

SURA'S

ACCOUNTANCY

12th Std

**Based on the New Syllabus and
New Textbook for the year 2019-20**

Salient Features

- Exhaustive Additional MCQs, VSA, SA, and Problems with answers are given in each chapter.
- All the objective type (1 Mark) questions, are given with 4 options.
 - (i) Choosing the Correct option
 - (ii) Matching
 - (iii) Fill in the Blanks
 - (iv) Picking the Odd one Out
 - (v) Correctly Matched / Not Correctly Matched
 - (vi) Assertion & Reason
 - (vii) Choosing the Correct Statement



SURA PUBLICATIONS

Chennai

2019-20 Edition

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PREFACE

The woods are lovely, dark and deep.
But I have promises to keep, and
miles to go before I sleep

- Robert Frost

Respected Principals, Correspondents, Headmasters/ Headmistresses, Teachers,

From the bottom of our heart, we at SURA Publications sincerely thank you for the support and patronage that you have extended to us for more than a decade.

It is in our sincerest effort we take the pride of releasing **SURA's Accountancy** for +2 Standard - Edition 2019. This guide has been authored and edited by qualified teachers having teaching experience for over a decade in their respective subject fields. This Guide has been reviewed by reputed Professors who are currently serving as Head of the Department in esteemed Universities and Colleges.

With due respect to Teachers, I would like to mention that this guide will serve as a teaching companion to qualified teachers. Also, this guide will be an excellent learning companion to students with exhaustive exercises and in-text questions in addition to precise answers for textual questions.

In complete cognizance of the dedicated role of Teachers, I completely believe that our students will learn the subject effectively with this guide and prove their excellence in Board Examinations.

I once again sincerely thank the Teachers, Parents and Students for supporting and valuing our efforts.

God Bless all.

Subash Raj, B.E., M.S.

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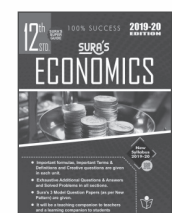
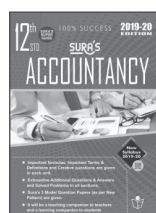
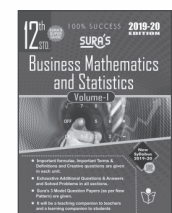
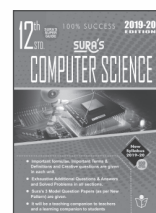
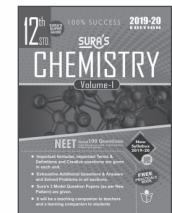
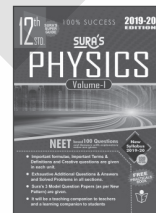
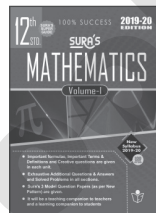
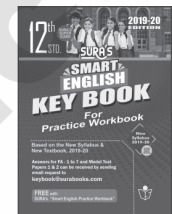
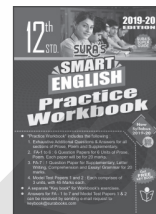


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UNIT

1

ACCOUNTS FROM INCOMPLETE RECORDS

CHAPTER SNAPSHOT

- | | |
|--|--|
| <ul style="list-style-type: none">1.1 Introduction1.2 Meaning of incomplete records1.3 Features of incomplete records1.4 Limitations of incomplete records1.5 Differences between double entry system and incomplete records1.6 Accounts from incomplete records1.7 Ascertaining profit or loss from incomplete records through statement of affairs<ul style="list-style-type: none">1.7.1 Calculation of profit or loss through statement of affairs | <ul style="list-style-type: none">1.7.2 Steps to be followed to find out the profit or loss by preparing statement of affairs1.7.3 Statement of affairs1.7.4 Format of statement of affairs1.7.5 Differences between statement of affairs and balance sheet1.8 Preparation of final accounts from incomplete records<ul style="list-style-type: none">1.8.1 Steps to be followed to prepare final accounts from incomplete records |
|--|--|

Important Points

- ❑ When accounting records are not strictly maintained according to double entry system they are called incomplete accounting records.
- ❑ In general, only cash and personal accounts are maintained fully.
- ❑ Any increase in capital is taken as profit while a decrease is regarded as loss.
- ❑ Closing capital + Drawings – Additional capital – Opening capital = Profit/ Loss.
- ❑ A statement of affairs is prepared to find out capital on a particular day by showing the balances of assets on the right side and the balances of liabilities on the left side.
- ❑ From the information available from incomplete records and from other documents, the missing figures can be found out and then the final accounts can be prepared.

SELF-EXAMINATION QUESTIONS

Unit - 1

I. MULTIPLE CHOICE QUESTIONS

CHOOSE THE CORRECT ANSWER

1. Incomplete records are generally maintained by

- (a) A company
- (b) Government
- (c) Small sized sole trader business
- (d) Multinational enterprises

[Ans. (c) Small sized sole trader business]

2. Statement of affairs is a

- (a) Statement of income and expenditure
- (b) Statement of assets and liabilities
- (c) Summary of cash transactions
- (d) Summary of credit transactions

[Ans. (b) Statement of assets and liabilities]

3. Opening statement of affairs is usually prepared to find out the

- (a) Capital in the beginning of the year
- (b) Capital at the end of the year
- (c) Profit made during the year
- (d) Loss occurred during the year

[Ans. (a) Capital in the beginning of the year]

4. The excess of assets over liabilities is

- (a) Loss
- (b) Cash
- (c) Capital
- (d) Profit

[Ans. (c) Capital]

5. Which of the following items relating to bills payable is transferred to total creditors account?

- (a) Opening balance of bills payable
- (b) Closing balance of bills payable
- (c) Bills payable accepted during the year
- (d) Cash paid for bills payable

[Ans. (c) Bills payable accepted during the year]

6. The amount of credit sales can be computed from

- (a) Total debtors account
- (b) Total creditors account
- (c) Bills receivables account
- (d) Bills payable account

[Ans. (a) Total debtors account]

7. Which one of the following statements is not true in relation to incomplete records?

- (a) It is an unscientific method of recording transactions
- (b) Records are maintained only for cash and personal accounts
- (c) It is suitable for all types of organisations
- (d) Tax authorities do not accept

[Ans. (c) It is suitable for all types of organisations]

ACCOUNTS FROM INCOMPLETE RECORDS

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8. What is the amount of capital of the proprietor, if his assets are ₹ 85,000 and liabilities are ₹ 21,000?.

- (a) ₹ 85,000 (b) ₹ 1,06,000
 (c) ₹ 21,000 (d) ₹ 64,000

[Ans. (d) ₹ 64,000]

Hint:

$$\begin{aligned} \text{Capital} &= \text{Assets} - \text{Liabilities} \\ &= ₹ 85,000 - ₹ 21,000 = ₹ 64,000 \end{aligned}$$

9. When capital in the beginning is ₹ 10,000, drawings during the year is ₹ 6,000, profit made during the year is ₹ 2,000 and the additional capital introduced is ₹ 3,000, find out the amount of capital at the end.

- (a) ₹ 9,000 (b) ₹ 11,000
 (c) ₹ 21,000 (d) ₹ 3,000

[Ans. (a) ₹ 9,000]

Hint:

Particulars	₹
Capital at the end	9,000
Add: Drawings	6,000
	15,000
Less: Additional Capital introduced	3,000
	12,000
Less: Opening Capital	10,000
Profit	2,000

10. Opening balance of debtors: ₹ 30,000, cash received: ₹ 1,00,000, credit sales: ₹ 90,000; closing balance of debtors is

- (a) ₹ 30,000 (b) ₹ 1,30,000
 (c) ₹ 40,000 (d) ₹ 20,000

[Ans. (d) ₹ 20,000]

Hint :

Dr		Total Debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balance c/d	30,000	By Cash A/c (Received)	1,00,000		
To Credit Sales	90,000	By Balance b/d	20,000		
	1,20,000		1,20,000		

II. VERY SHORT ANSWER QUESTIONS

1. What is meant by incomplete records?

Ans. (i) When accounting records are not strictly maintained according to double entry system, these records are called as incomplete accounting records.

(ii) Generally, cash account and the personal accounts of customers and creditors are maintained fully and other accounts are maintained based on necessity.

2. State the accounts generally maintained by small sized sole trader when double entry accounting system is not followed.

Ans. In general, only cash and personal accounts are maintained fully. Real accounts and nominal accounts are not maintained properly.

3. What is a statement of affairs?

Ans. A statement of affairs is a statement showing the balances of assets and liabilities on a particular date. This method of ascertaining profit is also called as statement of affairs method or networth method or capital comparison method.

III. SHORT ANSWER QUESTIONS

1. What are the features of incomplete records?.

Ans. (i) Nature:

It is an unscientific and unsystematic way of recording transactions. Accounting principles and accounting standards are not followed properly.

(ii) **Lack of uniformity:**

There is no uniformity in recording the transactions among different organisations. Different organisations record their transactions according to their needs and conveniences.

(iii) **Suitability:**

Only the business concerns which have no legal obligation to maintain books of accounts under double entry system may maintain incomplete records. Hence, it may be maintained by small sized sole traders and partnership firms.

2. What are the limitations of incomplete records?

Ans. (i) Lack of proper maintenance of records:

It is an unscientific and unsystematic way of maintaining records. Real and nominal accounts are not maintained properly.

(ii) **Difficulty in preparing trial balance:**

As accounts are not maintained for all items, the accounting records are incomplete. Hence, trial balance cannot be prepared to test the arithmetical accuracy of the accounts.

(iii) **Difficulty in ascertaining true profitability of the business:**

Profit is found out based on available information and estimates. Hence, it is difficult to ascertain true profit as the trading and profit and loss account cannot be prepared with accuracy.

(iv) **Errors and frauds cannot be detected easily:**

As only partial records are available, it may not be possible to have internal checks in maintaining accounts to detect errors and frauds.

3. State the differences between double entry system and incomplete records.

Ans.

S. No.	Basis of distinction	Double entry system	Incomplete records
1.	Recording of transaction	Both debit and credit aspects of all the transactions are recorded	Debit and credit aspects of all the transactions are not recorded completely.
2.	Type of accounts maintained	Personal, real and nominal accounts are maintained fully	In general, Only personal and cash accounts are maintained fully. Real and nominal accounts are not maintained fully.
3.	Preparation of trial balance	Trial balance can be prepared to check the arithmetical accuracy of the entries made in the books of accounts.	Trial balance cannot be prepared to check arithmetic accuracy of entries made in the books of accounts.
4.	Suitability	It is suitable for all types of organisations	It may be suitable for small sized sole traders and partnership firms.
5.	Reliability	It is reliable	It is not reliable.

4. State the procedure for calculating profit or loss through statement of affairs.

Ans. Following are the steps to be followed under the statement of affairs method to find out the profit or loss.

- (1) Ascertain the opening capital by preparing a statement of affairs at the beginning of the year by taking the opening balances of assets and liabilities.
- (2) Ascertain the closing capital by preparing a statement of affairs at the end of the accounting period after making all adjustments such as depreciation, bad debts, outstanding and prepaid expenses, outstanding income, interest on capital, interest on drawings, etc.
- (3) Add the amount of drawings (both in cash and/in kind) to the closing capital.
- (4) Deduct the amount of additional capital introduced, to get adjusted closing capital.
- (5) Ascertain profit or loss by subtracting opening capital from the adjusted closing capital.
 - a) If adjusted closing capital is more than the opening capital, it denotes profit
 - b) If adjusted closing capital is lesser than the opening capital, it denotes loss

Following format is used to find out the profit or loss:

ACCOUNTS FROM INCOMPLETE RECORDS



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Statement of Profit or loss for the year ended

Particulars	₹
Capital at the end of the year	XXXX
Add: Drawings during the year	XXXX
	XXXX
Less: Additional capital introduced during the year	XXXX
Adjusted closing capital	XXXX
Less: Opening Capital	XXXX
Profit or loss for the year	XXXX

5. Differentiate between statement of affairs and balance sheet.

Ans.

S. No.	Basis of distinction	Statement of affairs	Balance Sheet
1.	Objective	Statement of affairs is prepared to find out the capital of the business.	Balance sheet is prepared to ascertain the financial position of the business.
2.	Accounting system	Statement of affairs is prepared when double entry system is not strictly followed.	Balance sheet is prepared when accounts are maintained under double entry system.
3.	Basis of preparation	It is not fully based on ledger balances.	It is prepared exclusively on the basis of ledger balances.
4.	Reliability	It is not reliable as it is based on incomplete records.	It is reliable as it prepared under double entry system.
5.	Missing items	It is difficult to trace the items omitted as complete records are not maintained.	Since both the aspects of all transactions are duly recorded, items omitted can be traced easily.

6. How is the amount of credit sale ascertained from incomplete records?

Ans. Total sales are calculated by adding cash and credit sales. Cash sales are given in cash book. For ascertaining the amount of credit sales, the total debtors account should be prepared. The specimen of total debtors account is given below.

Dr		Total debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balace b/d (Op. Bal.)	XXXX	By Cash received	XXXX		
To Credit sales (Bal. Fi.)	XXXX	By Discount allowed	XXXX		
		By Sales returns	XXXX		
		By balance c/d (Clos. Bal)	XXXX		
	XXXX		XXXX		

ACCOUNTS FROM INCOMPLETE RECORDS

IV EXERCISES

1. From the following particulars ascertain profit or loss:

Particulars	₹
Capital at the beginning of the year (1 st April, 2018)	5,00,000
Capital at the end of the year (31 st March, 2019)	8,50,000
Additional capital introduced during the year	1,20,000
Drawings during the year	70,000

Solution :

Statement of profit or loss for the year ending 31st March 2019

Particulars	₹
Closing capital (as on 31.03.2019)	8,50,000
Add : Drawings during the year	70,000
	9,20,000
Less: Additional capital introduced during the year	1,20,000
Adjusted closing capital	8,00,000
Less: Opening capital (as on 1 st April, 2018)	5,00,000
Profit for the year	3,00,000

2. From the following particulars ascertain profit or loss.

Particulars	₹
Capital as on 1 st January 2018	2,20,000
Capital as on 31 st December 2018	1,80,000
Additional capital introduced during the year	40,000
Drawings made during the year	50,000

Solution :

Statement of profit or loss for the year ending 31st December 2018

Particulars	₹
Closing capital as on 31 st December 2018	1,80,000
Add : Drawings during the year	50,000
	2,30,000
Less: Additional capital introduced during the year	40,000
Adjusted closing capital	1,90,000
Less: Opening capital as on 1 st January, 2018	2,20,000
Loss for the year	30,000

ACCOUNTS FROM INCOMPLETE RECORDS



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3. From the following details, calculate the missing figure.

Particulars	₹
Closing capital as on 31.3.2018	80,000
Additional capital introduced during the year	30,000
Drawings during the year	15,000
Opening capital on 01.4.2017	?
Loss for the year ending 31.3.2018	25,000

Solution :

Statement of profit or loss for the year ending 31st March 2018

Particulars	₹
Closing capital as on 31.03.2018	80,000
Add : Drawings during the year	15,000
	95,000
Less: Additional capital introduced during the year	30,000
Adjusted closing capital	65,000
Less: Opening capital as on 01.04.2017 (B/F)	90,000
Loss for the year ending 31.03.2018	25,000

4. From the following details, calculate the capital as on 31st December 2018.

Particulars	₹
Capital as on 1 st January, 2018	1,00,000
Goods withdrawn for personal use by the owner	30,000
Additional capital introduced during the year	15,000
Profit for the year	60,000

Solution :

Statement of profit or loss for the year ending 31st December 2018

Particulars	₹
Closing capital	1,45,000
Add : Drawings	30,000
	1,75,000
Less: Additional capital during the year	15,000
Adjusted closing capital	1,60,000
Less: Opening capital as on 1st January 2018	1,00,000
Profit for the year	60,000

5. From the following details, calculate the missing figure:

Particulars	₹
Capital as on 1 st April, 2018	40,000
Capital as on 31 st March, 2019	50,000
Additional capital introduced during the year	7,000
Profit for the year	8,000
Drawings during the year?	?

Solution : Statement of Profit or loss for the year ending 31st March 2019

Particulars	₹
Closing capital as on 31 st March 2019	50,000
Add : Drawing during the year	5,000
	55,000
Less: Additional capital introduced during the year	7,000
	48,000
Adjusted closing capital	40,000
Less: Opening capital as on 1st January 2018	
Profit for the year	8,000

6. Following are the balances in the books of Thomas as on 31st March 2019

Particulars	₹	Particulars	₹
Sundry creditors	6,00,000	Bills payable	1,20,000
Furniture	80,000	Cash in hand	20,000
Land and building	3,00,000	Bills receivable	60,000
Sundry debtors	3,20,000	Stock	2,20,000

Prepare a statement of affairs as on 31st March 2019 and calculate capital as at that date.

Solution : **In the books of Thomas**

Statement of affairs as on 31st March 2019

Liabilities	₹	Assets	₹
Sundry creditors	6,00,000	Furniture	80,000
Bills payable	1,20,000	Land and building	3,00,000
capital (Balancing figure)	2,80,000	Sundry debtors	3,20,000
		Cash in hand	20,000
		Bills receivable	60,000
		Stock	2,20,000
	10,00,000		10,00,000

ACCOUNTS FROM INCOMPLETE RECORDS



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7. On 1st April 2018 Subha started her business with a capital of ₹ 1,20,000. She did not maintain proper book of accounts. Following particulars are available from her books as on 31.3.2019.

Particulars	₹	Particulars	₹
Bank overdraft	50,000	Stock-in-trade	1,60,000
Debtors	1,80,000	Creditors	90,000
Bills receivable	70,000	Bills payable	2,40,000
Computer	30,000	Cash in hand	60,000
Machinery	3,00,000		

During the year she withdrew ₹30,000 for her personal use. She introduced further capital of ₹40,000 during the year. Calculate her profit or loss.

Solution : Statement of affairs of Subha as on 31.03.2019

Liabilities	₹	Assets	₹
Creditors	90,000	Stock in trade	1,60,000
Bills payable	2,40,000	Cash in hand	60,000
Bank overdraft	50,000	Debtors	1,80,000
Capital (Balancing figure)	4,20,000	Bills receivable	70,000
		Computer	30,000
		Machinery	3,00,000
	8,00,000		8,00,000

Statement of profit or loss for the year ending 31st March 2019

Particulars	₹
Closing capital as on 31.03.2019	4,20,000
Add: Drawings during the year	30,000
	4,50,000
Less: Additional capital introduced during the year	40,000
Adjusted closing capital	4,10,000
Less: Opening capital as on 01.04.2018	1,20,000
Profit made during the year ending 31.03.2019	2,90,000

8. Raju does not keep proper books of accounts. Following details are taken from his records.

Particulars	1.1.2018 ₹	31.1.2018 ₹
Cash at Bank	80,000	90,000
Stock of goods	1,80,000	1,40,000
Debtors	90,000	2,00,000
Sundry creditors	1,30,000	1,95,000
Bank Loan	60,000	60,000
Bills payable	80,000	45,000
Plant and machinery	1,70,000	1,70,000

During the year he introduced further capital of ₹50,000 and withdrew ₹2,500 per month from the business for his personal use. Prepare statement of profit or loss with the above information.

Solution : In the book of Raju

Calculation of opening capital:

Statement of affairs as on 1.1.2018

Liabilities	₹	Assets	₹
Sundry creditors	1,30,000	Cash at bank	80,000
Bank loan	60,000	Stock of goods	1,80,000
Bills payable	80,000	Debtors	90,000
Capital (Balancing figure)	2,50,000	plant and machinery	1,70,000
	<hr/>		<hr/>
	5,20,000		5,20,000

Calculation of closing capital:

Statement of affairs as on 31.12.2018

Liabilities	₹	Assets	₹
Sundry creditors	1,95,000	Cash at bank	90,000
Bank loan	60,000	Stock of goods	1,40,000
Bills payable	45,000	Debtors	2,00,000
Capital (Balancing figure)	3,00,000	Plant and machinery	1,70,000
	<hr/>		<hr/>
	6,00,000		6,00,000

Statement of profit or loss for the year ending 31st December 2018

Particulars	₹
Closing capital as on 31.12.2018	3,00,000
Add: Drawings during the year (2500 × 12)	30,000
	<hr/>
	3,30,000
Less: Additional capital introduced during the year	50,000
	<hr/>
Adjusted closing capital	2,80,000
Less: Opening capital as on 01.01.2018	2,50,000
	<hr/>
Profit made during the year	30,000

9. Ananth does not keep his books under double entry system. Find the profit or loss made by him for the year ending 31st March, 2019.

Particulars	31.3.2018 ₹	31.3.2019 ₹
Cash at Bank	5,000 (Dr.)	60,000 (Cr.)
Cash in hand	3,000	4,500
Stock of goods	35,000	45,000
Sundry Debtors	1,00,000	90,000
Plant and Machinery	80,000	80,000
Land and Buildings	1,40,000	1,40,000
Sundry Creditors	1,70,000	1,30,000

ACCOUNTS FROM INCOMPLETE RECORDS

Sura's XII Std - Accountancy

Ananth had withdrawn ₹60,000 for his personal use. He had introduced ₹17,000 as capital for expansion of his business. Create a provision of 5% on debtors. Plant and machinery is to be depreciated at 10%.

Solution : **In the book of Ananth**

Calculation of opening capital:

Statement of affairs as on 31.3.2018

Liabilities	₹	Assets	₹
Sundry creditors	1,70,000	Cash at bank	5,000
Capital (Balancing figure)	1,93,000	Cash in hand	3,000
		Stock of goods	35,000
		Sundry Debtors	1,00,000
		plant and machinery	80,000
		Land and buildings	1,40,000
	<u>3,63,000</u>		<u>3,63,000</u>

Calculation of closing capital:

Statement of affairs as on 31.3.2019

Liabilities	₹	Assets	₹	₹
Bank balance (Bank overdraft)	60,000	Cash in hand		4,500
Sundry creditors	1,30,000	Stock of goods		45,000
Capital (Balancing figure)	1,57,000	Sundry debtors	90,000	
		Less : Provision on debtors 5%	4,500	85,500
		Plant and machinery	80,000	
		Less : Depreciation 10%	8,000	72,000
		Land and Buildings		1,40,000
	<u>3,47,000</u>			<u>3,47,000</u>

Statement of profit or loss for the year ending 31st March 2019

Particulars	₹
Closing capital as on 31.3.2019	1,57,000
Add: Drawings during the year	60,000
	<u>2,17,000</u>
Less: Additional capital introduced during the year	17,000
Adjusted closing capital	<u>2,00,000</u>
Less: Opening capital as on 31.03.2018	1,93,000
Profit for the year ending 31.3.2019	7,000

10. Find out credit sales from the following information:

Particulars	₹
Debtors on 1 st April, 2018	1,00,000
Cash received from debtors	2,30,000
Discount allowed	5,000
Returns inward	25,000
Debtors on 31 st March 2019	1,20,000

Solution :

Total Debtors account			
Dr			Cr
Particulars	₹	Particulars	₹
To Balance b/d	1,00,000	By Cash received	2,30,000
To Credit sales	2,80,000	By Discount allowd	5,000
(Balancing figure)		By Sales returns	25,000
		By Balance c/d	1,20,000
	<u>3,80,000</u>		<u>3,80,000</u>

11. From the following details find out total sales made during the year.

Particulars	₹
Debtors on 1 st January 2018	1,30,000
Cash received from debtors during the year	4,20,000
Sales returns	35,000
Bad debts	15,000
Debtors on 31 st December 2018	2,00,000
Cash Sales	4,60,000

Solution :

Total Debtors account			
Dr			Cr
Particulars	₹	Particulars	₹
To Balance b/d	1,30,000	By Cash	4,20,000
To Credit sales	5,40,000	By Sales return	35,000
(Balancing figure)		By Bad debits	15,000
		By Balance c/d	2,00,000
	<u>6,70,000</u>		<u>6,70,000</u>

$$\begin{aligned}
 \text{Total sales} &= \text{Cash sales} + \text{Credit sales} \\
 &= 4,60,000 + 5,40,000 \\
 &= \text{₹ } 10,00,000
 \end{aligned}$$

12. From the following particulars, prepare bills receivable amount and compute the bills received from the debtors.

Particulars	₹
Bills receivable at the beginning of the year	1,40,000
Bills receivable at the end of the year	2,00,000
Cash received for bills receivable	3,90,000
Bills receivable dishonoured	30,000

ACCOUNTS FROM INCOMPLETE RECORDS



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Solution :

Dr		Bills receivable account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	1,40,000	By Cash	3,90,000		
To Debtors A/c (Bills received during the year - balancing figure)	4,80,000	By Debtors (Bills receivable dishonored)	30,000		
		By Balance c/d	2,00,000		
	6,20,000		6,20,000		

13. From the following particulars, calculate total sales.

Particulars	₹	Particulars	₹
Debtors on 1 st April 2018	2,50,000	Bills receivable dishonoured	15,000
Bills receivable on 1 st April 2018	60,000	Returns inward	50,000
Cash received from debtors	7,25,000	Bills receivable on 31 st March, 2019	90,000
Cash received for bills receivable	1,60,000	Sundry debtors on 31 st March, 2019	2,40,000
Bad debts	30,000	Cash sales	3,15,000

Solution :

Dr		Bills receivable account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	60,000	By Cash A/c	1,60,000		
To Debtors A/c (Bills received during the year - balancing figure)	2,05,000	By Debtors (Bills receivable dishonored)	15,000		
		By Balance c/d	90,000		
	2,65,000		2,65,000		

Dr		Total Debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	2,50,000	By Cash	7,25,000		
To Bills receivable (dishonored)	15,000	By Returns inward	50,000		
To Credit sales	9,85,000	By Bills receivable (bills received)	2,05,000		
		By Bad debts	30,000		
		By Balance c/d	2,40,000		
	10,10,000		10,10,000		

$$\begin{aligned}
 \text{Total sales} &= \text{Cash sales} + \text{Credit sales} \\
 &= ₹ 3,15,000 + ₹ 9,85,000 \\
 &= ₹ 13,00,000
 \end{aligned}$$

14. From the following details, calculate credit purchases.

Particulars	₹
Opening creditors	1,70,000
Purchase returns	20,000
Cash paid to creditors	4,50,000
Closing creditors	1,90,000

Solution :

Dr		Total Creditors account		Cr	
Particulars	₹	Particulars	₹		
To Cash (paid)	4,50,000	By Balance b/d	1,70,000		
To Purchase returns	20,000	By Credit purchases	4,90,000		
To Balance c/d	1,90,000	(balance figure)			
	<u>6,60,000</u>				<u>6,60,000</u>

15. From the following particulars calculate total purchases.

Particulars	₹	Particulars	₹
Sundry creditors on 1 st January, 2018	30,000	Purchases returns	15,000
Bills payable on 1 st January, 2018	25,000	Cash purchases	2,25,000
Paid cash to creditors	1,20,000	Creditors on 31 st December, 2018	25,000
Paid for bills payable	30,000	Bills payable on 31 st December, 2018	20,000

Solution :

Dr		Bills payable account		Cr	
Particulars	₹	Particulars	₹		
To Cash (Bills paid)	30,000	By Balance b/d	25,000		
To Balance c/d	20,000	By Sundry creditors	25,000		
		(Bills accepted - balancing figure)			
	<u>50,000</u>				<u>50,000</u>

Dr		Total Creditors account		Cr	
Particulars	₹	Particulars	₹		
To Cash paid	1,20,000	By Balance b/d	30,000		
To Purchases returns	15,000	By Purchases	1,55,000		
To Bills payable	25,000	(credit balancing figure)			
(Bills accepted)					
To Balance c/d	25,000				
	<u>1,85,000</u>				<u>1,85,000</u>

$$\begin{aligned}
 \text{Total purchases} &= \text{Cash purchases} + \text{Credit purchases} \\
 &= ₹ 2,25,000 + ₹ 1,55,000 \\
 &= ₹ 3,80,000
 \end{aligned}$$

ACCOUNTS FROM INCOMPLETE RECORDS



Sura's XII Std - Accountancy

- 16.** From the following details you are required to calculate credit sales and credit purchases by preparing total debtors account, total creditors account, bills receivable account and bills payable account.

Particulars	₹	Particulars	₹
Balances as on 1st April 2018		Balances as on 31st March 2019	
Sundry debtors	2,40,000	Sundry debtors	2,20,000
Bills receivable	30,000	Sundry creditors	1,50,000
Sundry creditors	1,20,000	Bills receivable	8,000
Bills payable	10,000	Bills payable	20,000
Other information:	₹		₹
Cash received from debtors	6,00,000	Payments against bill payable	30,000
Discount allowed to customers	25,000	Cash received for bills receivable	60,000
Cash paid to creditors	3,20,000	Bills receivable dishonoured	4,000
Discount allowed by suppliers	10,000	Bad debts	16,000

Solution :

Dr		Bills receivable account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	30,000	By Cash	60,000		
To Debtors	42,000	By Debtors	4,000		
(Bills received - balancing figure)		(Bills receivable dishonoured)			
		By Balance c/d	8,000		
	72,000		72,000		

Dr		Total Debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	2,40,000	By Cash received	6,00,000		
To Bills receivable	4,000	By Discount allowed	25,000		
(dishonoured)		By Bad debts	16,000		
To Sales (credit)	6,59,000	By Bills receivable	42,000		
(balancing figure)		(bills received)			
		By Balance c/d	2,20,000		
	9,03,000		9,03,000		

Dr		Bills payable account		Cr	
Particulars	₹	Particulars	₹		
To Cash (Bills paid)	30,000	By Balance b/d	10,000		
To Balance c/d	20,000	By Sundry creditors	40,000		
		(Bills accepted balancing figure)			
	50,000		50,000		

ACCOUNTS FROM INCOMPLETE RECORDS

Dr		Total Creditors account		Cr	
Particulars	₹	Particulars	₹		
To Cash (paid)	3,20,000	By Balance b/d	1,20,000		
To Discount received	10,000	By Purchases (credit)	4,00,000		
To Bills payable (Bills accepted)	40,000	(balancing figure)			
To Balance c/d	1,50,000				
	5,20,000				5,20,000

- 17. From the following details of Rakesh, prepare Trading and Profit and Loss account for the year ended 31st March, 2019 and a Balance Sheet as on that date.**

Particulars	31.3.2018 ₹	31.3.2019 ₹
Stock of goods	2,20,000	1,60,000
Debtors	5,30,000	6,40,000
Cash at bank	60,000	10,000
Machinery	80,000	80,000
Sundry creditors	3,70,000	4,20,000

Other details :

Particulars	₹	Particulars	₹
Rent paid	1,20,000	Cash received from debtors	12,50,000
Discount received	35,000	Drawings	1,00,000
Discount allowed	25,000	Cash sales	20,000
Cash paid to creditors	11,00,000	Capital as on 1.4.2018	5,20,000

Solution :

Dr		Total Debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	5,30,000	By Cash received	12,50,000		
To Credit sales (balancing figure)	13,85,000	By Discounts allowed	25,000		
	19,15,000	By Balance c/d	6,40,000		
			19,15,000		

Dr		Total Creditors account		Cr	
Particulars	₹	Particulars	₹		
To Cash (paid)	11,00,000	By Balance b/d	3,70,000		
To Discount received	35,000	By Credit purchases	11,85,000		
To Balance c/d	4,20,000	(balancing figure)			
	15,55,000				15,55,000

ACCOUNTS FROM INCOMPLETE RECORDS



Sura's XII Std - Accountancy

**In the Books of Rakash Trading and Profit and loss account
for the year ended 31st March 2019**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening stock	2,20,000	By Sales	
To Purchases	11,85,000	Cash sales 20,000	
To Gross profit c/d	1,60,000	Credit sales <u>13,85,000</u>	14,05,000
		By Closing stock	1,60,000
	<u>15,65,000</u>		<u>15,65,000</u>
To Rent paid	1,20,000	By Gross Profit b/d	1,60,000
To Discount allowed	25,000	By Discount received	35,000
To Net profit (transferred to capital account)	50,000		
	<u>1,95,000</u>		<u>1,95,000</u>

Balance sheet as on 31st March 2019

Liabilities	₹	₹	Assets	₹
Sundry creditors		4,20,000	Debtors	6,40,000
Capital	5,20,000		Cash at bank	10,000
Add : Net profit	50,000		Machinery	80,000
	<u>5,70,000</u>		Closing stock	1,60,000
Less : Drawings	1,00,000			
	<u>4,70,000</u>			
		8,90,000		<u>8,90,000</u>

- 18.** Mary does not keep her books under double entry system. From the following details prepare trading and profit and loss account for the year ending 31st March, 2019 and a balance sheet as on that date.

Dr		Cr	
Particulars	₹	Particulars	₹
To Balance b/d	1,20,000	By Purchases	1,50,000
To Sales	3,60,000	By Creditors	2,50,000
To Debtors	3,40,000	By Wages	70,000
		By Sundry expenses	1,27,000
		By Balance c/d	2,23,000
	<u>8,20,000</u>		<u>8,20,000</u>

Other information :

Particulars	1.4.2018 ₹	31.3.2019 ₹
Stock of goods	1,10,000	1,80,000
Sundry Debtors	1,30,000	?
Sundry Creditors	1,60,000	90,000
Furniture and fittings	80,000	80,000

Additional information :

	₹
Credit purchases	1,80,000
Credit sales	2,90,000
Opening capital	2,80,000
Depreciate furniture and fittings by 10% p.a	

Sura's XII Std - Accountancy

Unit - 1

Solution :

**In the books of Mary
Total Debtors account**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	1,30,000	By Cash (received)	3,40,000
To Sales (Credit)	2,90,000	By Balance c/d (balancing figure)	80,000
	4,20,000		4,20,000
To Balance b/d	80,000		

Trading and Profit and loss account for the year ended 31st March 2019

Dr.			Cr.		
Particulars	₹	₹	Particulars	₹	₹
To Opening stock		1,10,000	By Sales		
To Purchases			Cash	3,60,000	
Cash	1,50,000		Credit	2,90,000	6,50,000
Credit	1,80,000	3,30,000	By Closing stock		1,80,000
To Wages		70,000			
To Gross profit c/d		3,20,000			
		8,30,000			8,30,000
To Sundry expenses		1,27,000	By Gross profits b/d		3,20,000
To Depreciation on machinery 10%		8,000			
To Net profit transferred to capital a/c		1,85,000			
		3,20,000			3,20,000

Balance sheet as on 31st March 2019

Liabilities	₹	₹	Assets	₹	₹
Capital	2,80,000		Cash		2,23,000
Add : Net profit	1,85,000	4,65,000	Stock of goods		1,80,000
			Debtors		80,000
Creditors		90,000	Furniture and fittings	80,000	
			Less : Depreciation	8,000	72,000
		5,55,000			5,55,000

19. Arun carries on hardware business and does not keep his books on double entry basis. The following particulars have been extracted from his books:

Particulars	31.12.2017 ₹	31.12.2018 ₹
Land and building	2,40,000	2,40,000
Stock-in-trade	1,20,000	1,70,000
Debtors	40,000	51,500
Creditors	50,000	45,000
Cash at bank	30,000	53,000

ACCOUNTS FROM INCOMPLETE RECORDS



Sura's XII Std - Accountancy

Other information for the year ending 31.12.2018 showed the following:

	₹
Wages	65,000
Carriage outwards	7,500
Sundry expense	28,000
Cash paid to creditors	6,00,000
Drawings	10,000

Total sales during the year were ₹7,70,000. Purchases returns during the year were ₹30,000 and sales returns were ₹25,000. Depreciate land and buildings by 5%. Provide ₹1,500 for doubtful debts. Prepare trading and profit and loss account for the year ending 31st December, 2018 and a balance sheet as on that date.

Solution :

In the books of Arun

Statement of affairs as on 1st December 2017

Liabilities	₹	Assets	₹
Creditors	50,000	Land and Building	2,40,000
Opening capital (balancing figure)	3,80,000	Stock in trade	1,20,000
		Debtors	40,000
		Cash at bank	30,000
	<u>4,30,000</u>		<u>4,30,000</u>

Dr

Total Creditors account

Cr

Particulars	₹	Particulars	₹
To Cash (paid)	6,00,000	By Balance b/d	50,000
To Purchase returns	30,000	By Credit purchases	6,25,000
To Balance c/d	45,000	(balancing figure)	
	<u>6,75,000</u>		<u>6,75,000</u>

Trading and Profit and loss account for the year ended 31st December 2018

Dr.

Cr.

Particulars	₹	₹	Particulars	₹	₹
To Opening stock		1,20,000	By sales	7,70,000	
To Purchases credit	6,25,000		Less : Sales returns	25,000	7,45,000
Less : Purchase returns	30,000	5,95,000	By Closing stock		1,70,000
To Wages		65,000			
To Gross profit c/d		1,35,000			
		<u>9,15,000</u>			<u>9,15,000</u>
To Carriage outwards		7,500	By Gross profits c/d		1,35,000
To Sundry expenses		28,000			
To Depreciation on land and building @ 5%		12,000			
To Provision for doubtful debts		1,500			
To Net profit transfered to capital account		86,000			
		<u>1,35,000</u>			<u>1,35,000</u>

Balance sheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Capital	3,80,000		Land and buildings	2,40,000	
Add : Net profit	86,000		Less : Depreciation 5%	12,000	2,28,000
	4,66,000		Closing stock		1,70,000
Less : Drawings	10,000	4,56,000	Debtors	51,500	
			Less : Provision for debtors	1,500	50,000
Creditors		45,000	Cash at bank		53,000
		5,01,000			5,01,000

- 20.** Selvam does not keep his books under double entry system. From the following information prepare trading and Profit & Loss A/c and Balance Sheet as on 31-12-2018

Particulars	1.1.2018 ₹	31.12.2018 ₹
Machinery	60,000	60,000
Cash at bank	25,000	33,000
Sundry debtors	70,000	1,00,000
Stock	45,000	22,000
Bills receivable	20,000	38,000
Bank loan	45,000	45,000
Sundry creditors	25,000	21,000

	₹		₹
Cash sales	20,000	Credit sales	1,80,000
Cash purchases	8,000	Credit purchases	52,000
Wages	6,000	Salaries	23,500
Advertisement	7,000	Interest on bank loan	4,500
Drawings	60,000	Additional capital	21,000

Adjustments:

Write off depreciation of 10% on machinery. Create a reserve of 1% on debtors for doubtful debts.

Solution :

In the books of selvam

Statement of affairs as on 1st January 2018

Liabilities	₹	Assets	₹
Bank Loan	45,000	Machinery	60,000
Sundry creditors	25,000	Cash at bank	25,000
Opening capital	1,50,000	Sundry debtors	70,000
(Balancing figure)		Stock	45,000
		Bills receivable	20,000
	2,20,000		2,20,000

ACCOUNTS FROM INCOMPLETE RECORDS



Sura's XII Std - Accountancy

Trading and Profit and loss account for the year ended 31st December 2018

Dr.			Cr.		
Particulars	₹	₹	Particulars	₹	₹
To Opening stock		45,000	By Sales		
To Purchase			Cash	20,000	
Cash	8,000		Credit	1,80,000	2,00,000
Credit	52,000	60,000	By Closing stock		22,000
To Wages		6,000			
To Gross profit c/d		1,11,000			
		2,22,000			2,22,000
To Advertisement		7,000	By Gross profit b/d		1,11,000
To Salaries		23,500			
To Depreciation on					
Machinery at 10%		6,000			
To Reserve on debtors 1 %		1,000			
To Interest on bank loan		4,500			
To Net profit transferred					
to capital a/c		69,000			
		1,11,000			1,11,000

Balance sheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Bank loan		45,000	Machinery	60,000	
Sundry creditors		21,000	Less : Depreciation 10%	6,000	54,000
Capital	1,50,000		Cash at bank		33,000
Add : Net profit	69,000		Sundry debtors	1,00,000	
	2,19,000		Less : Reserve for doubtful		99,000
Add : Additional			debts	1,000	
capital	21,000		Closing stock		22,000
	2,40,000		Bills receivable		38,000
Less : Drawings	60,000	1,80,000			
		2,46,000			2,46,000

FILL IN THE MISSING INFORMATION

TEXT BOOK No. 38

Closing capital ₹	Drawings ₹	Additional capital ₹	Opening capital ₹	Profit / Loss ₹
1,00,000	40,000	20,000	90,000	?
?	30,000	40,000	80,000	20,000
70,000	?	30,000	40,000	10,000
60,000	20,000	?	50,000	-10,000
2,00,000	30,000	10,000	?	1,20,000

Solution :

Closing capital ₹	Drawings ₹	Additional capital ₹	Opening capital ₹	Profit / Loss ₹
1,00,000	40,000	20,000	90,000	30,000
1,10,000	30,000	40,000	80,000	20,000
70,000	10,000	30,000	40,000	10,000
60,000	20,000	40,000	50,000	-10,000
2,00,000	30,000	10,000	1,00,000	1,20,000

ADDITIONAL QUESTIONS AND ANSWERS

I. MULTIPLE CHOICE QUESTIONS.

(i) Choose the correct answer.

1. The different between the total of assets and total of liabilities is taken as

- (a) drawings (b) capital
(c) profit (d) loss

[Ans. (b) capital]

2. The total assets of a proprietor are ₹5,00,000. His liabilities ₹3,50,000. Then his capital in the business is

- (a) ₹8,50,000 (b) ₹1,50,000
(c) ₹3,50,000 (d) ₹4,25,000

[Ans. (b) ₹1,50,000]

Hint: Capital = Assets – liabilities
= ₹ 5,00,000 – ₹ 3,50,000
= ₹ 1,50,000

3. A firm has assets worth ₹60,000 and capital ₹45,000. Then it's liabilities is

- (a) ₹45,000 (b) ₹1,05,000
(c) ₹60,000 (d) ₹15,000

[Ans. (d) ₹15,000]

Hint: Liabilities = Assets – Capital
= ₹ 60,000 – 45,000
= ₹ 15,000

4. Under the net worth method, the basis for ascertaining the profit is

- (a) the difference between the capital on two dates
(b) the difference between the liabilities on two dates
(c) the different between the gross assets on two dates
(d) the difference between the gross profit on two dates

[Ans. (a) the difference between the capital on two dates]

5. Credit sale is obtained from

- (a) Bills receivable account
(b) Bills payable account
(c) Total debtors account
(d) Total creditors account

[Ans. (c) Total debtors account]

6. The capital of a business is ascertained by preparing

- (a) Trading account
(b) Statement of profit or loss
(c) Balance sheet
(d) Statement of affairs

[Ans. (d) Statement of affairs]

7. Credit purchase is obtained from

- (a) Bills receivable account
(b) Bills payable account
(c) Total debtors account
(d) Total creditors account

[Ans. (d) Total creditors account]

8. Debtors on 1.4.2018 was ₹1,00,000 and on 31.3.2019 was ₹80,000 cash received from debtors during the year is ₹1,60,000. Then the credit sales during the year is

- (a) ₹3,40,000 (b) ₹2,40,000
(c) ₹1,40,000 (d) ₹1,60,000

[Ans. (c) ₹1,40,000]

Hint :

Dr		Total Debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	1,00,000	By Cash A/c (received)	1,60,000		
To Sales A/c (Balancing figure)	1,40,000	By Balance c/d	80,000		
	2,40,000		2,40,000		

ACCOUNTS FROM INCOMPLETE RECORDS



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9. A firm's total sales is ₹80,000 and its credit sales is ₹60,000. Then its cash sales is
- (a) ₹1,40,000 (b) ₹70,000
(c) ₹20,000 (d) ₹80,000

[Ans. (d) ₹20,000]

Hint : Cash Sales = Total Sales – Credit Sales
= ₹ 80,000 – ₹ 60,000
= ₹ 20,000

10. A firm has assets worth ₹47,500 and liabilities ₹17,700. Then its capital is
- (a) ₹29,800 (b) ₹65,200
(c) ₹35,400 (d) ₹17,700

[Ans. (a) ₹29,800]

Hint : Capital = Assets – Liabilities
= ₹ 47,500 – ₹ 17,700
= ₹ 29,800

11. Companies cannot keep books on single entry system because of
- (a) tax properties (b) legal provisions
(c) both (a) and (b) (d) None of these

[Ans. (b) legal provisions]

- (ii) Match List I with List II and Select the Correct Answer using the Codes given below.

List I		List II	
(i)	Incomplete records	1.	Net worth method
(ii)	Single entry system	2.	Double entry
(iii)	Statement of affairs method	3.	Small traders
(iv)	Nominal account	4.	Incomplete double system

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	1	4
(d)	3	4	1	2

[Ans. (d) (i) - 3 (ii) - 4 (iii) - 1 (iv) - 2]

List I		List II	
(i)	Nature	1.	Needs and conveniences
(ii)	Types of accounts	2.	No legal obligations
(iii)	Lack of uniformity	3.	Real account and nominal accounts
(iv)	Suitability	4.	Unsystematic way of transactions

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	2	3	4	1
(c)	4	3	1	2
(d)	3	4	2	1

[Ans. (c) (i) - 4 (ii) - 3 (iii) - 1 (iv) - 2]

- (iii) Choose the Correct Option and Fill in the Blanks.

1. Incomplete records are those records which are not kept under _____ system

- (a) Single entry (b) Double entry
(c) Book keeping (d) none of these

[Ans. (b) Double entry]

2. _____ is an unscientific and unsystematic way of recording transactions.

- (a) Incomplete records
(b) Complete records
(c) Single entry system
(d) Double entry system

[Ans. (a) Incomplete records]

3. Statement of affairs method is also called as _____ method.

- (a) Net profit
(b) Net loss
(c) Net worth/capital comparison
(d) None of these

[Ans. (c) Net worth/capital comparison]

4. _____ is a statement showing the balances of assets and liabilities on a particular date.

- (a) Statement of affairs
(b) Trading account
(c) Profit and loss account
(d) Balance sheet

[Ans. (a) Statement of affairs]

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Unit - 1

Unit - 1

5. _____ capital can be found by preparing a statement of affairs at the beginning of the year.

- (a) Opening capital (b) Closing capital
(c) Both (a) and (b) (d) None of these

[Ans. (a) opening capital]

6. A statement of affairs resembles a _____

- (a) Trading account
(b) Profit and loss account
(c) Balance sheet
(d) Trial balance

[Ans. (c) Balance sheet]

7. Closing capital can be found by preparing a statement affairs at the _____ of the year.

- (a) opening (b) end
(c) centre (d) none of these

[Ans. (b) end]

8. In _____ system, only personal and cash accounts are opened.

- (a) Single entry (b) Double entry
(c) Trial balance (d) Balance Sheet

[Ans. (a) Single entry]

9. Creditors on 1.4.2016 was ₹80,000 and on 31.3.2017 was ₹65,000 cash paid to creditors during the year is ₹1,10,000. Then the credit purchases during the year is _____.

- (a) ₹95,000 (b) ₹1,75,000
(c) ₹1,95,000 (d) ₹1,50,000

[Ans. (a) ₹ 95,000]

Hint :

Dr		Total Creditors Account		Cr	
Particulars	₹	Particulars	₹		
To Cash (Paid)	1,10,000	By Balance b/d	80,000		
To Balance c/d	65,000	By Credit			
		Purchases A/c	95,000		
		(Balancing figure)			
	1,75,000		1,75,000		

10. _____ maintains only personal and cash accounts.

- (a) Single entry system
(b) Double entry system
(c) Both (a) and (b)
(d) None of these

[Ans. (a) Single entry system]

11. _____ is suitable only for sole traders and partnership firms.

- (a) Double entry system
(b) Single entry system
(c) Both (a) and (b)
(d) None of these

[Ans. (b) Single entry system]

12. Single entry system keeps one cash book which mixes up business as well as _____ transactions.

- (a) Private (b) Own
(c) Public (d) Capital

[Ans. (a) Private]

13. True financial position cannot be ascertained as _____ is not prepared due to the absence of nominal and real accounts.

- (a) Trading accounts
(b) Profit and loss account
(c) Balance sheet
(d) Trail balance

[Ans. (c) Balance sheet]

14. If it is desired to calculate profit by preparing trading and profit and loss account under single entry then it is called _____ method.

- (a) Network
(b) Statement of affairs
(c) Conversion
(d) None of these

[Ans. (c) Conversion]

(iv) **Pick the Odd one Out.**

1. (a) Incomplete (b) Unsystematic
(c) Balance Sheet (d) Unscientific

[Ans. (c) Balance Sheet]

Reason : Balance sheet is a statement which gives the position of assets and liabilities on a particular date. Other three are limitations of incomplete records.

2. (a) Statement of affairs
(b) Net worth method method
(c) Annuity method
(d) Capital comparison method

[Ans. (c) Annuity method]

Reason : Annuity method, not only the original cost of the asset but also the amount of interest on the investment is taken into account while computing depreciation. Other three are methods of ascertaining profit or loss.

ACCOUNTS FROM INCOMPLETE RECORDS



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3. (a) Conversion method
(b) Statement of affairs method
(c) Straight line method
(d) Net worth method

[Ans. (c) Straight line method]

Reason : Under this method, a fixed percentage on the original cost of the asset is charged every year by way of depreciation. Other three are methods of ascertaining profit or loss.

(v) Which one of the Following is Correctly Matched?

1. (a)	Adjusted closing capital	=	Closing capital – Drawings – Additional capital
(b)	Profit/Loss	=	Closing capital + Drawings – Additional Capital – Opening capital
(c)	Capital	=	Assets + Liabilities
(d)	Closing capital	=	Opening capital + Drawings

[Ans. (b) Profit/Loss = Closing capital + Drawings – Additional Capital – opening capital]

(vi) Consider the Following Statement.

1. **Assertion (A) :** Single Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

Reason (R) : The name of the system itself shows that the double aspects of business transactions are recorded.

- (a) Both (A) and (R) are true and (R) is the correct explanation (A).
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

2. **Assertion (A) :** Single Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained,
Reason (R) : It is always incomplete double entry varying with circumstances.

- (a) Both (A) and (R) are true and (R) is the correct explanation (A).
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation (A)]

3. **Assertion (A):** The single entry system is suitable only for sole traders and partnership firms.

Reason (R): Companies cannot keep books on Double entry system because of legal provisions.

- (a) Both (A) and (R) are true and (R) is the correct explanation (A).
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.

[Ans. (c) (A) is true, but (R) is false]

4. **Assertion (A) :** Double Entry System It maintains only personal and cash accounts.

Reason (R) : Personal accounts are not maintained.

- (a) Both (A) and (R) are true and (R) is the correct explanation (A).
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.

[Ans. (c) (A) is true, but (R) is false]

5. **Assertion (A) :** Single entry actually refers to incomplete double entry system or the double entry system.

Reason (R) : It is not based on Single aspect concept. Hence it is incomplete, inaccurate and unscientific.

- (a) Both (A) and (R) are true and (R) the correct explanation (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (d) (A) is false, but (R) is true]

(vii) Choose the Correct Statement.

1. (i) Double Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.
- (ii) The Double entry system is suitable only for sole traders and partnership firms.
- (iii) Single Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (c) (iii) is correct]

2. (i) Incomplete records system makes use of Double Entry System partially. It maintains only personal and cash accounts.
- (ii) Thus, Double entry actually refers to incomplete Single entry system or the defective Single entry system.
- (iii) Single entry is Debit and credit aspects of all transactions are recorded.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (a) (i) is correct]

3. (i) Single entry is Debit and credit aspects of all transactions are recorded.
- (ii) Single Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained.
- (iii) Double Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (b) (ii) is correct]

4. (i) Companies cannot keep books on double entry system because of legal provisions.
- (ii) It is always incomplete Single entry varying with circumstances.
- (iii) Single entry actually refers to incomplete double entry system or the defective double entry system.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (c) (iii) is correct]

5. (i) Double entry actually refers to incomplete Single entry system or the defective Single entry system.
- (ii) Double Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained.
- (iii) If it is desired to calculate profit by preparing Trading and Profit and Loss account under single entry then it is called conversion method.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (c) (iii) is correct]

II VERY SHORT ANSWER QUESTIONS.

1. Name the two main accounts maintained in "accounts from incomplete records".

Ans. The two main accounts maintained in accounts from incomplete records are

- (i) Personal account
- (ii) Cash account

ACCOUNTS FROM INCOMPLETE RECORDS



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III. PROBLEMS.

1. What shall be the profits of the concern if:

Particulars	₹
Opening capital	1,60,000
Closing capital	1,80,000
Drawings	36,000
Additional capital	10,000

Solution :

Statement of profit or loss

Particulars	₹
Closing capital	1,80,000
Add: Drawings	36,000
	2,16,000
Less: Additional capital	10,000
Adjusted closing capital	2,06,000
Less: Opening capital	1,06,000
Profit for the year	46,000

2. Calculate the missing information:

Particulars	₹
Closing capital	32,000
Drawings	4,800
Additional capital	8,000
Profit made during the year	9,600

Solution :

Statement of profit or loss

Particulars	₹
Closing capital	32,000
Add: Drawings	4,800
	36,800
Less: Additional capital	8,000
Adjusted closing capital	28,800
Less: Opening capital [B/F]	19,200
Profit made during the year	9,600

3. Mrs. Geetha started business with ₹1,20,000 as capital on 1.4.2018. During the year she has withdrawn at the rate of ₹1,000 per month. She introduced ₹20,000 as additional capital. Her position on 31.3.2019 was as follows.

Particulars	₹
Bank balance	8,000
Stock	80,000
Sundry debtors	50,000
Furniture	2,500
Cash in hand	2,000
Sundry creditors	25,000
Expenses outstanding	1,000

She keeps her books under single entry system, determine for profit or loss for the year 2003-04.

Solution : Statement of affairs as on 31st March 2019

Liabilities	₹	Assets	₹
Sundry creditors	25,000	Bank balance	8,000
Expenses outstanding	1,000	Stock	80,000
Closing capital (B/F)	1,16,500	Sundry debtors	50,000
		Furniture	2,500
		Cash in hand	2,000
	1,42,500		1,42,500

Statement of profit or loss

Particulars	₹
Closing capital	1,16,500
Add : Drawings (1000 × 12)	12,000
	1,28,500
Less: Additional capital	20,000
Adjusted closing capital	1,08,500
Less: Opening capital	1,20,000
Loss for the year	11,500

4. From the following find out credit sales.

Particulars	₹
Opening sundry debtors	50,000
Cash received from sundry debtors	80,000
Discount allowed to sundry debtors	2,000
Sales returns	5,000
Closing sundry debtors	75,000

Solution :

Total Debtors account			
Dr			Cr
Particulars	₹	Particulars	₹
To Balance b/d (opening debtors)	50,000	By Cash received	80,000
To Credit sales (B/F)	1,12,000	By Discount allowed	2,000
		By Sales returns	5,000
		By Balance c/d	75,000
	1,62,000		1,62,000

5. From the following details, find out credit purchases :

Particulars	₹
Opening sundry creditors	75,000
Closing sundry creditors	90,000
Cash paid to sundry creditors	22,500
Discount received	15,000
Purchase returns	7,500

Solution :

Total Creditors account			
Dr			Cr
Particulars	₹	Particulars	₹
To Cash paid	22,500	By Balance b/d	75,000
To Discount received	15,000	By Credit purchase (B/F)	60,000
To Purchase return	7,500		
To Balance c/d	90,000		
	1,35,000		1,35,000

ACCOUNTS FROM INCOMPLETE RECORDS



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6. M/s Saniya sport equipment does not keep proper records. From the following information, find out profit or loss and also prepare balance sheet for the year ended 31st December 2017.

Particulars	31.12.2016 ₹	31.12.2017 ₹
Cash in hand	6,000	24,000
Bank overdraft	30,000	—
Stock	50,000	80,000
Sundry creditors	26,000	40,000
Sundry debtors	60,000	1,40,000
Bills payable	6,000	12,000
Furniture	40,000	60,000
Bills receivable	8,000	28,000
Machinery	50,000	1,00,000
Investment	30,000	80,000

Drawings ₹10,000 per month for personal use, additional capital introduced during the year ₹2,00,000. A bad debts ₹2,000 and a provision of 5% it to be made on debtors. Outstanding salary ₹2,400, prepaid insurance ₹700, depreciation charged on furniture @10% per annum.

Solution :

Statement of affairs as on 31st December 2016

Liabilities	₹	Assets	₹
Bank overdraft	30,000	Cash in hand	6,000
Sundry creditors	26,000	Stock	50,000
Bills payable	6,000	Sundry Debtors	60,000
Capital (Balancing figure)	1,82,000	Furniture	40,000
		Bills receivable	8,000
		Machinery	50,000
		Investment	30,000
	2,44,000		2,44,000

Statement of affairs as on 31st December 2017

Liabilities	₹	Assets	₹	₹
Sundry creditors	40,000	Cash in hand		24,000
Bills payable	12,000	Stock		80,000
Outstanding salary	2,400	Debtors	1,40,000	
Capital (Balancing figure)	4,33,400	Less : Bad debts	2,000	
			1,38,000	
		Less : Provision @5%	6,900	1,31,100
		Furniture	60,000	
		Less : Depreciation @10%	6,000	54,000
		Bills receivable		28,000
		Prepaid insurance		700
		Machinery	1,00,000	
		Less : Depreciation @10%	10,000	90,000
		Investment		80,000
	4,87,800			4,87,800

Statement showing profit or loss for the year ending 31st December 2017

Particulars	₹
Capital at the end of the year	4,33,400
Add: Drawings during the year (10,000 × 12)	1,20,000
	5,53,400
Less: Additional capital introduced in the year	2,00,000
Adjusted closing capital	3,53,400
Less: Capital in the beginning of the year	1,82,000
Profit for the year 2017	1,71,400

7. Compute the amount of total purchases and total sales of Mr. Amit from the following information for the year ending on March 31, 2018.

	₹
Total debtors as on April 01, 2017	40,000
Total creditors as on April 01, 2017	50,000
Bills receivable as on April 01, 2017	30,000
Bills payable as on April 01, 2017	45,000
Discount received	5,000
Bad debts	2,000
Return inwards	4,000
Discount allowed	3,000
Cash sales	10,000
Cash purchases	8,000
Total debtors as on March 31, 2018	80,000
Cash received from debtors	1,00,000
Cash paid to creditors	80,000
Cash received against bills receivable	25,000
Payment made against bills receivable	40,000
Total creditors as on March 31, 2018	40,000
Bills payable as on March 31, 2018	50,000
Bills receivable as on March 31, 2018	35,000

Solution :

Total Bills receivable account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	30,000	By Cash	25,000
To Total Debtors	30,000	By Balance c/d	35,000
(Balancing figure)	60,000		60,000

ACCOUNTS FROM INCOMPLETE RECORDS



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Total Bills payable account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Cash	40,000	By Balance b/d	45,000
To Balance c/d	50,000	By Total creditors (Balancing figure)	45,000
	<u>90,000</u>		<u>90,000</u>

Total Debtors account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	40,000	By Bad debts	2,000
To Sales	1,79,000	By Return inwards	4,000
(balancing figure)		By Discount allowed	3,000
		By Cash	1,00,000
		By Bills receivable (Transfer from bills receivable account)	30,000
		By Balance c/d	80,000
	<u>2,19,000</u>		<u>2,19,000</u>

Total Creditors account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Discount received	5,000	By Balance b/d	50,000
To Cash	80,000	By Purchases (credit)	1,20,000
To Bills payable (transfer from bills payable account)	45,000	(Balancing figure)	
To Balance c/d	40,000		
	<u>1,70,000</u>		<u>1,70,000</u>

8. From the following details of vijay who maintains incomplete records, prepare trading and profit and loss account for the year ended 31st March 2018 and a Balance sheet as on the date.

Particulars	As on 1.4.2017 ₹	As on 31.3.2018 ₹
Sundry Creditors	37,500	43,750
Furniture	2,500	2,500
Cash	6,250	10,000
Sundry debtors	62,500	87,500
Stock	25,000	12,500

Other details :

	₹
Drawings	10,000
Discount received	3,750
Discount allowed	2,500
Cash received from sundry debtors	1,35,000
Cash paid to creditors	1,12,500
Sales returns	3,750
Purchase returns	1,250
Sundry expenses paid	8,750

Charge depreciation on furniture @ 5%

Solution :

Calculation of opening capital:

Statement of affairs as on 1.4.2017

Liabilities	₹	Assets	₹
Sundry creditors	37,500	Furniture	2,500
Opening capital (B/F)	58,750	Cash	6,250
		Sundry Debtors	62,500
		Stock	25,000
	<u>96,250</u>		<u>96,250</u>

Calculation of Credit sales:

Total Debtors account

Dr.			Cr.
Particulars	₹	Particulars	₹
To Balance b/d	62,500	By Cash received	1,35,000
To Credit Sales (B/F)	1,66,250	By Discount allowed	2,500
		By Sales returns	3,750
		By Balance c/d	87,500
	<u>2,28,750</u>		<u>2,28,750</u>

Calculation of Credit Purchase :

Total Creditors account

Dr.			Cr.
Particulars	₹	Particulars	₹
To Cash paid	1,12,500	By Balance b/d	37,500
To Discount received	3,750	By Credit purchases (B/F)	1,23,750
To Purchase returns	1,250		
To Balance c/d	43,750		
	<u>1,61,250</u>		<u>1,61,250</u>

Trading and Profit and loss account for the year ended 31.3.2018

Dr.			Cr.		
Particulars	₹	₹	Particulars	₹	₹
To Opening stock		25,000	By Sales	1,66,250	
To Purchases	1,23,750		Less : Sales returns	3,750	1,62,500
Less : Purchase returns	1,250	1,22,500			
			By Closing stock		12,500
To Gross profit c/d		27,500			1,75,000
		1,75,000			
To Discount allowed		2,500	By Gross profits b/d		27,500
To Sundry expenses		8,750	By Discount received		3,750
To Depreciation		125			
To Net profit		19,875			
(Transferred to capital a/c)		31,250			31,250

Balance sheet as on 31.3.2018

Liabilities	₹	₹	Assets	₹	₹
Capital	58,750		Furniture	2,500	
Add : Net profit	19,875		Less : Depreciation	125	2,375
	78,625		Cash		10,000
Less : Drawings	10,000	68,625	Sundry debtors		87,500
Sundry creditors		43,750	Closing stock		12,500
		1,12,375			1,12,375

HOTS QUESTIONS AND ANSWERS

1. Under single entry system is it possible to check the arithmetical accuracy of books of accounts?

Ans. No, as arithmetical accuracy is checked by preparing a trial balance and in case of single entry system a trial balance cannot be prepared as it does not record both aspects of a transaction.

2. Can a limited company maintain its accounts under single entry system?

Ans. No, due to legal restrictions, a company cannot maintain its accounts under single entry system.

3. Why is statement of affairs prepared under single entry system not referred to as balance sheet?

Ans. Statement of affairs prepared under single entry system is not called a balance sheet because statement of affairs is not prepared with the list of ledger balances kept on the basis of double entry system. Also value of assets and liabilities shown in statement of affairs are only the estimates and not the actual values.

4. What are the possible reasons for keeping incomplete records?

Ans. It is observed that many businessmen keep incomplete records because of the following reasons.

- (i) Single entry system can be adopted by people who do not have the proper knowledge of accounting principles.
- (ii) As specialised accountants are not required, it is an inexpensive mode of maintaining records.
- (iii) As only a few books are maintained, time consumed in maintaining records is also less.
- (iv) It is suitable for organisations which have limited number of transactions and very few assets and liabilities.

VALUE BASED QUESTIONS AND ANSWERS

- Radhika started a small bakery for providing healthy and good quality bakery product at reasonable prices on 1st January, 2019 with a capital of ₹1,80,000. She appointed a ten year old boy as a sweeper. She withdrew ₹60,000 for household expenses. She introduced ₹20,000 as fresh capital. Her position of assets and liabilities as at 31st December, 2019 stood as follows.

	₹
Cash in hand	70,000
Stock	80,000
Bills receivable	1,00,000
Debtors	1,50,000
Creditors	60,000
Bills payable	10,000

You are required to calculate profit or loss and also identify the values introduced in this question.

Solution :

Statement of affairs as on 31.12.2019

Liabilities	₹	Assets	₹
Creditors	60,000	Cash in hand	70,000
Bills payables	10,000	Stock	80,000
Capital	3,30,000	Bills receivables	1,00,000
(Balancing figure)		Debtors	1,50,000
	4,00,000		4,00,000

Calculation of Profit

Particulars	₹
Capital at the end	3,30,000
Add: Drawings	60,000
	3,90,000
Less: Additional capital	20,000
	3,70,000
Less: Opening capital	1,80,000
Profit for the year	1,90,000

Values involved are

- Violating child labour act by employing 10 year old boy.
- By providing good quality product she is promoting the welfare and health of society
- By charging reasonable prices she is not indulged in profiteering.

- Which values are affected, when accounts are maintained on single entry system basis.

Ans. Values being affected are

- Reliability :** Value of reliability is affected as accounts maintained on single entry system are less reliable as they are prepared from incomplete records.
- Accuracy :** Value of arithmetical accuracy is affected, as in single entry system, trial balance cannot be prepared which proves arithmetical accuracy of accounts.



UNIT 2

ACCOUNTS OF NOT - FOR - PROFIT ORGANISATION

CHAPTER SNAPSHOT

- | | |
|--|---|
| 2.1 Introduction | 2.5.2 Format of Income and Expenditure Account |
| 2.2 Features of not-for-profit organisations | 2.5.3 Differences between receipts and payments account and income and expenditure account |
| 2.3 Receipts and Payments Account | 2.5.4 Treatment of revenue receipts |
| 2.3.1 Steps in preparation of receipts and payments account | 2.6 Balance Sheet |
| 2.4 Items peculiar to not-for-profit organisations | |
| 2.5 Income and Expenditure Account | |
| 2.5.1 Steps in preparation of income and expenditure account from receipts and payments account | |

Important Points

- ❑ Not-for-profit entities exist to provide services to the members or to the society at large.
- ❑ The three principal accounting statements of a not-for-profit organisation include Receipts and Payments Account, Income and Expenditure Account and Balance Sheet.
- ❑ The Receipts and Payments Account is a summarised cash book which records all cash receipts and cash payments effected during an accounting year irrespective of the nature as to capital or revenue, irrespective of the period to which it belongs, that is, whether it relates to the previous or current year or subsequent year.
- ❑ Income and Expenditure Account is prepared to ascertain the excess of revenue income over revenue expenditure (surplus) or excess of revenue expenditure over revenue income (deficit) for a particular accounting year, which is the result of the entity's over all activities for the accounting year.
- ❑ Opening capital is found out by comparing the opening balances of assets and liabilities.
- ❑ The Balance sheet is prepared at the end of the accounting year to show the financial position on that date.
- ❑ It includes the capital fund or accumulated fund, special purpose funds, long term liabilities and current liabilities on the liabilities side and fixed assets and current assets on the assets side.

SELF-EXAMINATION QUESTIONS

I MULTIPLE CHOICE QUESTIONS

CHOOSE THE CORRECT ANSWER

1. Receipts and payments account is a

- (a) Nominal A/c
- (b) Real A/c
- (c) Personal A/c
- (d) Representative personal account

[Ans. (b) Real A/c]

2. Receipts and payments account records receipts and payments of

- (a) Revenue nature only
- (b) Capital nature only
- (c) Both revenue and capital nature
- (d) None of the above

[Ans. (c) Both revenue and capital nature]

3. Balance of receipts and payments account indicates the

- (a) Loss incurred during the period
- (b) Excess of income over expenditure of the period
- (c) Total cash payments during the period
- (d) Cash and bank balance as on the date

[Ans. (d) Cash and bank balance as on the date]

4. Income and expenditure account is a

- (a) Nominal A/c
- (b) Real A/c
- (c) Personal A/c
- (d) Representative personal account

[Ans. (a) Nominal A/c]

ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION



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5. Income and Expenditure Account is prepared to find out

- (a) Profit or loss
- (b) Cash and bank balance
- (c) Surplus or deficit
- (d) Financial position

[Ans. (c) Surplus or deficit]

6. Which of the following should not be recorded in the income and expenditure account?

- (a) Sale of old news papers
- (b) Loss on sale of asset
- (c) Honorarium paid to the secretary
- (d) Sale proceeds of furniture

[Ans. (d) Sale proceeds of furniture]

7. Subscription due but not received for the current year is

- (a) An asset
- (b) A liability
- (c) An expense
- (d) An item to be ignored

[Ans. (a) An asset]

8. Legacy is a

- (a) Revenue expenditure
- (b) Capital expenditure
- (c) Revenue receipt
- (d) Capital receipt

[Ans. (d) Capital receipt]

9. Donations received for a specific purpose is

- (a) Revenue receipt
- (b) Capital receipt
- (c) Revenue expenditure
- (d) Capital expenditure

[Ans. (b) Capital receipt]

10. There are 500 members in a club each paying ₹ 100 as annual subscription. Subscription due but not received for the current year is ₹ 200; Subscription received in advance is ₹ 300. Find out the amount of subscription to be shown in the income and expenditure account.

- (a) ₹ 50,000
- (b) ₹ 50,200
- (c) ₹ 49,900
- (d) ₹ 49,800

[Ans. (a) ₹ 50,000]

II VERY SHORT ANSWER QUESTIONS

1. State the meaning of not-for-profit organisation.

Ans. (i) Some organisations are established for the purpose of rendering services to the public without any profit motive.

(ii) They may be created for the promotion of art, culture, education, sports, etc. These organisations are called not-for-profit organisation.

(iii) Charitable institutions, educational institutions, cultural societies, sports and recreation clubs, hospitals, libraries and literary associations are some of the examples of not-for-profit organisations.

2. What is receipts and payments account?

Ans. (i) Receipts and Payments account is a summary of cash and bank transactions of not-for-profit organisations prepared at the end of each financial year.

(ii) It is a real account in nature. The receipts and payments account begins with the opening balances of cash and bank and ends with closing balances of cash and bank.

3. What is legacy?

Ans. A gift made to a not-for-profit organisation by a will, is called legacy. It is a capital receipt.

4. Write a short note on life membership fees.

Ans. Amount received towards life membership fee from members is a capital receipt as it is non-recurring in nature.

5. Give four examples for capital receipts of not-for-profit organisation.

- Ans. (i)** Life membership fee
- (ii)** Endowment fund
- (iii)** Sale of fixed assets
- (iv)** Specific donations.

6. Give four examples for revenue receipts of not-for-profit organisation.

- Ans. (i)** Interest on investment
- (ii)** Interest on fixed deposit
- (iii)** Sale of (old) sports materials
- (iv)** Sale of (old) news papers.

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III SHORT ANSWER QUESTIONS

1. What is income and expenditure account?

- Ans. (i)** Income and expenditure account is a summary of income and expenditure of a not-for-profit organisation prepared at the end of an accounting year.
- (ii)** It is prepared to find out the surplus or deficit pertaining to a particular year.

- (iii)** It is a nominal account in nature in which items of revenue receipts and revenue expenditure, relating to the current year alone are recorded.
- (iv)** It is just like preparing a profit and loss account. In this account, incomes are shown on the credit side and expenses are shown on the debit side.
- (v)** Apart from cash items, non-cash items such as income accrued but not received, loss or gain on sale of fixed assets, depreciation, etc. will also be recorded.

2. State the differences between Receipts and Payments Account and Income and Expenditure Account.

Ans.

S.No.	Basis	Receipts and Payments Account	Income and Expenditure Account
1.	Nature of account	It is a real account. Cash receipts are recorded on the debit side and cash payments are recorded on the credit side.	It is a nominal account. Expenses are recorded on the debit side and incomes are recorded on the credit side.
2.	Basis of accounting	It is based on cash system of accounting. Non-cash items are not recorded	It is based on accrual system of accounting. Non-cash items like outstanding expenses, depreciation, etc. are also recorded.
3.	Opening and closing balance	It commences with an opening balance of cash and bank and ends with closing balance of cash and bank.	There is no opening balance. It ends with surplus or deficit.
4.	Nature of items	It contains actual receipts and payments irrespective of revenue or capital items in nature.	It contains only revenue items, that is, only revenue expenses and revenue incomes.
5.	Period	All cash receipts and payments made during the year pertaining to the past period, current period and subsequent period are recorded.	It contains only the items relating to the current period.

3. How annual subscription is dealt with in the final accounts of not-for-profit organisation?

Ans. (a) Treatment in income and Expenditure account :

When subscription received for the current year, previous years and subsequent period are given separately, subscription received for the current year will be shown on the credit side of Income and Expenditure Account after making the adjustments given below:

- (i)** Subscription outstanding for the current year is to be added.
- (ii)** Subscription received in advance in the previous year which is meant for the current year, is to be added.

ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION



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When total subscription received during the current year is given, that total subscriptions received during the current year will be shown on the credit side of Income and Expenditure Account after making the following adjustments:

- (i) Subscription outstanding in the previous year which is received in the current year will be subtracted. Subscription outstanding for the current year is added.
- (ii) Subscriptions received in advance in the previous year which is meant for the current year, is added and subscriptions received in advance in the current year which is meant for the subsequent year must be subtracted.

(B) Treatment in Balance Sheet

- (i) Subscriptions outstanding for the current year and still outstanding for the previous year will be shown on the assets side of the balance sheet.
- (ii) Subscriptions received in advance in the current year will be shown on the liabilities side of the balance sheet.

4. How the following items are dealt with in the final accounts of not-for-profit organisation?

- a) Sale of sports materials
- b) Life membership fees
- c) Tournament fund

Ans. (a) Sale of sports materials :

- (i) Consumable items such as sports materials, stationery, medicines, etc., consumed during the year will appear on the debit side of income and expenditure account.
- (ii) $\text{Consumption} = \text{Opening stock} + \text{Purchases during the current year} - \text{Closing stock}$
- (iii) Closing stock will appear on the assets side of the balance sheet as at the end of the year.
- (iv) If there is any sale of old sports materials, etc., that will be shown on the credit side of income and expenditure account or can be subtracted from the respective items consumed on the debit side of income and expenditure account.
- (b) **Life membership fees :** Amount received towards life membership fee from members is a capital receipt as it is non-recurring in nature.
- (c) **Tournament fund :** If there are any specific funds such as tournament fund, prize fund, etc., these funds should be shown on the liabilities side of the balance sheet separately.

IV EXERCISES

1. From the information given below, prepare Receipts and Payments account of Kurunji Sports Club for the year ended 31st December, 2018.

Particulars	₹	Particulars	₹
Cash in hand (1.1.2018)	4,000	Paid for printing charges	2,500
Salaries paid	3,000	Lockers rent received	1,000
Life membership fees received	10,000	Tournament receipts	14,000
Subscription received	15,000	Tournament expenses	10,500
Rent received	2,000	Investments purchased	25,000

Solution : In the books of kurunji sports club

Receipts and Payments Account for the year ended 31st December 2018

Dr.		Cr.	
Receipts	₹	Payments	₹
To Balance b/d		By Salaries paid	3,000
Cash in hand	4,000	By Printing charges paid	2,500
To Life membership fees received	10,000	By Tournament expenses	10,500
To Subscription received	15,000	By Investment purchased	25,000
To Rent received	2,000	By Balance c/d	
To Lockers rent received	1,000	Cash in hand	5,000
To Tournament receipts	14,000		
	46,000		46,000

2. From the information given below, prepare Receipts and Payments account of Coimbatore Cricket Club for the year ending 31st March, 2019.

Particulars	₹	₹	Particulars	₹
Bank overdraft (1.4.2018)		6,000	Honorarium paid	2,800
Cash in hand (1.4.2018)		1,000	Water and electricity charges	700
Wages paid for ground maintenance		2,000	Match expenses	2,600
Subscription received:			Sports material purchased	1,900
Previous year	500		Match fund receipts	5,200
Current year	9,600		Legacies received	2,000
Subsequent year	400	10,500	Cash balance (31.03.2019)	300
Wages yet to be paid		2,200	Donation received for pavilion	2,000
Interest on loan paid		2,000		

Solution : In the books of Coimbatore Cricket Club

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

Dr.				Cr.
Receipts	₹	₹	Payments	₹
To Balance b/d			By Balance b/d	
Cash in hand		1,000	Bank overdraft	6,000
To Subscription received:			By Wages paid	2,000
Previous year	500		By Interest on loan	2,000
Current year	9,600		By Honorarium paid	2,800
Subsequent year	400	10,500	By Water and electricity charges	700
			By Match expenses	2,600
			By Sports material purchased	1,900
To Match fund receipts		5,200	By Balance c/d	
To Legacies received		2,000	Cash in hand	300
To Donation received		2,000	Cash at bank	2,400
		20,700		20,700

[Hint : Wages yet to be paid is a non cash item. Hence it is excluded in receipts and payments account]



3. From the information given below, prepare Receipts and Payments account of Madurai Mother Theresa Mahalir Mandram for the year ended 31st December, 2018.

Particulars	₹	Particulars	₹
Cash balance as on 1.1.2018	2,000	Fire Insurance premium paid	1,500
Bank balance as on 1.1.2018	3,000	Subscription received	8,500
Sale of old newspapers	500	Furniture purchased	6,000
Stationery purchased	6,000	Purchase of newspapers	700
Audit fees paid	2,000	Depreciation on furniture	900
Entrance fees received	3,000	Cash balance as on 31.12.2018	2,500
Sundry charges	6,000	Conveyance paid	1,000
Scholarships given	2,000	Sale of furniture	4,000
Interest on investments	2,000		

Solution :

In the books of Madurai Mother Theresa Mahalir Mandram

Receipts and payments Accounts for the year ended 31st December 2018

Dr.			Cr.	
Receipts	₹	₹	Payments	₹
To Balance b/d			By stationery purchased	6,000
Cash in hand	2,000		By Audit fees paid	2,000
Cash at bank	3,000	5,000	By Scholarship given	2,000
To Sale of old news papers		5,00	By Sundry charges	6,000
To Entrance fees received		3,000	By Fire insurance premium paid	1,500
To Subscription received		8,500	By Furniture purchased	6,000
To Sales of furniture		4,000	By Purchase of news papers	700
To Interest on investment		2,000	By Conveyance paid	1,000
To Balance c/d		4,700	By Balance c/d	
(Bank overdraft)			Cash in hand	2,500
		27,700		27,700

[Hint : As depreciation on furniture is a non cash item, it is excluded in receipts and payments account]

4. Mayiladuthurai Recreation Club gives you the following details. Prepare Receipts and Payments account for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash balance	15,000	Salary of watchman	12,000
Opening bank balance	25,000	Club annual day expenses	15,000
Donations received	48,000	Lighting charges	16,500
Sale of old equipment	26,000	Entertainment expenses	13,500
Refreshment charges	13,000	Billiards table purchased	5,000
Club annual day collections	18,000	Expenses of charity show	3,000
Construction of tennis court	7,000	Sale of investments	12,000
Receipts from charity show	4,000	Closing cash balance	12,000
Rent paid	1,000		

Solution :

In the books of Mayiladuthurai Recreation club Receipts and Payments Account for the year ended 31st March, 2019

Dr				Cr	
Receipts	₹	₹	Payments	₹	
To Balance b/d			By Refreshments charges	13,000	
Cash in hand	15,000		By Construction of tennis		
Cash at bank	25,000	40,000	cocert	7,000	
To Donation received		48,000	By Rent paid	1,000	
To Sale of old equipment		26,000	By Salary of watchman	12,000	
To Club annual day			By Club annual day expenses	15,000	
collections		18,000	By Lighting charges	16,500	
To Receipts from charity show		4,000	By Entertainment expenses	13,500	
To Sale of investments		12,000	By Billiards table purchased	5,000	
			By Expenses of charity show	3,000	
			By Balance c/d		
			Cash in hand	12,000	
			Cash at bank	50,000	
	1,48,000			1,48,000	

5. From the following information, prepare Receipts and Payments account of Cuddalore Kabaddi Association for the year ended 31st March, 2019.

Particulars	₹	Particulars	₹
Opening cash balance (1.4.2018)	11,000	Interest and bank charges	250
Bank overdraft balance (1.4.2018)	20,000	Miscellaneous income	350
Stationery purchased	5,200	Upkeep of ground	550
Travelling expenses	1,800	Grant from Government	12,000
Dividend received	3,000	Telephone charges paid	2,800
General expenses	500	Endowment fund receipts	10,000
Admission fees	4,000	Insurance premium paid	2,000
Courier charges	2,000	Electricity charges paid	5,000
Municipal taxes paid	3,000	Closing cash balance (31.03.2019)	1,750



Solution :

**In the books of Cuddalore Kabaddi Association Receipts and Payments
Account for the year ended 31st March 2019**

Dr		Cr	
Receipts	₹	Payments	₹
To Balance b/d		By Balance b/d	
Cash in hand	11,000	Bank overdraft	20,000
To Dividend received	3,000	By Stationery purchased	5,200
To Admission fees	4,000	By Travelling expenses	1,800
To Grant from government	12,000	By General expenses	500
To Endowment fund receipt	10,000	By Courier charges	2,000
To Miscellaneous income	350	By Municipal taxes paid	3,000
To Balance c/d (Bank overdraft)	4,500	By Interest on bank charges	250
		By Upkeep of ground	550
		By Telephone charges paid	2,800
		By Insurance premium paid	2,000
		By Electricity charges	5,000
		By Balance c/d	
		Cash in hand	1,750
	44,850		44,850

6. From the following receipts and payments account of Tenkasi Thiruvalluvar Manram, prepare income and expenditure account for the year ended 31st March, 2019.

Receipts	₹	Payments	₹
To Balance b/d		By Salaries	20,000
Cash in hand	14,000	By Rent	24,000
To Interest received	5,000	By Travelling expenses	2,000
To Subscription	55,000	By Printing and stationery	6,000
To Legacies	48,000	By Investments made	50,000
To Entrance fees	7,000	By Sports equipment purchased	33,000
To Sale of furniture (Book value: ₹17,000)	16,000	By Balance c/d	
		Cash in hand	10,000
	1,45,000		1,45,000

Solution :

**In the books of Tenkasi Thiruvalluvar Manram Income and Expenditure
Account for the year ended 31st March, 2019**

Dr			Cr
Expenditure	₹	Income	₹
To Rent	24,000	By Interest received	5,000
To Travelling expenses	2,000	By Subscription	55,000
To Salaries	20,000	By Entrance fees	7,000
To Printing and stationary	6,000		
To Loss on sale of furniture	1,000		
To Surplus (Excess of income over expenditure)	14,000		
	67,000		67,000

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7. From the following receipts and payment account, prepare income and expenditure account of Kumbakonam Basket Ball Association for the year ended 31st March, 2018.

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Rent of ground paid		12,000
Cash in hand	23,000		By Printing charges		5,000
Cash at bank	12,000	35,000	By Bank charges		1,000
To Rent of hall received		6,000	By Insurance for building		2,000
To Subscription received		9,000	By Tournament expenses		16,000
To Life membership fees		7,000	By Audit fees		3,000
To Locker rent received		2,000	By Sports materials purchased		4,000
			By Balance c/d		
			Cash in hand	2,000	
			Cash at bank	14,000	16,000
		59,000			59,000

Solution :

**In the books of Kumbakonam Basket Ball Association
Income and Expenditure Account for the year 31st March, 2018**

Dr			Cr
Expenditure	₹	Income	₹
To Rent of ground	12,000	By Rent of hall received	6,000
To Printing Charges	5,000	By Subscription received	9,000
To Bank charges	1,000	By Locker rent received	2,000
To Tournament expenses	16,000	By Deficit	26,000
To Audit fees	3,000	(Excess of expenditure over income)	
To Sports materials purchased	4,000		
To Insurance for building	2,000		
	43,000		43,000

8. From the following receipts and payments account and the additional information given below, calculate the amount of subscription to be shown in Income and expenditure account for the year ending 31st December, 2018.

Receipts	₹	₹	Payments	₹
To Subscription				
2017	28,000			
2018	1,72,000			
2019	12,000	2,12,000		

Additional information: Subscription outstanding for the year 2018 is ₹8,000.



Solution : Income and Expenditure Account for the year 31st December 2018

Dr		Cr		
Expenditure	₹	Income	₹	₹
		By Subscription	1,72,000	
		<u>Add:</u>		
		Outstanding Subscription for 2018	8,000	1,80,000

9. How the following items will appear in the final accounts of a club for the year ending 31st March 2019?

Dr. Receipts and Payments Account for the year ended 31st March, 2019 Cr.

Receipts	₹	₹	Payments	₹
To Subscription				
2017-2018	10,000			
2018-2019	50,000			
2019-2020	5,000	65,000		

There are 200 members in the club each paying an annual subscription of ₹400 per annum. Subscription still outstanding for the year 2017- 2018 is ₹2,000.

Solution : Income and Expenditure Account for the year ended 31st March, 2019

Dr		Cr		
Expenditure	₹	Income	₹	₹
		By Subscription	50,000	
		<u>Add:</u>		
		Outstanding for the year 2017-2018	30,000	80,000

Notes:

₹

Total subscription due for current year (2018-19) = 80,000
(200 × 400)

Less : Amount received for the current year (2018-19) = 50,000

Outstanding subscription for the current year (2018-19) ₹ 30,000

Balance sheet as on 31st March, 2019

Liabilities	₹	Assets	₹	₹
Subscription received in advance for the year 2019-20	5,000	Outstanding subscription		
		2017 - 2018	2,000	
		2018 - 2019	30,000	32,000

- 10.** How will the following items appear in the final accounts of a club for the year ending 31st March 2017? Received subscription of ₹40,000 during the year 2016-17. This includes subscription of ₹5,000 for 2015-16 and ₹3,000 for the year 2017-18. Subscription of ₹1,000 is still outstanding for the year 2016-17.

Solution :

Income and Expenditure Account for the year ended 31st March, 2017

Dr		Cr		
Expenditure	₹	Income	₹	₹
		By Subscription	40,000	
		<u>Less :</u>		
		Subscription for the year 2015-2016	5,000	
			35,000	
		<u>Less :</u>		
		Subscription for the year 2017-2018	3,000	
			32,000	
		<u>Add:</u>		
		Outstanding subscription for the year 2016-2017	1,000	
				33,000

Balance sheet as on 31st March, 2017

Liabilities	₹	Assets	₹
Subscription received in advance for the year 2017-2018	3,000	Outstanding subscription for the year 2016 - 2017	1,000

- 11.** Compute income from subscription for the year 2018 from the following particulars relating to a club.

Particulars	1.1.2018 ₹	31.12.2018 ₹
Outstanding subscription	3,000	5,000
Subscription received in advance	4,000	7,000

Subscription received during the year 2018: ₹45,000.



Solution :

Calculation of income from subscription for the year 2018

Particulars	₹	₹
Subscription received during the year 2018		45,000
<u>Add:</u> Subscription received for 2018 in 2017	4,000	
Subscription outstanding for 2018	5,000	9,000
		54,000
<u>Less:</u> Subscription outstanding in 2017	3,000	
Subscription received in advance	7,000	10,000
Income from subscription for the year 2018		44,000

- 12.** From the following particulars, show how the item 'subscription' will appear in the Income and Expenditure Account for the year ended 31-12-2018?

Subscription received in 2018 is ₹50,000 which includes ₹5,000 for 2017 and ₹7,000 for 2019. Subscription outstanding for the year 2018 is ₹6,000. Subscription of ₹4,000 was received in advance for 2018 in the year 2017.

Solution :

Income and Expenditure Account for the year ended 31st December, 2018

Dr			Cr	
Expenditure	₹	Income	₹	₹
		By Subscription received during the year	50,000	
		<u>Less:</u> Subscription received for 2017	5,000	
			45,000	
		<u>Less:</u> Subscription received for 2019	7,000	
			38,000	
		<u>Add:</u> Subscription due for 2018	6,000	
			44,000	
		<u>Add:</u> Received in advance in 2017 for 2018	4,000	48,000

- 13.** How the following items appear in the final accounts of Thoothukudi Young Pioneers Association? There are one hundred members in the association each paying ₹25 as annual subscription. By the end of the year 10 members had not paid their subscription but four members had paid for the next year in advance.

Solution :

Income and Expenditure Account

Dr			Cr	
Expenditure	₹	Income	₹	₹
		By Subscription (₹ 25 × 100)		2,500

Balance sheet

Liabilities	₹	Assets	₹
Subscription received in advance (₹ 25 × 4)	100	Outstanding subscription (₹ 25 × 10)	250

- 14. How will the following appear in the final accounts of Marthandam Women Cultural Association?**

	₹
Stock of sports materials on 1.4.2018	16,000
Sports materials purchased during the year	84,000
Stock of sports materials on 31.3.2019	10,000

Solution :

Income and Expenditure Account for the year ended 31st March, 2019

Dr		Cr	
Expenditure	₹	₹	Income
To Sports materials consumed :			
Opening stock	16,000		
<u>Add:</u> Purchased in the current year	84,000		
	1,00,000		
<u>Less:</u> Closing stock	10,000	90,000	

Balance Sheet as on 31st March, 2019

Liabilities	₹	Assets	₹
		Stock of Sports materials	10,000

- 15. How will the following appear in the final accounts of Vedaranyam Sports club?**

	₹
Opening stock of bats and balls	3,000
Purchase of bats and balls during the year	17,000
Sale of old bats and balls	2,000
Closing stock of bats and balls	4,000

Solution :

Income and Expenditure Account of Vedaranyam sports club

Dr		Cr	
Expenditure	₹	₹	Income
To Stationery consumed (bat & ball)			
Opening stock	3,000		
<u>Add:</u> Purchases	17,000		
	20,000		
<u>Less:</u> Closing stock	4,000	16,000	
			By Sale of bats and balls
			2,000



Balance Sheet of Vedaranyam Sports club

Liabilities	₹	Assets	₹
		Stock of bats and balls	4,000

- 16.** Show how the following items appear in the income and expenditure account of Sirkazhi Singers Association?

	₹
Stock of stationery on 1.4.2018	2,600
Purchase of stationery during the year	6,500
Stock of stationery on 31.3.2018	2,200

Solution :

Income and Expenditure Account of Sirkazhi singers Association

Dr	₹	₹	Income	Cr
To Stationery consumed:				
Opening stock	2,600			
Add: Purchases	6,500			
	9,100			
Less: Closing stock	2,200	6,900		

- 17.** Chennai tennis club had Match fund showing credit balance of ₹24,000 on 1st April, 2018. Receipt to the fund during the year was ₹26,000. Match expenses incurred during the year was ₹33,000. How these items will appear in the final accounts of the club for the year ended 31st March, 2019?

Solution :

Balance sheet of Chennai tennis club as on 31st March, 2019

Liabilities	₹	₹	Assets	₹
Match fund	24,000			
Add: Receipt the fund	26,000			
	50,000			
Less: Match expenses	33,000	17,000		

- 18.** How will the following appear in the final accounts of Karaikudi sports club for the year ending 31st March, 2019?

Particulars	₹
Tournament fund on 1 st April 2018	90,000
Tournament fund investment on 1 st April 2018	90,000
Interest received on tournament fund investment	9,000
Donation to tournament fund	10,000
Tournament expenses	60,000

Solution :

Balance sheet of Karaikudi sports club as on 31st March, 2019

Liabilities	₹	₹	Assets	₹
Tournament fund	90,000		Tournament fund investment	90,000
<u>Add:</u> Interest received on tournament fund investment	9,000			
<u>Add:</u> Donation to tournament fund	10,000			
	1,09,000			
<u>Less:</u> Tournament expenses	60,000	49,000		

19. Compute capital fund of Salem Sports Club as on 1.4.2019.

Particulars	₹	Particulars	₹
Sports equipment	30,000	Prize fund	10,000
Computer	25,000	Prize fund investments	10,000
Subscription outstanding for 2018-19	5,000	Cash in hand	7,000
Subscription received in advance for 2019-20	8,000	Cash at bank	21,000

Solution :

Balance sheet as on 1st April, 2019

Liabilities	₹	₹	Assets	
Capital fund (Balancing figure)		80,000	Sports equipment	30,000
Subscription received in advance	8,000		Computer	25,000
Prize fund	10,000		Subscription outstanding	5,000
			Prize fund investments	10,000
			Cash in hand	7,000
			Cash at bank	21,000
		98,000		98,000

20. From the following Receipts and Payment account and from the information given below of Ramanathapuram Sports Club, prepare Income and Expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Rent		11,000
Cash in hand	5,000		By Entertainment expenses		11,200
Cash at bank	10,000	15,000	By Furniture		10,000
To Subscription			By Sports materials purchased		13,000
2017	12,000				
2018	33,000		By Match expenses		12,000
2019	16,000	61,000	By Investments made		28,000
To Entrance fees		6,000	By Balance c/d		
To General donations		7,000	Cash in hand	1,300	
To Sale of old sports materials		1,000	Cash at bank	4,000	5,300
To Miscellaneous receipts		500			
		90,500			90,500



Additional information:

- (i) Capital fund as on 1st January 2018 ₹30,000.
- (ii) Opening stock of sports material ₹3,000 and closing stock of sports material ₹5,000.

Solution :

**In the books of Ramanatha puram sports club
Income and Expenditure Account for the year 31st December, 2018**

Dr		Cr		
Expenditure	₹	₹	Income	
To Rent		11,000	By Subscription	33,000
To Entertainment expenses		11,200	By Entrance fees	6,000
To Match expenses		12,000	By General donations	7,000
To Sports materials (Opening)	3,000		By Sale of old sports materials	1,000
<u>Add:</u> Purchased	13,000		By Miscellaneous receipts	500
	16,000			
<u>Less:</u> Closing stock	5,000			
		11,000		
To Surplus (Excess income over expenditure)		2,300		
		47,500		47,500

Balance sheet as on 31st December, 2018

Liabilities	₹	₹	Assets	₹	₹
Capital fund	30,000		Cash in hand	1,300	
Add: Excess of income over expenditure (surplus)	2,300		Cash at bank	4,000	5,300
		32,300			
Subscription advance		16,000	Furniture		10,000
			Investments		28,000
			Stock of stationary		5,000
		48,300			48,300

- 21. From the following Receipts and Payment account of Yercaud Youth Association, prepare Income and expenditure account for the year ended 31st March, 2019 and the balance sheet as on that date.**

Dr. Receipts and Payments Account for the year ended 31st March, 2019 Cr.

Receipts	₹	Payments	₹
To Balance b/d		By Salary	14,000
Cash in hand	9,600	By Office expenses	7,200
To Government grants for purchase of books	10,000	By Books purchased	15,000
To Subscription	24,800	By Stationery purchased	1,800
To Admission fees	2,000	By Newspaper purchased	2,100
To Prize fund receipts	6,000	By Prizes awarded	5,000
To Bank interest	1,500	By Balance c/d	
To Sale of newspapers	1,100	Cash in hand	9,900
	55,000		55,000

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Additional information:

- (i) Opening capital fund ₹20,000.
- (ii) Stock of books on 1.4.2018 ₹9,200.
- (iii) Subscription due but not received ₹1,700.
- (iv) Stock of stationery on 1.4.2018 ₹1,200 and stock of stationery on 31.3.2019, ₹2,000

Solution :

Income and Expenditure Account for the year ended 31st March, 2019

Dr					Cr
Expenditure	₹	₹	Income	₹	₹
To Salary		14,000	By Subscription	24,800	
To Office expenses		7,200	Add: Subscription not received	1,700	26,500
To Stationery	1,800		By Admission fees		2,000
Add: Opening stock	1,200		By Bank interest		1,500
	3,000		By Sale of newspapers		1,100
Less: Closing stock	2,000	1,000	By Government grants		10,000
To Newspaper purchased		2,100			
To Prizes awarded		5,000			
To Excess of income over expenditure (surplus)		11,800			
		41,100			41,100

Balance sheet as on 31st March, 2018

Liabilities	₹	₹	Assets	₹	₹
Capital fund	20,000		Books: Purchased	15,000	
Add: Excess of income over expenditure (surplus)	11,800	31,800	Add: Opening stock	9,200	24,200
Prize fund receipts		6,000	Cash in hand		9,900
			Stock of stationery		2,000
			Subscription recurred		1,700
		37,800			37,800

- 22.** Following is the Receipts and Payments account of Neyveli Science Club for the year ended 31st December, 2018.

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

Receipts	₹	Payments	₹	₹
To Balance b/d		By Balance b/d		
Cash in hand	2,400	Bank overdraft		1,000
To Subscription	8,700	By Postage expenses		200
To Life membership fees	5,000	By Science equipments purchased		10,000
To Exhibition fund receipts	7,000	By Laboratory expenses		2,400
To Sale of science equipments (Book value ₹5,000)	6,000	By Secretary's honorarium		5,000
To Miscellaneous income	500	By Audit fees		3,600
		By General charges		1,800
		By Exhibition expenses		5,000
		By Balance c/d		
		Cash in hand	200	
		Cash at bank	400	600
	29,600			29,600



Additional information :

- (i) Opening capital fund ₹6,400
- (ii) Subscription includes ₹600 for the year 2019
- (iii) Science equipment as on 1.1.2018 ₹5,000
- (iv) Surplus on account of exhibition should be kept in reserve for new auditorium.

Prepare income and expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

Solution :

In the books of Neyveli science club Income and Expenditure Account for the year ended 31st December 2018

Dr		Cr		
Expenditure	₹	Income	₹	₹
To Postage expenses	200	By Subscription	8,700	
To Laboratory expenses	2,400	<u>Less:</u> Subscription advance	600	8,100
To Secretary's honorarium	5,000	By Profit on sale of science equipment books		1,000
To Audit fees	3,600	By Miscellaneous income		500
To General charges	1,800	By Reserve fund	7,000	
		<u>Less:</u> Exhibition expenses	5,000	2,000
		By Excess of expenditure over income (deficit)		1,400
	13,000			13,000

Balance sheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Opening capital	6,400		Cash in hand	200	
<u>Less:</u> Excess of expenditure over income (deficit)	1,400	5,000	Cash at bank	400	600
			Science equipment		10,000
Life membership fees		5,000			
Subscription advance		600			
		10,600			10,600

- 23.** From the following Receipts and Payments account of Sivakasi Pensioner's Recreation Club, prepare income and expenditure account for the year ended 31st March, 2018 and the balance sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31 st March, 2018					Cr.	
Receipts	₹	₹	Payments	₹		
To Balance b/d			By Rent and rates	18,000		
Cash in hand	10,000		By Electricity charges	17,000		
Cash at bank	20,000	30,000	By Furniture purchased	12,000		
To Subscription			By Billiards table purchased	70,000		
2016 – 2017	5,000		By Repairs and renewals	16,000		
2017 – 2018	25,000		By Special dinner expenses	4,000		
2018 – 2019	6,000	36,000	By Sundry expenses	2,000		
To Legacies		40,000	By Balance c/d			
To Rent from hall		14,000	Cash in hand	1,000		
To Lockers rent		5,000				
To Collection for special dinner		12,000				
To Balance c/d						
Bank overdraft		3,000				
		1,40,000				1,40,000

Additional information :

- The club had 300 members each paying ₹100 as annual subscription.
- The club had furniture ₹10,000 on 1.4.2017.
- The subscription still due but not received for the year 2016 – 2017 is ₹1,000.

Solution :

**In the books of Sivakasi pensioner's recreation club
Balance sheet as on 31st March 2018**

Liabilities	₹	Assets	₹	₹
Capital fund	46,000	Subscriptions		6,000
(Balancing figure)		Cash in hand	10,000	
		Cash at bank	20,000	30,000
		Furniture		10,000
	46,000			46,000

Income and Expenditure Account for the year ended 31st March, 2018

Dr.			Cr	
Expenditure	₹	Income	₹	₹
To Rent and rates	18,000	By Rent from hall		14,000
To Electricity charges	17,000	By Lockers rent		5,000
To Repairs and renewals	16,000	By Subscription	25,000	
To Sundry expenses	2,000	Add: Outstanding	5,000	30,000
To Special dinner expenses	4,000	By Collection for special dinner		12,000
To Excess of income over expenses (surplus)	4,000			
	61,000			61,000



Balance sheet as on 31 st March 2018					
Liabilities	₹	₹	Assets	₹	₹
Capital fund	46,000		Cash in hand		1,000
<u>Add:</u> Surplus	4,000	50,000	Billiards table		
Legacies		40,000	Purchased		70,000
Subscription received		6,000	Furniture purchased	12,000	
Bank overdraft		3,000	<u>Add:</u> Stock	10,000	22,000
			Subscription in arrear (2017)		5,000
			Subscription prepaid		1000
		99,000			99,000

24. Following is the Receipts and payments account of Virudhunagar Volleyball Association for the year ended 31st December, 2018.

Dr. Receipts and Payments Account for the year ended 31st December, 2018 Cr.

Receipts	₹	₹	Payments	₹	
To balance b/d			By Match expenses		25,000
Cash in hand		5,000	By Upkeep of pavilion		17,000
To Subscription			By Secretary's honorarium		18,000
2017	10,000		By Bats and balls purchased		22,000
2018	55,000		By Grass seeds		2,000
2019	5,000	70,000	By Fixed deposit		58,000
To Donations		40,000	By Sundry expenses		3,000
To Match fund receipts		30,000	By Balance c/d		
To Interest on fixed deposit		8,000	Cash in hand	7,000	
To Miscellaneous receipts		5,000	Cash at bank	6,000	13,000
		1,58,000			1,58,000

Additional information :

- On 1.1.2018, the association owned investments ₹10,000, premises and grounds ₹40,000, stock of bats and balls ₹5,000.
- Subscription ₹5,000 related to 2017 is still due.
- Subscription due for the year 2018, ₹6,000.

Prepare income and expenditure account for the year ended 31st December, 2018 and the balance sheet as on that date.

Solution :

In the books of Virudhunagar volleyball Association

Balance sheet as on 31st December 2018

Liabilities	₹	Assets	₹
Capital fund (Balancing figure)	75,000	Investment	10,000
		Subscriptions Outstanding (10,000+5000)	15,000
		Cash in hand	5,000
		Premises and grounds	40,000
		Stock of bats and balls	5,000
	75,000		75,000

Income and Expenditure Account for the year ended 31st December 2018

Dr.				Cr.
Expenditure	₹	Income	₹	₹
To Upkeep of pavilion	17,000	By Subscription current year	55,000	
To Secretary's honorarium	18,000	<u>Add:</u> Outstanding	6,000	
To Bats and balls 22,000			61,000	
<u>Less:</u> Stock 5,000	17,000			
To Grass seeds	2,000	<u>Less:</u> Advance	5,000	56,000
To Sundry expenses	3,000	By Donations		40,000
To Excess of income over expenditure (surplus)	52,000	By Interest on fixed deposit		8,000
		By Miscellaneous receipts		5,000
	1,09,000			1,09,000

Balancesheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Capital fund	75,000		Fixed deposit		58,000
<u>Add</u> Excess of income over expenditure (Surplus)	52,000		Cash in hand	7,000	
			Cash at bank	6,000	13,000
		1,27,000	Investments		10,000
Subscriptions received in 2017			Premises and grounds		40,000
		5,000	Stock of bats and balls		5,000
			Subscriptions due 2018		6,000
		1,32,000			1,32,000



ADDITIONAL QUESTIONS AND ANSWERS

I. MULTIPLE CHOICE QUESTIONS.

(i) Choose the correct answer.

1. An advance receipt of subscription from a member of the non – profit organization is considered as a/an

(a) Expense (b) Liability
(c) Equity (d) Asset

[Ans: (b) Liability]

2. Income and Expenditure account is based on

(a) Cash accounting
(b) Government accounting
(c) Management accounting
(d) Accrual accounting

[Ans: (d) Accrual accounting]

3. Which of the following is to be recorded in an income and expenditure account?

(a) Purchase of a fixed asset.
(b) Capital expenditure incurred on a fixed asset
(c) Profit on the sale of a fixed asset
(d) Sale of a fixed asset.

[Ans: (c) Profit on the sale of a fixed asset]

4. Subscription received but not yet earned is considered as a / an

(a) Asset (b) Liability
(c) Income (d) Expenditure

[Ans: (b) Liability]

5. ₹10,000 received as to annual membership subscription. Out of this ₹ 2,000 is pertaining to the previous accounting period whereas ₹1000 is receivable at the end of the current accounting period. Calculate the amount of subscription that will be shown in the income and expenditure account for this accounting.

(a) ₹ 10,000 (b) ₹ 9,000
(c) ₹ 12,000 (d) ₹ 8,000

[Ans: (b) ₹ 9,000]

6. Income and Expenditure accounts show

(a) cash available to an organization
(b) closing capital of an organization
(c) cash available in the bank account
(d) surplus or deficit for the current accounting period.

[Ans: (d) surplus or deficit for the current accounting period]

7. On what basis the receipts and payments account is prepared?

(a) Cash basis (b) Credit basis
(c) Both (d) None of these

[Ans: (a) Cash basis]

8. The amount or property received by a non – profit organization as stated by the will of a deceased person is commonly referred to as

(a) Donation (b) Honorarium
(c) Legacy (d) Endowment

[Ans: (c) Legacy]

9. In non – profit organization, the sale of old newspapers is generally considered as a/an

(a) Revenue receipt (b) Expenditure
(c) Income (d) Capital receipt

[Ans: (c) Income]

10. Some organisations are established for the purpose of rendering services to the public without

(a) any profit motive
(b) any service motive
(c) both

(d) none of these [Ans. (a) any profit motive]

11. Charitable institutions and educational institutions are the examples of

(a) profit organisation
(b) not-for-profit organisation
(c) both
(d) none of these

[Ans. (b) not-for-profit organisation]

12. If the donation is received without any specific condition, then it is a

(a) general donation
(b) specific donation
(c) legacy
(d) grants from government

[Ans. (a) general donation]

13. Capital fund also called as

(a) accumulated fund
(b) special fund
(c) donation fund
(d) none of these

[Ans. (a) accumulated fund]

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14. Which of the following is generally considered as a non profit organisation?

- (a) Charitable organisation
- (b) Corporation
- (c) Audit firms
- (d) Insurance companies

[Ans. (a) charitable organisation]

15. The receipts and payments account of a non-profit organisation is a

- (a) Nominal account
- (b) Real account
- (c) Income statement account
- (d) Financial statement

[Ans. (b) Real account]

16. Non- profit organizations prepare all of the following accounts except the

- (a) Receipts and Payments accounts
- (b) Income and Expenditure accounts
- (c) Balance sheet
- (d) Income statement

[Ans. (d) Income statement]

17. Expenditures greater than incomes of a non-profit organization give rise to a

- (a) Loss
- (b) Profit
- (c) Surplus
- (d) Deficit

[Ans. (d) Deficit]

18. Rent expenses of a non-profit organization paid in advance. Which of the following is the correct classification of rent.

- (a) Expense
- (b) Liabilities
- (c) Equity
- (d) Asset

[Ans. (d) Asset]

(ii) Match List I with List II and Select the Correct Answer using the Codes given below.

	List I		List II
1.	(i) Subscription	1.	Balls, bats
	(ii) Investments	2.	Time of admission
	(iii) Old sports materials	3.	Receive interest
	(iv) Admission fee	4.	Tennis or billiards

Codes :

- | | | | | |
|-----|-----|------|-------|------|
| | (i) | (ii) | (iii) | (iv) |
| (a) | 1 | 2 | 3 | 4 |
| (b) | 4 | 3 | 1 | 2 |
| (c) | 2 | 3 | 4 | 1 |
| (d) | 3 | 4 | 2 | 1 |

[Ans. (b) (i) - 4 (ii) - 3 (iii) - 1 (iv) - 2]

2.

	List I		List II
(i)	Subscription	1.	Revenue expenditure
(ii)	Life membership fee	2.	Capital expenditure
(iii)	Honorarium	3.	Capital receipts
(iv)	Purchase of sports equipment	4.	Revenue receipts

Codes :

- | | | | | |
|-----|-----|------|-------|------|
| | (i) | (ii) | (iii) | (iv) |
| (a) | 1 | 2 | 3 | 4 |
| (b) | 2 | 3 | 4 | 1 |
| (c) | 3 | 4 | 2 | 1 |
| (d) | 4 | 3 | 1 | 2 |

[Ans. (d) (i) - 4 (ii) - 3 (iii) - 1 (iv) - 2]

(iii) Choose the Correct Option and Fill in the Blanks.

1. Receipts and Payment accounts is a _____ account in nature.

- (a) real
- (b) personal
- (c) nominal
- (d) all of these

[Ans. (a) real]

2. _____ items will be recorded in income and expenditure account.

- (a) Capital
- (b) Nominal
- (c) Expense
- (d) Revenue

[Ans. (d) Revenue]

3. _____ items will be recorded in the balance sheet

- (a) Revenue
- (b) Capital
- (c) Expense
- (d) None of these

[Ans. (b) Capital]

4. _____ are the amounts received by not-for-profit organisations as a gift.

- (a) Legacy
- (b) Donations
- (c) Subscription
- (d) Entrance fee

[Ans. (b) Donations]

ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION



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5. A gift made to a not-for-profit organization by a will, is called _____.

- (a) Subscription
- (b) Life membership fee
- (c) Legacy
- (d) Donations

[Ans. (c) legacy]

6. _____ is a fee collection from every member only once at the time of his or her admission into the organisation.

- (a) Entrance fee
- (b) Legacy
- (c) Donations
- (d) None of these

[Ans. (a) Entrance fee]

7. _____ is the remuneration paid to a person who is not a regular employee of the organization

- (a) Purchase of sports materials
- (b) Purchase of sports equipment
- (c) Honararium
- (d) Legacy

[Ans. (c) Honararium]

8. _____ is a revenue expenditure.

- (a) Specific donation
- (b) Honararium
- (c) Legacy
- (d) Interest on investment

[Ans. (b) Honararium]

9. _____ is prepared to find out the surplus or deficit pertaining to a particular year.

- (a) Income and Expenditure account
- (b) Receipts and Payment account
- (c) Trading and Profit and loss account
- (d) Balance sheet

[Ans. (a) Income and Expenditure account]

(iv) Pick the Odd one Out.

1. (a) Entrance fess
(b) Salaries
(c) Postage

(d) Telephone charges [Ans. (a) Entrance fess]

Reason : Entrance fee is a fee collected from every member only once at the time of his or her admission into the organisation. It may be treated as a revenue receipts. Other three are treated as revenue payments.

2. (a) Entrance fess (b) Subscription
(c) Legacies (d) Dividend

[Ans. (c) Legacies]

Reason : A gift made to a not-for-profit organisation by a will is called legacy. It is a capital receipt other three are revenue receipts.

(v) Which one of the Following is Correctly Matched?

1. (a)	Entrance fees	-	Capital payments
(b)	Sale of fixed assets	-	Revenue receipts
(c)	Entertainment expenses	-	Revenue payments
(d)	Investment	-	Capital receipts

[Ans. (c) Entertainment expenses - Revenue payments]

2. (a)	Charities	-	Income Account
(b)	Stationery	-	Income Account
(c)	Depreciation	-	Expenditure Account
(d)	Grant received	-	Expenditure Account

[Ans. (c) Depreciation - Expenditure Account]

(vi) Which one of the Following is not Correctly Matched?

1. (a)	Not-for-profit organisation	-	Educational institutions
(b)	Receipts and payment accounts	-	Real account
(c)	Income and expenditure account	-	Indian companies Act 2013
(d)	Balance sheet	-	Schedule IV

[Ans. (d) Balance sheet - Schedule IV]

2. (a)	Subscription	-	Revenue receipts
(b)	Dividend	-	Revenue payments
(c)	Legacies	-	Capital receipts
(d)	Rent paid	-	Revenue payments

[Ans. (b) Dividend - Revenue payments]

(vii) Consider the Following Statement.

1. **Assertion (A) :** The receipts and payments account begins with the opening balances of cash and bank and ends with closing balances of cash and bank.

Reason (R) : Non-cash items such as depreciation, outstanding expenses and accrued income are shown in receipts and payments account.

- (a) Both (A) and (R) are true, and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true, and (R) is not the correct explanation of (A)
- (c) (A) is true but (R) is false
- (d) (A) is false but (R) is true.

[Ans : (c) (A) is true but (R) is false]

2. **Assertion (A) :** Life membership fee is non-recurring in nature.

Reason (R) : Admission fee is a fee collected from every member only once at the time of his or her Admission into the organization.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

[Ans: (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

(viii) Choose the Correct Statement.

1. (i) Specific fund is to be shown on the liabilities side and specific fund investments account is to be shown on the assets side of the balance sheet.
 - (ii) Incomes and expenses relating to the specific fund account should not be recorded in income and expenditure account.
 - (iii) Balance sheet is a statement showing the financial position of an organisation.
- (a) (i) is correct
 - (b) (ii) is correct
 - (c) (i) and (ii) are correct
 - (d) (i), (ii) and (iii) are correct

[Ans. (d) (i), (ii) and (iii) are correct]

2. (i) Capital fund also called as general fund or accumulated fund is taken to the assets side.
 - (ii) The total of debit balances will be equal to the total of credit balances.
 - (iii) Revenues, gains and liabilities will have credit balance.
- (a) (i) is correct
 - (b) (ii) and (iii) are correct
 - (c) (ii) is correct
 - (d) (i), (ii) and (iii) are correct

[Ans. (b) (ii) and (iii) are correct]

II. VERY SHORT ANSWER QUESTIONS

1. What is Balance sheet?

Ans. A balance sheet is a statement showing the financial position of an organization. The preparation of balance sheet of a not-for-profit organization is more or less similar to that of a trading concern.

III. SHORT ANSWER QUESTIONS

1. What are the features of not-for-profit organizations?

Ans. Following are the features of not-for-profit organizations.

- (i) Not-for-profit organizations are the organizations which function without any profit motive.
- (ii) Their main aim is to provide service to a specific group or the public at large.
- (iii) Generally, they do not undertake business or trading activities.
- (iv) Their main sources of income include subscription from members, donations, grant-in-aid and legacies.

2. Explain the steps in preparations of receipts and payments account.

Ans. Following are the steps involved in the preparation of receipts and payments accounts:

- (i) Record the opening balance of cash in hand and favourable bank balance on the debit side of receipts and payments account. If there is a bank overdraft, it must be recorded on the credit side.

ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION



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- (ii) Actual cash receipts during the year are recorded on the debit side and actual cash payments during the year are recorded on the credit side.
- (iii) While recording cash receipts and payments, no distinction needs to be made between revenue and capital items.
- (iv) If the total of the debit side is more than the credit side, the balancing figure will appear on the credit side. It represents the closing balance of cash or bank.
- (v) If the total of the credit side is more than the debit side, the balancing figure will appear on the debit side. It represents bank overdraft.

3. Write a note on Donations.

- Ans.** (i) These are the amount received by not-for-profit organizations as a gift. It may be general donation or specific donation.
- (ii) **General donation:** If the donation is received without any specific condition, then it is a general donation. It is a revenue receipt.
- (iii) **Specific donation :** If the donation is received with a specific condition for particular purpose like donations for sports fund, prize fund etc., It is known as specific donation. It is a capital receipt.

IV. PROBLEMS:

1. From the Receipt and Payment Account given below, prepare the Income and Expenditure Account of clean Delhi club for the year ended March 31, 2017

Receipt and Payment Account for the year ending March 31st, 2017

Dr			Cr
Receipts	₹	Payments	₹
To Balance b/d		By Salary	1,500
Cash in hand	3200	By Rent	800
To Subscriptions	22,500	By Electricity	3,500
To Entrance fees	1,250	By Taxes	1,700
To Donations	2,500	By Printing stationery	380
To Rent of hall	750	By Sundry expenses	920
To Sale of investment	3,000	By Books purchased	7,500
		By Govt. bonds purchased	10,000
		By Fixed deposit with bank	5,000
		(on 31-3-2014)	
		By Balance c/d	
		Cash in hand	400
		Cash at bank	1,500
	33,200		1,900
			33,200

Solution :

**In the books of clean Delhi club
Income and Expenditure Account for the year ending March 31st, 2017**

Dr			Cr
Expenditure	₹	Income	₹
To Salary	1,500	By Subscriptions	22,500
To Rent	800	By Entrance fees	1,250
To Electricity	3,500	By Donation	2,500
To Taxes	1,700	By Rent of hall	750
To Printing & Stationery	380		
To Surplus	18,200		
(Excess of income over expenditure)			
	27,000		27,000

Unit - 2

2. From the following Receipt and Payment Account for the year ending 31st March 2015 of crickets club. Prepare Income and Expenditure Account for the same period:

Receipt and Payment Account for the year ending March 31, 2015

Dr		Cr		
Receipts		₹	Payments	₹
To Balance c/d			By Purchase of furniture (1.7.14)	5,000
Bank		25,000	By Salaries	2,000
			By Telephone expenses	300
To Subscriptions			By Electricity charges	600
2014	1,500		By Postage and stationery	150
2015	10,000		By Purchase of books	2,500
2016	<u>500</u>	12,000	By Entertainment expenses	900
			By Purchase of 5% Government	
To Donation		2,000	papers (1.7.14)	8000
To Hall rent		300	By Miscellaneous expenses	600
To Interest on bank deposits		450	By Balance c/d	
To Entrance fees		1,000	Cash	300
			Bank	<u>20,400</u>
		<u>40,750</u>		<u>40,750</u>

The following additional information is available:

- (i) Salaries outstanding ₹1,500
- (ii) Entertainment expenses outstanding ₹500
- (iii) Bank interest receivable ₹150
- (iv) Subscription accrued ₹400
- (v) 50 percent of entrance fees is to capitalised
- (vi) Furniture is to be depreciated at 10 percent per annum.



Solution :

**In the books of Cricket club
Income and Expenditure Account for the year ending 31.3.2015**

Dr					Cr
Expenditure	₹	₹	Income	₹	₹
To Salaries	2,000		By Subscriptions		10,400
			By Donation		2,000
Add: Outstanding	1,500	3,500	By Entrance fees		500
To Telephone charges		300	(50% of 1000)		
To Electricity charges		600	By Bank interest	450	
To Postage and stationery		150			
To Entertainment expenses	900		Add: Outstanding interest	150	600
			By Interest on investment		200
Add: Outstanding expenses	500	1,400	By Hall rent		300
To Miscellaneous expenses		600			
To Depreciation on furniture		375			
To Surplus (Excess of income over expenditure)		7,075			
		14,000			14,000

3. From the following extract of Receipt and Payment Account and the additional information given below, compute the amount of income from subscriptions and show as how they would appear in the Income and Expenditure Account for the year ending March 31st, 2015 and Balance sheet.

Receipt and Payment Account for the year ending March 31, 2015

Dr. Cr.

Receipts	₹	Payments	₹
Subscription:			
2013-14	7,000		
2014-15	30,000		
2015-16	<u>5,000</u>		
	42,000		

Additional Information:

- (i) Subscriptions outstanding March 31, 2014 ₹ 8,500
- (ii) Total subscriptions outstanding March 31, 2015 ₹ 18,500
- (iii) Subscriptions received in advance as ₹ 4,000 on March 31, 2014.

Solution :

Income and Expenditure Account for the year ending on March 31, 2015

Dr				Cr
Expenditure	₹	Income	₹	₹
		By Subscriptions received for 2014-15	30,000	
		<u>Add:</u> Outstanding for 2014-15	17,000	
		<u>Add:</u> Received in advance For 2014-15	4,000	
				51,000

Note:

- ☞ Total amount of subscription outstanding as on 31.3.2015 are ₹18,500. This include ₹1,500 (₹8,500 – ₹7000) for subscription still outstanding for 2013-14. Hence the subscriptions outstanding for 2014-15 are ₹17,000 (₹18,500 – ₹1,500).

Balance sheet as on March 31, 2015

Liabilities	₹	Assets	₹	₹
Subscription received in advance for 2014-15	5,000	Subscription outstanding 2013-14	1,500	
		2014-15	17,000	18,500

4. From the following balances prepare a balance sheet as on 31st March 2016.

	₹
Cash in hand	12,000
Cash at bank	8,000
Books	16,000
Billiard Table	24,000
Furniture	30,000
Investment	30,000
Prepaid expenses	20,000
Building	1,00,000
Outstanding expenses	40,000
Subscription received in advance	24,000
Subscription accrued	20,000
Surplus (Income over expenditure)	20,000



Solution :

Balance Sheet as on 31st March, 2016

Liabilities	₹		Assets	₹
Subscription in advance		24,000	Cash in hand	12,000
Outstanding expenses		40,000	Cash at bank	8,000
Capital fund	1,76,000		Books	16,000
(balancing figure)			Billiard Table	24,000
Add: Surplus	20,000	1,96,000	Furniture	30,000
			Investment	30,000
			Prepaid expenses	20,000
			Building	1,00,000
			Subscription accrued	20,000
		2,60,000		2,60,000

5. Following is the receipts and payments accounts of Literacy club for the year ended 31st March 2016

Receipts	₹	₹	Payments	₹
To Balance c/d		19,550	By Salary	3,000
To Subscriptions			By News papers	2,050
2014-2015	1,200		By Electricity bill	1,000
2015-2016	26,500		By Fixed deposit	20,000
2016-2017	500		(on 1st July, 2015 @	
			9% per annum)	
		28,200	By Books	10,600
			By Rent	6,800
To Sale of old newspaper		1,250	By Furniture	10,500
To Government grants		10,000	By Balance dd	11,200
To Sale of old furniture		5,700		
(book value ₹.7,000)				
To Interest on fixed deposits		450		
		65,150		65,150

Additional information:

- (i) Subscription outstanding as on 31st March, 2015 were ₹ 2000 and on 31st March, 2016 ₹2,500.
- (ii) On 31st March, 2016 Salary outstanding was ₹ 600 and rent outstanding was ₹ 1,200.
- (iii) The club owned furniture ₹ 15,000 and books ₹ 7,000 on 1st April, 2015.

Prepare income and expenditure account of the club for the year ended 31st March 2016 and as certain capital fund on 31st March, 2015. Also prepare a balance sheet as on 31st March, 2016.

Solution :

Balance sheet as on 31st March 2015

Liabilities	₹	Assets	₹
Capital fund (balancing figure)	43,550	Cash in hand	19,550
		Subscription outstanding	2,000
		Furniture	15,000
		Books	7,000
	43,550		43,550

Income and Expenditure Account for the year ended 31st March 2016

Dr			Cr		
Expenditure	₹	₹	Income	₹	₹
To Salary	3,000		By Subscriptions	26,500	
<u>Add:</u> Outstanding	600	3,600	<u>Add:</u> Outstanding for 2015-16	1,700	28,200
To Newspapers		2,050	By Sale of old newspaper		1,250
To Electricity bill		1,000	By Government grants		10,000
To Rent	6,800		By Interest on fixed deposit	450	
<u>Add:</u> Outstanding	1,200	8,000	<u>Add:</u> Accrued interest	900	1,350
To Loss on sale of furniture (7000 – 5700)		1,300			
To Surplus (Excess of income over expenditure)		24,850			
		40,800			40,800

Note :

- ☞ Subscription outstanding on 31st March, 2016 is ₹ 2,500 which includes the subscription outstanding for the year 2014-15 ₹ 800 i.e. 2000 – 1200 received during 2015-2016. Hence the subscription outstanding for 2015-16 is ₹ 1700 (i.e. ₹ 2,500 – ₹ 800). It should be noted that there is difference between subscription outstanding on 31st March, 2016 and subscription outstanding for 2015-16. which indicates subscription outstanding on 31st March, 2016 and subscription outstanding for 2015-16 which indicates subscription outstanding only for 2015-16.

ACCOUNTS OF NOT-FOR-PROFIT ORGANISATION

- | Particulars | ₹ | Particulars | ₹ |
|---------------------------------|--------|-----------------------|--------|
| Openings balance as on 1.1.2018 | 20,000 | Lockers rent received | 12,000 |
| Investments made | 80,000 | Sale of furniture | 5,000 |
| Honorarium paid | 3,000 | General expenses | 7,000 |
| Donation received | 80,000 | Postage | 1,000 |
| Audit fees paid | 2,000 | Subscription received | 10,000 |

In the books of Chennai educational society
Receipts and Payments
Accounts for the year ended 31st December 2018

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7. From the following Receipts and Payments Account of Trichy, Rotary club, prepare Income and Expenditure Account for the year ended 31.03.2019.

Receipts	₹	Payments	₹
To Opening Balance		By Furniture Purchased	10,000
Cash in hand	11,000	By Rent	2,800
To Dividend received	27,600	By Secretary's honorarium	15,000
To Sale of old newspaper	3,000	By Postage	1,700
To Member's Subscription	31,000	By General expenses	4,350
To Locker rent	8,000	By Printing and stationery	45,000
To Interest on investments	1,250	By Audit fees	5,000
To Sale of furniture (Book value ₹ 4000)	5,000	By Closing balance Cash in hand	3,000

Solution :

In the books of Trichy Rotary club Income and Expenditure Account for the year ended 31st March, 2018

Dr			Cr
Expenditure	₹	Income	₹
To Rent	2,800	By Dividend received	27,600
To Secretary's honorarium	15,000	By Sale of old newspaper	3,000
To Postage	1,700	By Member's subscription	31,000
To General Expenses	4,350	By Locker rent	8,000
To Printing and stationery	45,000	By Interest on investment	1,250
To Audit fees	5,000	By Profit on sale of furniture (5000-4000)	600
		By Deficit (excess of expenditure over income)	2,400
	<u>73,850</u>		<u>73,850</u>

8. How will the following items appear in the final accounts of sports club.

Particulars	₹
Stock of sports materials (1.4.2019)	3,000
Sports materials purchased during current year	9,000
Sale of old sports materials during current year	500
Stock of sports materials (31.3.2019)	4,000



Solution :

Income and Expenditure Account for the ended 31st March 2019

Dr				Cr
Expenditure	₹	₹	Income	₹
To Sports materials Consumed:			By Sale of old sports materials	500
Opening stock	3,000			
Add: Purchased in the current year	9,000			
	12,000			
Less: Closing stock	4,000	8,000		

Balance sheet as on 31st March, 2019

Liabilities	₹	Assets	₹
		Stock of sports materials	4,000

9. How will the following appear in the final account of a club for the year 2017-2018?

Particulars	₹
Prize fund on 1.4.2017	50,000
Prize fund investment on 1.4.2017	50,000
Interest received on prize fund investment	5,000
Prizes distributed	6,000
Donation received for prize fund	10,000

Solution :

Balance sheet as on 31st March, 2018

Liabilities	₹	₹	Assets	₹	₹
Prize fund	50,000		Prize fund investment		50,000
Add:					
Interest received on prize fund investment	5,000				
Add:					
Donation for prize fund	10,000				
	65,000				
Less:					
Prizes distributed	6,000	59,000			

HOTS QUESTIONS AND ANSWERS

1. Can be balance in receipts and payments account be treated as income of the period?

Ans. No, as the balance in receipt and payments account is closing cash and bank balance.

2. Every receipt and Payments, whether capital or revenue and irrespective of the period is recorded in receipts and payments accounts why? Give reason.

Ans. It is so because receipts and payments account is prepared on cash basis of accounting.

3. Income and expenditure account of a not-for-profit organization is akin to profit and loss account of a business concern. Explain the statement.

Ans. Income and expenditure account is prepared by a non-profit organization and is a summary of income and expenditure of the accounting year.

Income and expenditure account is akin to profit and loss account because of the following similarities which are observed amongst these accounts.

- (i) Both are nominal accounts.
- (ii) Both are one prepared on accrual basis.
- (iii) Both record revenue items related to current accounting year only.
- (iv) In both the accounts, expenses and losses are recorded on the debit side and incomes and gains are recorded on the credit side.

4. Distinguish between income and expenditure account and profit and loss account.

Ans. The difference between income and expenditure account and profit and loss account are.

Basis	Income and Expenditure Account	Profit and Loss Account
Preparation	Income and Expenditure account is prepared by non-profit organisation.	Profit and loss account is prepared by organization whose main objective is to earn profit
Basis of preparation	It is prepared on the basis of receipts and payments account.	It is prepared on the basis of trial balance and additional information.
Objective	Its main objective is to ascertain surplus or deficit.	Its main objective is to ascertain net profit or loss.
Balance	The balance in this account is either surplus or deficit.	The balance in this account is either net profit or net loss.

VALUE BASED QUESTIONS AND ANSWERS

1. Yuvan foundation is formed to educate and to provide jobs to unemployed women. Identify the values involved.

Ans. The value involved are Respect for women and women empowerment.

2. Youth of India sports club decided to donate ₹ 50,000 and spread awareness among the people of nearby societies about cleanliness in the country under the programme "Bharat Abhiyan". Identify the values highlighted.

Ans. The values highlighted are

- (i) Social responsibility towards society.
- (ii) Sensitivity towards cleaner environment.



UNIT 3

ACCOUNTS OF PARTNERSHIP FIRMS - FUNDAMENTALS

CHAPTER SNAPSHOT

- | | |
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