

PART – A

Unit - 1

ACCOUNTING FOR – NOT FOR PROFIT ORGANISATIONS

1 Mark Questions

- Q.1 During the year 2007 a club received Rs. 1, 00,000 as entrance fees. According to accounting policy for the club 40% of the entrance fees is to be capitalised. How will you deal with entrance fees received by NPO?
- Q.2 What is meant by Fund Based Accounting ?
- Q.3 How would you calculate the amount of consumable materials ?
- Q.4 Difference between receipt and payment account and trial balance ?

ANSWERS

- Ans.1 Entrance fees Rs. 60,000 (i.e. 60% of Rs. 1,00,000) will be credited to 'Income and Expenditure Account' and Rs. 40,000 (i.e. 40% of Rs. 1,00,000) will be added to capital fund in the balance sheet.
- Ans.2 In fund based accounting separate accounts are maintained for specific activities of the organisation such as sports fund, price fund etc. All items related the specific funds are recorded fund wise and consolidation of these statements or accounts are presented in the financial results.
- Ans.3 Opening stock of Material + purchase during the year - closing stock of material = consumable material.

Ans.4

	Basis	Receipts and payment account	Trial balance
	Preparation of accounts	It is prepared after summarizing cash receipts and cash payment.	It is prepared after balancing all ledger accounts.
	Opening Balance	It starts with opening balance of cash and bank	It has no opening balance

- Q.5 Following are the brief particulars of cash transactions of Geeta Pustakalaya Allahabad for the year ended 31st December 2002.

	Receipts	Rs	Payments	Rs.
To balance b/f		1319	By rent and rates	168
To entrance fees		255	By wages	245
To subscriptions		1600	By lighting	72

To donation	165	By lecturers fee	435
To life membership fee	250	By books	213
To interest	14	By office expenses	450
To profit on entertainment	42	By 3% fixed deposits	800
		(1.7.2002)	
		By bank balance	242
		By cash in hand	1020
	3,645		3,645

Library has books worth Rs 2,000 and furniture worth Rs 850 in the beginning of year. Outstanding subscription was Rs 35 in the beginning of year and Rs 45 at the end of year. Outstanding rent was Rs 60 in the beginning as well as at the end of year. Charge depreciation Rs 50 on Furniture and Rs 113 on Books.

Required: from the above particulars prepare Income and Expenditure Account and Balance Sheet of Pustakalaya as on 31st December 2002.

Solution 5

**Income and expenditure account
For the year ending 31st Dec. 2002**

Particulars	Rs	Particulars	Rs.
To rent	168	By subscription	1600
Add outstanding	60	Add: outstanding	45
Less: of previous year	60	168 Less: of previous year	35
To wages	245	By interest	14
To lighting	72	Add: Accrued int.	12
To lecture fee	435	By profit on entertainment	42
To office expenses	450	By entrance fees	255
Book	113	By donations	165
Furniture	50		
To excess of income over expenditure	565		
	2,098		2,098

Balance sheet as at 31st Dec. 2002

Liabilities	Rs	Assetss	Rs
Capital Fund	4144	Cash in hand	1020

Add: Surplus of this year	565	4709	Cash at bank	242
Life membership fees		250	Fixed deposit	800
Outstanding rent		60	Outstanding subscriptions	45
			Books	2100
			Furniture	800
			Accrued interest	12
		5,019		5,019

Working note calculation of opening capital fund

Balance sheet as at 31st Dec. 2001

Liabilities	Rs	Assetss	Rs
Outstanding rent	60	Cash in hand	1319
Capital fund (balancing figure)	4144	Outstanding subscription	35
		Book	2000
		Furniture	850
	4,204		4,204

Q.6 Following is the receipts and payment account of recreation club for the year ended 31st march 2007.

RECEIPTS AND PAYMENTS ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 07

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To cash in hand	8320	By rent of hall	3640
To subscription	26000	By salaries	5200
To entrance fees	3900	By purchase of sports equipments	16640
To sale of refreshments	9880	By dance expenses	4940
To sale of dance tickets	5850	By supply of refreshment	6760
To interest on investments @ 7%	4550	By honorarium	1040
		By sundry expenses	3250
		By electricity changes	1820
		By cash at bank	15210
	58,500		58,500

Following additional information's are also provided to you :

- (i) Following were the assets and liabilities on 31st March, 2006 :
Sports equipment Rs. 6,760, subscription in arrears Rs. 1,950, Furniture Rs. 12,480
Liabilities-Accrued rent Rs. 780 and subscription received in advance Rs. 520.
- (ii) 'Following were the assets and liabilities on 31st March 2007 :

Sports equipments Rs. 19,760, Subscription in arrear Rs. 1,690, Furniture Rs. 11,180, Liabilities-accrued rent Rs. 390, subscription received in advance Rs. 2,340.

(iii) Entrance Fees is to be capitalised.

You are required to prepare income and expenditure account for the year ended 31st March, 2007 and balance-sheet as on that date.

Solution: 6

**INCOME AND EXPENDITURE ACCOUNT OF RECREATION CLUB FOR THE YEAR
ENDED 31ST MARCH 07**

Expenditure	Rs.	Income	Rs.
To rent of hall	3640	By subscription	26000
Add: accrued rent (credit year)	390	Add: subscription in advance in previous year	520
			26520
Less: accrued rent (previous year)	780		
	3250		
To Salaries	5,200	Add : Subscription in Arrear for Current Year	
To Honorarium	1,040		
To Sundry Expenses	3,250		
To Electricity Charges	1,820		28,210
To Supply of Refreshment	6,760	Less : Last year's arrear -	
To Dance expenses	4,940		26,260
To Depreciation Furniture Sports Equipment	4,940	Less: Subscriptions-received Advance for next year	-
			23,920
To Excess of Income Over Expenditure Transferred to Capital	13,000	By Sale of Refreshment	9,880
		By Sale of Dance Tickets	5,850
		By Interest on Investments	4,550
	44,200		44,200

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BALANCE-SHEET AS AT 31ST MARCH, 2007

<i>Liabilities</i>		<i>Amount (Rs.)</i>	<i>Assets</i>		<i>Amount (Rs.)</i>
Capital Fund*	93,21	1,10,11	Furniture	12,480	11,180
as at 1 April 2006	0	0	Less :	1,300	19,760
Add: Entrance	3,900	2,340	Depreciation	6,760	65,000
Fees	97,11	390	Sports Equipment	16,640	1,690
Add: Surplus	0		Add: Purchases	- 3,640	15,210
Advance	13,00		Less:		
Subscription	0		Depreciation	1	
Accrued Rent			Investments		
			Subscription		
		1,12,84	Arrear		1,12,84
		0	Cash at Bank		0