ 2% &10% Respectively
4) The capital Fund Rs. 66780 on 1-1-2018 in the Book of Club.
5) 50% of Entrance Fees to be Capital
6) There are 450 members each paying annual Subscription of Rs. 40
7) Subscription of Rs. 80 for 2017 is not yet received

Prepare Income & Expenditure A/c & Opening Balance Sheet & closing Balance

Solution:-

In the books of ------

Dr. Income & Expenditure Account for the year ended 31st Dec.2018 Cr.

Expenditures	Rs.	Rs.	Incomes	Rs.	Rs.
To Salary	5200		By Subscription for 2018	16000	
(+) Outstanding	800	6000	(+) Outstanding for 2018	2000	18000
To Drama Expenses		2580	By Received From Drama		3504
To Lighting		936	By Interest		324
To General Expenses		1400	By Entrance Fess	4000	
To Rent & tax	480		(-) ½ Capitalized	2000	2000
(-) Prepaid	80	400			

To Printing & stationery		964			
To Depreciation on					
Land & Building	1200				
Furniture	640	1660			
To Surplus		9888			
		23828			**23828**

Opening Balance Sheet as on 1-1-2018

Liabilities	**Rs.**	**Assets**	**Rs.**
Outstanding Expenses (2017)	2400	Cash in hand	4160
Capital Fund	66780	Outstanding Subscription (340+**80**)	420
		Land & Building	60000
		Furniture	4600
	69180		**69180**

Closing Balance Sheet as on 31st Dec.2018

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Capital Fund	66780		10% Fixed Deposit		16000
(+) Donation	4800		(31st Dec,2018)		
(+) Entrance Fees (Half)	2000		Prepaid & Rent		80
	73580		Land & Building	60000	
(+) Surplus	9888	83468	(-) 2% Depreciation	1200	58800
Outstanding Salary		800	Furniture	4600	
Subscription Received			(-) 10% Depreciation	460	4140
In Advance (2019)		412	Cash		3580
			Outstanding Subscription		
			2017	80	
			2018	2000	2080
		84680			**84680**

Working Note:-

Subscription: - 450 member @ Rs. 40 = 18000
Less Subscription received in 2018 16000
Outstanding Subscription 2000

PROBLEM NO: 6

Dr. Receipt & Payment A/c for the year ending on 31st Dec, 2020 Cr

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Balance (1.1.2020)		33300	By salaries		20400
To subscription			By General Expenses		2850
2019	1200		By Drama Expenses		17400
2020	61500		By News paper		4350
2021	1800	64500	By Municipality taxes		1200
			By Charity		7500
To General donation		19650	By Investment		60000
To sale proceed of drama tickets		27000	By Electricity		4050
To sale proceed of old news paper		1050	Balance (31st Dec,.2020)		27750
		145500			**145500**

Adjustment:-

1) The club has 500 members they pay Rs.150 p.a. Rs.1500 was in arrears for 2019.
2) The municipal taxes have been paid for a period of **one year up** to 31st March, 21.
3) Salary Rs.1500 is Outstanding.
4) The value of Building on 1. 1.20 is Rs.150000 & provides depreciation at 5% P.a.
5) General donation of Rs. 3000 was promised but not received during the year 2020.

Prepare Income & Expenditure A/c & opening Balance Sheet & closing Balance

Solution:-

Working Notes:-

1) Subscription :-

500 members @ Rs 150	75000
(-) Subscription received for 2021.	61500
O/s Subscription	13500

2) Cal. of. Prepaid Tax for (3 months)

$1200 \times \frac{3}{12} = 300$

Dr. Income & Expenditure Account for the year ended 31st Dec.2020 Cr.

Expenditures	Rs.	Rs.	Incomes	Rs.	Rs.
To Salary	20400		By Subscription for 2020	61500	
(+) Outstanding	1500	21900	(+) Outstanding	13500	75000
To Gen. Expenses		2850	By General Donation	19650	
To Drama Expenses		17400	(+) Promised but not received	3000	22650
To News Paper		4350	By Sales of drama ticket		27000
To Municipal Tax	1200		By Sale of old Newspaper		1050

(-) Prepaid	300	900			
To Charity		7500			
To Electricity		4050			
To Depreciation On					
Land & Building		7500			
To Surplus		59250			
		125700			**125700**

Opening Balance Sheet as on 1/1/2020

Liabilities		**Assets**	
Capital Fund	184800	Cash in hand	33300
		Outstanding Subscription	1500
		Land & Building	150000
	184800		**184800**

Closing Balance Sheet 31st Dec.2020

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Capital Fund	184800		Land & Building	150000	
(+) Surplus	59250	244050	(-) 5% Depreciation	7500	142500
Subscription received			Investment		60000
In Advance (2021)		1800	Cash in hand		27750
Outstanding Salary		1500	Outstanding Subscription		
			2019 (1800-1500)	300	
			2020	13500	13800
			Prepaid Municipal tax		300
			Donation Due (O/s)		3000
		247350			**247350**

PROBLEM NO: 7

Rotary Club

Dr. Receipt & Payment A/c for the year ending on 31st March, 2020

Cr

Receipts	**Rs.**	**Payments**	**Rs.**
To Balance B/d	14000	By Salary	52500
To Subscription	74000	By Rent	12000
To Entrance Fees	6000	By Travelling Expenses	500
To Donation	10000	By Printing & Stationery	1000
To Interest	6000	By Sundry Exp	1200
		By Postage & Telegram	900
		By Honorarium	2000

		By Books & periodicals	1500
		By Balance C/d	38400
	110000		**110000**

Opening Balance Sheet as on 31st March, 2019

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Capital Fund		164000	Furniture		40000
Outstanding Expenses			Sport Equipment		20000
Salary	1500		Investment		90000
Rent	1000	2500	Subscription due (O/s)		2000
			Interest receivable (O/s)		500
			Cash at bank		14000
		166500			**166500**

Adjustment:-

1) Subscription receivable Rs.3500, Salary Outstanding Rs. 3000 & Rent Outstanding Rs. 1000 as on 31st March,.2019
2) Provide Dep. @ 10% on furniture & 30% on Sport equipment.
3) Donation of Rs. 6000 will have to be capitalized
4) ½ of the entrance fees are of revenue nature.

Prepare Income & Expenditure A/c & Opening Balance Sheet & closing Balance

Solution:-

In the books of Rotary Club

Dr. Income & Expenditure Account for the year ended 31st March 2020 Cr.

Expenditures	**Rs.**	**Rs.**	**Incomes**	**Rs.**	**Rs.**
To Salary	52500		By Subscription	74000	
(+) Outstanding (2019-20)	3000		(+) Outstanding (2019-20)	3500	
	55500			77500	
(-) Outstanding (2018-19)	1500	54000	(-) Outstanding	2000	75500
To Rent	12000		By Entrance Fees	6000	
(+) Outstanding (2019-20)	1000		(-) ½ Capitalized	3000	3000
	13000		By Donation	10000	
(-) Outstanding (2018-19)	1000	12000	(-) Capitalised	6000	4000
To Travelling Expenses		500	By Interest	6000	
To Printing & Stationery		1000	(-) Outstanding (2018-19)	500	5500
To Sundry Expenses		1200			
To Postage & Telegram		900			
To Honorarium		2000			
To Depreciation on					

Furniture	4000				
Sport equipment	6000	10000			
To Surplus		6400			
		88000			**88000**

Closing Balance Sheet as on 31st March 2020

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Capital Fund	164000		Books & Periodicals		1500
(+) Donation	6000		Cash in hand		38400
	170000		Furniture	40000	
(+) Entrance fess	3000		(-) 10% Depreciation	4000	36000
	173000		Sport Equipment	20000	
(+) Surplus	6400	179400	(-) 30% Depreciation	6000	14000
Outstanding Expenses			Investment		90000
Salary	3000		Outstanding subscription		3500
Rent	1000	4000			
		183400			**183400**

PROBLEM NO: 8

Ajit Sport Club

Dr. Receipt & Payment A/c for the year ending on 31st Dec, 2020 Cr

Receipt	**Rs.**	**Rs.**	**Payment**	**Rs.**	**Rs.**
To Cash Balance (1/1/2020)		2000	By Bank O/d (1/1/2020)		4000
To Subscription			By Investment		5000
2019	500		By Furniture		2000
2020	20000		By Salary		7500
2021	200	20700	By Printing		900
To Income From Drama		3000	By Cost Of Drama		2000
To Entrance Fees		500	By Sundry Expenses		1500
To Interest		500	By Balance (31st Dec,2020)		
To Sale of old Furniture		200	Cash	500	
			Bank	3500	4000
		26900			**26900**

Adjustment:

1. Salary of Rs.500 for Dec.2020 is Outstanding
2. The club had paid Rs.600 in the year 2019 as Telephone charges of which Rs.300 relate to the year 2020
3. Stock of stationery on 31st Dec,.2019 was as Rs.300 & on 31st Dec,.2020 Rs.100

4. The club had premises of Rs.35000 & Investment of Rs.9000 on 31st Dec,.2019
5. Depreciate Premises & furniture by 7%
6. The club has 2100 member each paying annual subscription of Rs.10. Subscription of Rs.200 are still Outstanding for the year ending on 31.12.2019
7. Entrance fees are to be treated as capital receipt.

Prepare Income & Expenditure A/c & Opening Balance Sheet & closing Balance

Solution:-

In the books of Ajit Sport Club

Dr. Income & Expenditure Account for the year ended 31st Dec.2020 Cr.

Expenditures	Rs.	Rs.	Incomes	Rs.	Rs.
To Salary	7500		By Subscription	20000	
(-) Outstanding for Dec 20	500	8000	(-) Outstanding	1000	21000
To Printing		900	By Drama Income		3000
To Cost on drama		2000	By Interest		500
To Sundry Expenses		1500			
To Stationary					
Opening (2019)	300				
(-) Closing (2020)	100	200			
To Telephone Charges		300			
To Dep. on					
Premises	2450				
Furniture	140	2590			
To Surplus		9010			
		24500			**24500**

Opening Balance Sheet as on 1.1.2019

Liabilities	Rs.	Assets	Rs.
Bank O/D	4000	Investment	9000
Capital Fund	43500	Cash	2000
		Outstanding Subscription (500+**200**)	700
		Debtors for sale of furniture	200
		Stock of stationary (2019)	300
		Prepaid Telephone Charges	300
		Premises	35000
	47500		**47500**

Closing Balance Sheet as on 31st Dec.2020

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund	43500		Stock of stationary (2020)		100
(+)Entrance Fees	500		Investment	9000	
(+)Surplus	9010	53010	(+) Addition	5000	14000
Subscription received		200	Furniture	2000	
in advance (2019)			(-) 7% deprecation	140	1860
Outstanding salary		500	Cash		500
			Bank		3500
			Outstanding subscription		
			2019	200	
			2020	1000	1200
			Premises	35000	
			(-) 7% deprecation	2450	32550
		53710			**53710**

PROBLEM NO: 9

Shah Sport Club, Kolhapur

Dr. Receipt & Payment A/c for the year ending on 31st March 2020 Cr

Receipt	Rs.	Rs.	Payment	Rs.	Rs.
To Opening Balance		12000	By Salary		28000
To Subscription			By Printing		6800
2018-2019	1800		By Rent		8800
2019-2020	36000		By Annual Function Expenses		14000
2020-2021	2000	39800	By Travelling		6800
To Sale proceed of motor car		44000	By F.D with bank of India		20000
To Entrance fees		1000	By Balance c/d		14650
To Interest on Debentures		2250			
		99050			**99050**

The following Balances are given:

Particulars	31st March 2019	31st March 2020
15 % Deb (Debit)	30000	30000
Furniture	14000	14000
Subscription receivable	2400	3000
Motor car		40000

1. Interest on Debenture are received up to 30.9.2019
2. Rent paid in advance Rs.800
3. Entrance fees & Profit on sale of motor car to be capitalized

Prepare Income & Expenditure A/c & Opening Balance Sheet & closing Balance

Solution:-

In the books of Shah Sport Club, Kolhapur

Dr. Income & Expenditure Account for the year ended 31st March 2020 Cr.

Expenditures	Rs.	Rs.	Incomes	Rs.	Rs.
To Salaries		28000	By Subscription	36000	
To Printing		6800	(+) Outstanding (2019-20)	3000	39000
To Rent	8800		By Debenture Interest	2250	
(-) Prepaid	800	8000	(+) Outstanding Interest	2250	4500
To Annual function Expenses		14000	By deficit		20100
To Travelling Expenses		6800			
		63600			**63600**

Opening Balance Sheet as on 31st March 2019

Liabilities	Rs.	Assets	Rs.
Capital Fund	98400	Cash	12000
		Outstanding Subscription	2400
		15% Debenture	30000
		Furniture	14000
		Motor Car	40000
	98400		**98400**

Closing Balance Sheet 31st March 2020

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund	98400		Fixed Deposit		20000
(+) Profit on sale of motor car (44000-40000)	4000		Cash		14650
(+) Entrance Fees	1000		Outstanding Subscription		
	103400		2019 (2400-1800)	600	
(-) Deficit	20100	83300	2020	3000	3600
Subscription rec.in advance		2000	15% Debenture	30000	
			(+) Interest	2250	32250
			Furniture		14000
			Prepaid Rent		800
		85300			**85300**

PROBLEM NO: 10

Sport Club, Pune

Dr. Receipt & Payment A/c for the year ending on 31st Dec, 2020 Cr

Receipt	Rs.	Payment	Rs.
To Balance B/d	3700	By Bar Expenses	4100
To Subscription	6600	By Water cleaning Expenses	1800
To Donation for Building	25000	By Printing & Stationery.	700
To Sundry Income	500	By Construction of Building	20000
To Match Receipt	700	By Match Expenses	570
To Locker Rent	1500	By Salary	4000
To Bar Receipt	4300	By Electricity	270
		By Investment in Govt.Security	10000
		By Balance C/d.	860
	42300		**42300**

Additional Inf.n

Particular	31st Dec.2019	31st Dec.2020
Printing Material	230	320
O/S Salaries	300	450
O/S Electricity	80	90
O/S Bar expenses	1100	1700
Swimming Pool	70000	65000
Building	50000	67000
O/S Subscription	300	700
Pre-received subscription	600	400

Prepare Income & Expenditure A/c & opening Balance Sheet & closing Balance

Solution:-

In the books of Sport Club, Pune

Dr. Income & Expenditure Account for the year ended 31stDec. 2020 Cr.

Expenditures	Rs.	Rs.	Incomes	Rs.	Rs.
To Bar Expenses	4100		By Subscription	6600	
(-) Outstanding for 2019	1100		(-) Outstanding for 2019	300	
	3000			6300	
(+) Outstanding for 2020	1700	4700	(+) Outstanding for 2020	700	7000
To Water cleaning Expenses		1800	By Sundry Income		500
To Printing & Stationary			By Match receipt		700
Opening	230		By locker Rent		1500

(+) Purchase	700		By Bar Receipt		4300
	930		By Deficit		6110
(-) Closing	320	610			
To Match exp		570			
To salaries	4000				
(-) Outstanding for 2019	300				
	3700				
(+) Outstanding for 2020	450	4150			
To Electricity	270				
(-) Outstanding for 2019	80				
	190				
(+) Outstanding for 2020	90	280			
To Depreciation on,					
Building	3000				
Swimming Pool	5000	8000			
		20110			**20110**

(Opening) Balance sheet as on 31st Dec.2019

Liabilities	**Rs.**	**Assets**	**Rs.**
Outstanding Bar exp	1100	Building	50000
Outstanding salaries	300	Cash	3700
Outstanding electricity	80	Stock Printing Material	230
Capital Fund	122750	Swimming pool	70000
		Outstanding subscription (2019)	300
	124230		**124230**

(Closing) Balance sheet as on 31st Dec.2020

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Capital Fund	122750		Building	50000	
(-) Deficit	6110	116640	(+) Addition	20000	
Donation for building		25000		70000	
Outstanding Bar Expenses		1700	(-) Depreciation	3000	67000
Outstanding Salaries		450	Investment in Govt. Securities		10000
Outstanding Electricity		90	Cash		860
			Stock of printing material		320
			Swimming pool	70000	
			(-) Depreciation	5000	65000
			O/s Subscription (2020)		700
		143880			**143880**

PROBLEM NO. 11

Dr. Aditya commenced his practice on 1st Jan 2020 with Amount.15000. This Receipt & Payment for the year ending on 31ST Dec, .2020

Dr. Receipt & Payment A/c for the year ending on 31st Dec, 2020 Cr

Receipt		Payment	
To Cash Introduced	15000	By Furniture	4000
To Visit	20000	By Equipment	5000
To Receipt from Dispensing	12000	By Purchase of Drugs	3000
To Sundry receipts	500	By Salary of Assistant	2400
		By Rent	1800
		By Travelling Expenses	1200
		By Stationery	100
		By Lighting	200
		By Journals	300
		By Drawing	10000
		By Balance c/d	19500
	47500		**47500**

Additional Information:-

1) Amount Outstanding for visit & dispensing were Rs.1200 & 900 respectively. Salary payable to assistant amounted to Rs.600
2) 40% of Travelling Expenses were for domestic purchases
3) Stock of drug on 31st Dec.2020 was Rs.800 amount payable for purchase of drug Rs.300
4) Furniture & Equipment to be deprecated at 10%

Prepare Income & Expenditure A/c & Closing Balance Sheet as on 31-12-2020

Solution:-

In the books of …….

Dr. Income & Expenditure Account for the year ended 31stDec. 2020 Cr

Expenditures	Rs.	Rs.	Incomes	Rs.	Rs.
To Salary	2400		By Visiting Fees	20000	
(+) Outstanding	600	3000	(+) Outstanding	1200	21200
To Drug	3000		By Dispensary receipt	12000	
(+) Outstanding	300		(+) Outstanding	900	12900
	3300		By Sundry Receipt		500
(-) Closing Stock	800	2500			

To Rent		1800			
To Travelling Expenses	1200				
(-) 40% Drawing	480	720			
To Stationary		100			
To Lighting		200			
To Journal		300			
To Deprecation on					
Furniture	400				
Equipment	500	900			
To Surplus		25080			
		34600			**34600**

(Closing) Balance sheet as on 31st Dec.2020

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Capital Fund	15000		Furniture (-) 10% Dep.	4000	
(+) Surplus	25080		(-) 10% Deprecation	400	3600
	40080		Equipment	5000	
(-) Drawing (10000 + 480)	10480	29600	(-) 10% Deprecation	500	4500
Outstanding Bill for			Cash		19500
purchase of Drug		300	Outstanding Visit Fees		1200
Outstanding Salary		600	Outstanding Dispensing receipt		900
			Closing stock of drug		800
		30500			**30500**