

UNIT-9

Not-for Profit Organization

IMPORTANT POINTS

Learning Objectives :

After studying this lesson you will be able to

- State the meaning of Not - for - Profit organization :
- Explain the various items of accounting in Not-for-Profit organization;
- Explain about the Financial Statements of Not-for-Profit organization.
- Show the According Treatment of various items of accounting in Not-for-Profit organization.

Teaching Methods :

- Teachers are advised to use various examples of Not-for-Profit organizations.
- Story telling method can also be used for various items of Not-for-Profit organization.

Meaning of Not-for-Profit organization

The primary motive of Not-for-Profit organizations is to render services to their members or to promote culture, art, education and other religious, social and charitable activities. These institutions or organizations do not maintain their accounts on the same basis as of business enterprises. The non-profit seeking entities exists with a **primary objective of providing service**. For this reason, these institutions **do not prepare Profit and Loss Account**.

Examples of not-for-organizations :

Hospitals, dispensaries, sports clubs, recreation clubs, temples, dharamshalas, orphanage, school and College etc.

Such organizations prepares following **financial statements at the end of accounting period** :

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

Receipts and Payments Account :

This account is merely a **summary of the transactions appearing in the cash book**. After preparation of this account, it is easy to prepare the income and expenditure account as well as the balance sheet. **All receipts are shown on its**

debit side and **all payments** are shown on its **credit side**. All the receipts and payments during an accounting period are included in it under appropriate headings. For example, if a club receives subscription from its members on different dates, it will be recorded in the cash book in chronological order, whereas the receipts and payments account will contain the total subscriptions received during the year.

Features of Receipts and Payment Account :

It is clear from above discussion that the Receipt and Payment Account is merely a summary of the all receipt and all payment during the year. Special features of Receipts and Payment Account are as follows :

1. It is a **real account**. Thus Receipts are shown on its debit side and payments on the credit side.
2. Excess receipt over payment is the **closing balance of cash** which is shown in **Balance sheet on asset side**.
3. This account begins with the opening balance of cash or bank.
4. An item may be repeated many times in a cash book, but it is shown once in 'Receipts and Payment Account'.
5. All cash payments are shown on its credit side irrespective of the fact whether these are of **capital nature or of revenue nature** and whether they relate to **current year, previous year or next year**.
6. Receipt and Payment Account records only the **actual receipt and payment of cash**. Non-cash items such as depreciation, outstanding expenses and accrued incomes are ignored while preparing it.

Limitations of Receipts and Payment Account

1. It is **not prepared on accrual basis**, therefore no adjustment are made in it.
2. This account does not show the income or expenditure of the accounting period.
3. It does not show the amount received or paid only for a particular accounting period.

Income and Expenditure Account

Income and Expenditure Account serves the same purpose for a Not-for profit organization as the Profit and Loss Account for a business enterprise. This account is a **nominal account**. This account is prepared by Not-for-Profit organization. So, we can say that it is the summary of Income and Expenditure of a particular accounting period **whether income received or not and whether expenditure paid or not**.

Features of Income and Expenditure Account :

1. It is a **nomial account**.
2. **No capital item** is entered in this account.
3. Its debit side includes all the expenses pertaining to the particular period and credit side includes all the income pertaining to the same period.
4. **No opening and closing balance** are recorded in it.
5. **No item**, either revenue or expenditure, **pertaining to the past period or the future period** is entered in this account.
6. This account is prepared in the same manner in which a profit and loss Account is prepared.
7. Credit balance is called 'Excess of Income over Expenditure' and debit balance is called "Excess of Expenditure over Income".

Concept of Fund based Accounting :

Not for profit organization receive some funds for some specific purposes and these funds are used only for those purposes for which they have been contributed. Fund Based Accounting refers to the accounting whereby receipt and income pertaining to a particular fund are credited to that particular fund and payments and expenses are debited to it. These funds are created for some specific purposes such as prize fund, building fund, sports fund etc.

Thus, a separate accounting is needed for these specific funds. This type of accounting is called Fund based accounting.

Important Items of Not for Profit Organisations

1. Legacy : Legacy represents the **amount or property received** by organization **under a will on death of the contributors**. In other words we can say that ligacies are the donations made by a person in his will, so their donation are called legacy.

- (i) Legacies received for a **specific purpose** must be **capitalized** in the name of concerned fund for which it is received.
- (ii) Legacies received **not for any specific fund** may be added to the **capital fund**.

Example :

Mr. Shyam lal writes his will that his property will be transferred (after his death) to a Not-for-profit Organization. After death of Mr. Shyam lal, his property will be treated as capital receipt by concerned Not-for-profit Organization under the head legacy.

2. **Entrance Fees** : Entrance fee is called admission fee. It refers to the amount received from the persons for becoming members. It is a fee paid by members at the time of joining a not-for-Profit organization.
 - (i) It is an item of **recurring** nature.
 - (ii) Generally Entrance fees are **treated as income**.
3. **Grants** : Grants are an aid issued by any Govt. agency to any Not-for profit organization for specific purpose or general purpose.
 - (i) It is an aid from Government.
 - (ii) **Specific grant** should be **capitalized**
 - (iii) **General grant** should be treated as **revenue income** and shown on the credit side of Income and Expenditure Account.
4. **Donation** : Donation is the amount received by Not-for-profit Organizations from **any person or institution without any consideration and not periodically**.

Donation can be categorized as under :

- (i) **General Donation** : If donation received for not a specific purpose and can be utilized for any purpose, is known as general donation.

It is treated as **Revenue Receipt**.

- (ii) **Specific Donation** : If donation received for a particular purpose and can be used/spent for the same purpose only, it is known as specific donation. For example, donation received for the construction of the building.

It is treated as **Capital Receipt**.

5. **Subscription** : Subscription is the amount payable by members of Notfor-profit Organizations for renewal of membership periodically.

- (i) It is **recurring in nature**.
- (ii) It is treated as **Revenue Receipt**.

Example : There are 60 members of a Not-for-profit Organization and each member is required to pay a sum of ₹ 300 per annum to continue his/her membership. Hence this amount is known as Subscription.

6. Life Membership : Life membership is the fee received from those members who do not pay periodic fee or subscription but pay a lump sum amount to become life time members.

(i) These members are generally permanent members.

(ii) Life membership fees can be **added to capital fund or separately on the liabilities side of Balance Sheet.**

7. Endowment Funds : 1. This fund is created from the bequest, legacy or gifts received by the Not-for-Profit organization. These funds are **invested outside.**

2. The **income from the investment** of such funds is used for some **specific purposes only.**

3. Endowment funds shall be shown on the **liabilities side of the balance sheet** of Not-for-Profit organization.

Example :

An amount of ₹ 5,00,000 is received as Donation with condition that this amount will be invested as Fixed Deposit in a Bank. Income from this Investment will be used to distribute prizes to meritorius students of the society.

8. Honorarium : Honorarium is an amount paid to a person (other than employee) for rendering some special services for Not-for-Profit organization. It is treated as an expense fo Not-for Profit organization.

Calculation of Subscriptions to be shown in the Income and Expenditure Account for current year

Particulars	
Amount received during the year	
Add: (i) Outstanding at the end of current year	XXXX
Advance received in previous year	XXXX
Less: (i) Outstanding in the beginning of the current year	
(Out of this, the actual amount received in current year)	(XXXX)
(ii) Advance received in current year	(XXXX)
Subscriptions to be shown in the Income and Expenditure A/c	XXXX

**Calculation of Rent (An Expense) to be shown in expenditure side of
Income and Expenditure Accounts**

Particulars	
Rent paid during the year	XXXX
Add: (i) Outstanding at the end of current year	XXXX
(ii) Advance paid in previous year	XXXX
Less: (i) Rent paid in current year but pertains to previous year	(XXXX)
(ii) Rent paid in current year but pertains to next year	(XXXX)
Rent to be shown in the Income and Expenditure A/c	XXXX

**Calculation of Stationery (A consumable item) to be shown in Income
and Expenditure Account**

Particulars	
Amount paid for stationery during current year	XXXX
Add: (i) Opening stock of the stationery	XXXX
(ii) Creditors for stationery at the end of current year	XXXX
Less: (i) Creditors for stationery in the beginning of current year	(XXXX)
(ii) Closing stock of the stationery	(XXXX)
Stationery to be shown in the Income and Expenditure A/c	XXXX

Illustration 1

From the following extracts of the Receipt and Payments Account and the additional information, you are required to compute the income from subscriptions for the year ended March 31, 2011 and show it in the Income and Expenditure Account for the year ended on March 31, 2011:

**Receipts and Payments Account
for the year ended on March 31, 2011**

Dr.		Cr.	
Receipts	₹	Payments	₹
To subscriptions	50,000		

	March 31, 2010	March 31, 2011
	₹	₹
Subscriptions outstanding	10,000	20,000
Subscriptions received in advance	15,000	10,000

Solution : Income and Expenditure Account.

for the year ended on March 31, 2011

Expenditure	₹	Income	₹
		By Subscriptions	50,000
		Add: Outstanding	20,000
		Add: Advance received	
		in 2009-10	<u>15,000</u>
			85,000
		Less: Advance received	
		in 2010-11	<u>10,000</u>
			75,000
		Less: For 2009-10	<u>10,000</u>
			65,000
			65,000

Importance Point :

Subscription for the current year only is shown in Income and Expenditure Account for the same year, whether received or not.

Illustration 2.

On the basis of the following information, calculate the amount of stationery to be debited to Income and Expenditure Account for the year ended on March 31, 2011:

	₹
Stock of stationery on April 1, 2010	6,000
Creditors for stationery on April 1, 2010	4,000
Amount paid stationery on March 31, 2011	21,600
Stock of stationery on March 31, 2011	1,000
Creditors for stationery on March 31, 2011	3,600

Solution :

Particulars		₹
Amount paid for stationery during current year		21,600
Add: Opening stock of stationery		6,000
Creditors at the end of current year		3,600
Less: Closing Stock	1,000	31,200
Creditors For 2009-10	<u>4,000</u>	5,000
Stationery used during 2010-11		36,200

Importance Points :

Amount of Stationery consumed during the year is shown in income and Expenditure Account irrespective of that whether it is paid or not.

Illustration 3.

Following is the Receipts and Payments Account of women club for the year ended March 31, 2011. Prepare the Income and Expenditure Account for the year ended on March 31, 2011 and also the balance sheet as at the date :

Receipts	₹	Payments	₹
To Balance b/d	28,260	By Rent and Taxes	17,220
To Entrance Fee	11,040	By Salaries	18,800
To Subscriptions	44,000	By Electricity Charges	840
To Donations	21,220	By General Expenses	2,500
To Interest	820	By Books	6,240
To Profit from Entertainment	1,640	By Office Expenses	9,000
		By Investments	28,000
		By Balance c/d	24,380
	1,06,980		1,06,980

Additional information :

- In the beginning of the year, the club had books worth ₹ 60,000 and Furniture worth ₹ 11,600.
- Subscription in arrears on April 1, 2010 were ₹ 1,200 and on March 31, 2011 ₹ 1,400.
- ₹ 3,600 were due by Rent in the beginning as well as at the end of the year.
- Write off ₹ 1,000 as depreciation on Furniture and ₹ 6,000 on Books.
- On March 31, 2011 Salaries ₹ 3,000 and Electricity Charges ₹ 400 were outstanding.

Solution :

**Balance Sheet
as on April 1, 2010**

Liabilities	₹	Assets	₹
Rent outstanding	3,600	Cash	28,260
Capital Fund (Bal. Fig.)	97,460	Subscriptions Outstanding	1,200
		Books	60,000
		Furniture	11,600
	1,01,060		1,01,060

**Income and Expenditure Account
for the year ended on March 31, 2011**

Dr.			Cr.
Expenditure	₹	Income	₹
To Rent and Taxes	17,220	By Subscriptions	44,000
Add: Outstanding	3,600	Add: Outstanding	1,400
	<u>20,820</u>		<u>45,400</u>
Less: For 2009-10	3,600	Less: For 2009-10	1,200
	17,220		44,200
To Salaries	18,800	By Entrance Fees	11,040
Add: Outstanding	3,000	By Donations	21,220
	21,800	By Interest	820
To Electricity Charges	840	By Profit from Entertainment	1,640
Add: Outstanding	400		
	1,240		
To General Expenses	2,500		
To Office Expenses	9,000		
To Depreciaton on:			
Books	6,000		
Furniture	1,000		
	7,000		
To Surplus	20,160		
	78,920		78,920

**Balance Sheet
as on March 31, 2011**

Liabilities	₹	Assets	₹
Capital Fund (Bal.)	97,460	Cash is hand	24,380
Add: Surplus	20,160	Investments	28,000
	1,17,620	Books	60,000
Rent Outstanding	3,600	Add: Additions	6,240

Salaries outstanding	3,000	66,240	
Electricity charge outstanding	400	Less: Depreciaton 6,000	60,240
		Furniture 11,600	
		Less: Depreciation 1,000	10,600
			1,400
	1,24,620		1,24,620

Importante Point : Expenses for the current year only is shown in In come and Expenditure Account for the same year, whether paid or not.

Illustration 4.

Following is the Receipts and Payments Account of Literary Society for the year ended March 31, 2011:

Dr.		Cr.	
Receipts	₹	Payments	₹
To Balance b/d	3,075	By Salaries	12,000
To Subscriptions		By Rent	3,600
2009-10 500		By Postage	150
2010-11 21,500		By Printing and Stationery	1,275
2011-12 <u>750</u>	22,750	By Electricity Charges	1,500
To Interest on Investments	10,000	By Meeting Expenses	750
To Bank Interest	125	By Library Books	5,000
To Sale of Furniture	1,500	By Investments	5,000
		By Balance c/d	8,175
	37,450		37,450

Following additional information is to be considered:

(i) On April 1, 2010 the society had the following assets and liabilities :

Investments ₹2,00,000; Furniture ₹ 15,000; library books ₹25,000; liability for Rent ₹300 and for Salaries ₹ 1,000. Subscription in Arrears was ₹600.

(ii) On March 31, 2011 Rent of ₹400 and Salaries ₹ 1,250 were in arrears. All the Subscription for the year 2010-11 has been received.

(iii) The book value of Furniture sold was ₹1,250.

Prepare the Income and Expenditure Account of the society for the year ended on March 31, 2011 and the Balance Sheet as at that date.

Solution :

**Balance Sheet
as on April 1, 2010**

Liabilities	₹	Assets	₹
Outstanding expenses		Furniture	15,000
Rent 300		Library Books	25,000
Salaries <u>1,000</u>	1,300	Investments	2,00,000
		Cash	3,075
Capital Fund	2,42,375	Subscription	
(Balancing Figure)		in arrears	600
	<u>2,43,675</u>		<u>2,43,675</u>

**Income and Expenditure Account
for the year ended on March 31, 2011**

Expenditure	₹	Income	₹
To Salaries 12,000		By Subscriptions 22,750	
Less: For 2009-10 <u>1,000</u>		Less: For 2009-10 <u>500</u>	
			22,250
Add: Outstanding <u>1,250</u>		Less: For 2011-12 <u>750</u>	
	12,250		21,500
To Rent 3,600		By Interest on Investment	10,000
Less: For 2009-10 <u>300</u>			
	3,300	By Bank Interest	125
Add: Outstanding <u>400</u>	3,700	By Profit on Sale of Furniture (1,500-1,250)	250
To Postage 150			
To Printing and Stationery 1,275			
To Electricity Charges 1,500			
To Meeting Expenses 750			
To Surplus 12,250			
	<u>31,875</u>		<u>31,875</u>

Liabilities	₹	Assets	₹
Subscriptions in advance	750	Furniture 15,000	
Outstanding expenses:		Less: sold 1,250	13,750
Salaries 1,250		Library books 25,000	
Rent 400	1,650	Add: Additions 5,000	30,000
Capital Fund 2,42,375		Investments 2,00,000	
Add: Surplus 12,250	2,54,625	Add: Additions 5,000	2,05,000
		Cash 8,175	
		Subscription in Arrears (2009-10) 100	100
	2,57,025		2,57,025

Important Points :

In the beginning of the year, Subscription of ₹600 was in arrear but out of this amount, only ₹500 has been received during current year. Hence only ₹500 is deducted from the amount received on account of subscription.

Illustration 5.

On the basis of the information given below, calculate the amount of stationery to be shown in the 'Income and Expenditure Account' of 'Vishvamitra Literary Society' for the year ended March 31, 2011:

	April 1, 2010	March 31, 2011
	₹	₹
Stock of stationery	4,000	3,000
Creditors for stationery	4,500	5,500

Stationery purchased during the year ended March 31, 2011 was ₹23,500.

Solution : **Income and Expenditure Account**
for the year ended on March 31, 2011

Dr.			Cr.
Expenditure	₹	Income	₹
To Stationery	23,500		
Add: Opening Stock	4,000		
	27,500		
Less: Closing Stock	3,000	24,500	
		24,500	

Important Points : 1. Stationery used during current year only is shown in Income and Expenditure Account for the same year. 2. Creditors for Stationery is not considered because 'Stationery purchased during the year' is given and not 'Amount paid to Creditors during the year'.

Illustration 6

From the following informations of Arjun Sports Club, show the 'Sports Material' in the 'Income and Expenditure Account' for the year ending March 31, 2011 and the Balance Sheets as on March 31, 2010 and March 31, 2011 :

	March 31, 2010	March 31, 2011
	₹	₹
Stock of sports material	4,400	11,600
Creditors for sports material	15,600	18,400
Advance to suppliers of sports material	30,000	50,000

Payment to suppliers for the Sports Material during 2010-11 was ₹2,40,000.

No sports material purchased on cash basis during the year 2010-11.

Balance Sheet

as on April 1, 2010

Liabilities	₹	Assets	₹
Creditors for Sports Material	15,600	Advance to suppliers of Sports Material	30,000
		Stock of sports material	4,400

Income and Expenditure Account

Dr. for the year ended on March 31, 2011 Cr.

Expenditure	₹	Income	₹
To Sports Material	2,40,000		
Less: For 2009-10	<u>15,600</u>		
	2,24,400		
Add: Advance in 2009-10	30,000		
Add: Opening stock	<u>4,400</u>		
	2,58,800		
Less: For 2011-12	<u>50,000</u>		
	2,08,800		
Less: Closing Stock	<u>11,600</u>		
	1,97,200		
Add: Creditors at the End	<u>18,400</u>		
	2,15,600		

You are required to prepare 'Income and Expenditure Account' for the year ended on March 31, 2011 and 'Balance Sheet' as on that date.

Balance Sheet
as on March 31, 2010

Liabilities	₹	Assets	₹
Amount due for Medicines	16,000	Cash	17,000
Subscriptions in Advance	2,000	Investments	2,00,000
Capital Fund (Bal.Fig.)	4,10,000	Subscriptions in Arrears	1,000
		Stock of Medicines	20,000
		Equipments	50,000
		Buildings	1,40,000
	4,28,000		4,28,000

Income and Expenditure Account

Dr. for the year ended on March 31, 2011 **Cr.**

Expenditure	₹	Income	₹
To Medicines	66,000	By subscriptions:	96,000
Add: Opening Balance	<u>20,000</u>	Less: for 2009-10	<u>1,000</u>
	86,000		95,000
Less: Closing Stock	<u>30,000</u>	Less: for 2011-12	<u>1,000</u>
	56,000		94,000
Less: For 2009-10	<u>16,000</u>	Add: arrears	2,000
	40,000	Add: Advance received	
Add: Creditors at End	<u>24,000</u>	in 2009-10	<u>2,000</u>
	64,000		98,000
To Fees to Doctors	48,000	By Donations	30,000
To Salaries	54,000	By Interest on investments	18,000
To Charity Show Ex.	8,000	By Proceeds from Charity Show	24,000
To Sundry Expenses	2,400	By Grant in Aid	40,000
To Depreciation on Equipments:			
Opening Balance	50,000		

Add: Additions	30,000		
	80,000		
Less: Closing Balance	66,000		
To Depreciation on Buildings:		14,000	
Opening Balance	1,40,000		
Less: Closins Balance	1,30,000		
		10,000	
To Surplus		9,600	
		<u>2,10,000</u>	<u>2,10,000</u>

Balance Sheet

as on March 31, 2010

Liabilities	₹	Assets	₹
Amount due for Medicines	24,000	Cash	16,600
Subscriptions in Advance	1,000	Investments	2,00,000
Capital Fund (Bal. Fig.)	4,10,000	Subscriptions in	
Add: Surplus	<u>9,600</u>	Arrears	2,000
	419,600	Stock of Medicines	30,000
		Equipments	66,000
		Buildings	1,30,000
	<u>4,44,600</u>		<u>4,44,600</u>

Important Points : Interest on Investment is given in the question but value of investment is not shown in 'Receipts and Payments Account', it means this investment was purchased before the current year and was mentioned in the Balance Sheet at the beginning of the year. Therefore the value of the investment is calculated as under. Value of investments = $\frac{18,000 \times 10}{9} = 2,00,000$

Illustration 8.

From the following information related to Amar Nath Charitable Society, prepare Income and Expenditure Account for the year ended March 31, 2011.

Receipts and Payments Account

for the year ended March 31, 2011

Receipts	₹	Payments	₹
To Balance b/d	4,400	By Furniture	6,000
To Interest on Investments	4,600	By Salaries	29,000
To Donations	34,000	By Miscellaneous Exp.	400
To Subscriptions	56,000	By Telephone charges	25,800
To Rent Received	24,000	By Fax Machine	12,000

To Sale of old Newspapers	600	By Investments	30,000
		By Printing and Stationery	800
		By Balance c/d	19,600
	1,23,600		1,23,600

Additional Information :

Subscription received includes ₹ 1,200 for 2011-12. The amount of subscription outstanding on March 31, 2011 ₹ 1,000; Salaries unpaid for the year 2010-11 ₹ 1,400; 60% of the Donations are to be capitalized.

Solution :

Income and Expenditure Account
for the year ended on March 31, 2011

Expenditure		₹	Income		₹
To Salaries	29,000		By Subscriptions	56,000	
Add: outstanding	1,400		Add: outstanding	1,000	
		30,400		57,000	
To Miscellaneous Expenses	400		Less: Received in Advance	1,200	
To Telephone charges	25,800				55,800
To Printing and Stationery	800		By Interest on Investments		4,600
To Surplus	41,600		By Donations (40%)		13,600
			By Rent Received	24,000	
			Add: Receivable	400	
					24,400
			By Sale of old Newspapers	600	
		99,000			99,000

Important Points : Only 60% Donation is to be Capitalised as clear instruction is given in question, Remaining 40% Donation is to be treated as income.

Illustration 9.

Following is the Receipt and Payment Account of Tulsi Literary Society for the ended March 31, 2011. Prepare Income and Expenditure Account for the year ended March 31, 2011 and the Balance Sheet as on that date.

Receipt and Payment Account

for year ended March 31, 2011

Receipts	₹	Payments	₹
To Balance b/d	65,000	By Honorarium to cashier	4,000
To Life Membership Fee	30,000	By Stationary	1,000
To Subscriptions	14,000	By Books	6,000
To Sale of old Newspaper	1,000	By Telephone charges	2,400
To Lockers Rent	1,400	By Computer	90,000
To Entrance Fee	10,000	By Repairs	2,000
		By Wages	5,000
		By Balance c/d	11,000
	1,21,400		1,21,400

On April 1, 2010 the society had Books of ₹10,000 Investments ₹20,000 and Furniture ₹10,000. Subscriptions outstanding as on April 1, 2010 were ₹1,200 and as on March 31, 2011 were ₹1,400.

Creditors for stationery on April 1, 2010 were ₹400.

Additional books and computers are purchased on April 1, 2010.

Bills outstanding for repairs as on March 31, 2011 were ₹2,200 and wages outstanding were ₹1,000.

75% of the Entrance Fee is to be capitalized.

Depreciation is to be provided on computers @ 25% p.a. and books @ 10% p.a.

Solution :

Balance Sheet
as on April 1, 2010

Liabilities	₹	Assets	₹
Creditors for Stationery	400	Cash	65,000
Capital Fund (Bal. Fig.)	1,05,800	Subscriptions in Arrears	1,200
		Books	10,000
		Investments	20,000
		Furniture	10,000
	1,06,200		1,06,200

Income and Expenditure Account
for the year ended on March 31, 2011

Expenditure	₹	Income	₹
To Honorarium to cashier	4,000	By Entrance Fees	2,500
To Stationary 1,000		By Subscriptions 14,000	
Less: For 2009-10 400		Add: Outstanding 1,400	
	600	15,400	
To Depreciation on		Less: For 2009-10 1,200	
Computer 22,500			14,200
Books 1,600	24,100	By Sale of old Newspapers	1,000
To Telephone charges	2,400	By Locker Rent	1,400
To Repairs 2,000		By Deficit Investments	22,200
Add: Outstanding 2,200			
	4,200		
To wages 5,000			
Add: Outstanding 1,000			
	6,000		
	41,300		41,300

Balance Sheet

as at March 31, 2011

Liabilities	₹	Assets	₹
Outstanding Wages	1,000	Cash	11,000
Outstanding Repairs	2,200	Subscriptions in Arrears	1,400
Capital Fund 1,05,800		Computers 90,000	
Add: Entrance Fee 7,500		Less: Depreciation 22,500	
Add: Life Membership Fee 30,000			67,500
	1,43,300	Books 10,000	
Less: Deficit 22,200		Add: Purchases 6,000	
	1,21,100		16,000
			1,600
			14,400
		Investments	20,000
		Furniture	10,000
	1,24,300		1,24,300

Illustration 10

From the following receipts & Payment Account of Sonic Club & from the given additional information; prepare Income & Expenditure Account for the year ending 31st December, 2006 & the Balance Sheet as on that date :

**Receipts & Payment Account
for the year ending 31st December, 2006**

Receipts	₹	Payments	₹
To Balance b/d	1,90,000	By Salaries	3,30,000
To Subscriptions	6,60,000	By Sports Equipment	4,00,000
To Interest on Investments @ 8% p.a. for full year	40,000	By Balance c/d	1,60,000
	<u>8,90,000</u>		<u>8,90,000</u>

Additional Information :-

- (i) The club had received ₹ 20,000 for subscriptions in 2005 for 2006.
- (ii) Salaries had been paid only for 11 months.
- (iii) Stock of Sports Equipment on 31st December, 2005 was ₹ 3,00,000 & on 31st December, 2006 ₹ 6,50,000.

Solution

**BALANCE SHEET
as on 31st December, 2005**

Liabilities	₹	Assets	₹
Subscription Received in Advance	20,000	Cash in Hand	1,90,000
Capital Fund (Balancing Figure)	9,70,000	Investment (Note 1)	5,00,000
	<u>9,90,000</u>	Stock of Sports Equipment	3,00,000
			<u>9,90,000</u>

Note (1) Value of Investment has been Calculated as below :

If Interest in 8, the value of Investments = 100

If Interest is 40,000, the value of Investments

$$= \frac{100}{8} \times 40,000 = ₹ 5,00,000$$

**Income and Expenditure Account
for the year ending 31st December, 2006**

Expenditure	₹	Income	₹
To Salaries 3,30,000		By Subscription 6,60,000	
Add Outstanding for one month (3,30,000 ÷ 11)		Add Advance Subscription received in 2005 for 2006	
<u>30,000</u>	3,60,000	<u>20,000</u>	6,80,000
To Sports Equipment Consumed :		By Interest on Investments	40,000
Opening Stock 3,00,000			
Add Purchases 4,00,000			
<u>7,00,000</u>			
Less Closing Stock 6,50,000	50,000		
To Surplus (Excess of Income over Expenditure)	3,10,000		
	<u>7,20,000</u>		<u>7,20,000</u>

**BALANCE SHEET
as on 31st December, 2005**

Liabilities	₹	Assets	₹
Salaries Outstanding	30,000	Cash in Hand	1,60,000
Capital Fund 9,70,000		Investment (Note 1)	5,00,000
Add Surplus <u>3,10,000</u>	12,80,000	Stock of Sports Equipment	6,50,000
	<u>13,10,000</u>		<u>13,10,000</u>