

B. Com I year : Hon A & B Section | Dy. P. V Rao
Compt. APL. A Section
Financial Accounting: II Semester

~~UNIT~~

UNIT - V Non-Trading Concerns
Accounting for Non-Trading
Concerns

Like any other business concern, NTC (Non Trading Concerns) also prepare financial statements. In this unit we study how NTC prepare financial statements at the end of each financial year. ^{two}

What is a non-trading concern & basic features are

- It is not for profit (service oriented) or no profit motive.
- If there is any surplus (excess of income over expenditure) it should not be distributed to its owners as dividend.

[Note: Go through other features from any text book]

Since, the organisations ^{are} not for profit making, ~~it is~~ they prepare "Income and expenditure a/c" in place of P & L a/c to ascertain surplus & deficit and also prepare Balance sheet at the end of each year.

The procedure/method of preparing financial statements is similar to a business organisation, but its nature of incomes & expenses are different. Financial statements prepared by a Non-trading concern are —

- a) Income & expenditure a/c
- b) Balance sheet, at the end of each year.

How to prepare Income & Expendure a/c?

- ① It is to be debited with all expenses and loss ~~for~~ relating ^{to} that financial year ~~whether paid or~~ including expenses outstanding and less prepaid expenses.
- ② It is to be credited with all Incomes & gains relating to that financial year including receivable for that year, less incomes received in advance.
- ③ The difference between Total Dr & Cr is ~~so~~ surplus (excess of income over expenditure) or deficit (excess of expenditure over income) or no surplus or deficit (Income = Expendures).

How to prepare balance sheet?

Balance sheet is prepared on ~~the~~ a specific date. eg. 31 March 2020, i.e. at the end of each year on that date (31-3-2020). ^{existing} all assets are shown on assets side (right hand side) and liabilities on left hand side of balance sheet.

Source of Information to prepare Financial statements.

① ~~problem may be given in the form of a Cash Book, with additional information.~~

② ~~OR~~ Problem may be given in the form of —

a) Cash Book with additional information

b) Trial balance with adjustments. (like I sem final accounts)

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NOW we discuss issues relating to preparation of Income and Expenditure a/c, when a problem is given under Cash Book Model

A Cash Book ~~is~~ (Receipts and payments a/c) will be given with additional information.

Cash Book contains two sides. i.e. ~~Debit~~ Receipts (Debit side) and payments side (Cr. side)

I Receipts side appears the following.

a) Revenue ~~is~~ or regular incomes. Credit them to I & E a/c eg. Subscriptions.

b) Capital incomes, add them to Capital fund in the balance sheet eg. Legacies, donations etc

c) Capital Receipts: they are two types -

i) Loans taken: They appear on liabilities side of Balance sheet

ii) Sale of asset: ~~deduct from the~~ such receipts deducted from the asset concerned in balance sheet. eg. sale of old furniture.

iii) Donations for some purpose - show them as liabilities

II payments side of CB gives the following: in BS

a) Revenue / or regular operating expenses, eg. Salaries, printing & stationery, rent paid, lighting, insurance, interest on loan etc.

b) Capital expenses: paid for purchasing assets. Such expenses are to be added to the ~~cost~~ assets concerned in the balance sheet. eg. purchase of furniture, motor vehicles, buildings etc

- c) Repayment of Loans: Such items deduct from the ~~asset~~ concerned loan in the balance sheet on liability side
- d) payments from the funds received for a specific fund. eg. Tournament expenses: Such items deduct from Tournament fund on liability side of Balance sheet. eg. Tournament fund Building fund etc.

Some important receipts are explained as follows—

- a) Legacy: It is 'will by donor'. It is a capital income - add to Capital fund in BS
- b) Donations: Donations of large amount add to Capital fund in BS. Donations of small amount show as income in I & A
Donations for specific purpose, show them as liability in BS.
eg. Donation for building of ^{new} _{stands} mts
- c) Endowment funds: Show them as liabilities in BS.
- d) Entrance fees: may be taken as Revenue or Capital income.
(follow instruction in the problem)
- e) Sale of old asset: Deduct from the asset concerned in BS; Book value is to be deducted

Loss on sale of asset if any, to be debited to I & E acc.

f) Sale of old news ~~page~~ papers / periodicals:

~~the~~ Credit to I & E acc

g) Subscriptions from members: Take as income i.e. credit to I & E acc

b) Any Loan taken: Show them as liabilities in B.S.

Payments Side of Cash Book

a) Regular, operation, recurring expenses:

~~the~~ Dr to I & E acc e.g. Salaries, Rent, Printing Stationery, light & Insurance etc

b) purchase of assets: Add to the concerned asset in balance sheet.

c) Loans repaid: Deduct from the Loan concerned ~~in~~ on liabilities side of BS

d) Expenses paid ~~from~~ ^{for} specific purpose: e.g.

~~tournament~~ ~~tournament~~ tournament expenses, deducted from Tournament Fund, paid for construction of a building, deducted from Building fund on liabilities side of B.S.

Calculation of Depreciation on fixed Assets

It is same as you treated it in I Sem final accounts. ~~However, some explanation is given as~~

Depreciation on fixed assets is to be Pr. to I&E as
cal. & depreciation some ~~of~~ special ^{reserves} ~~reserves~~ are explained
~~see~~ later in solving problems ~~later~~.

Ascertainment of Capital fund

$$\text{Capital fund} = \text{Total assets} - \text{total liabilities}$$

In non-trading concerns, a opening Capital fund
may not be available in the problem. For ascertainment
of Capital fund at the beginning of the
financial year, we have to ~~pre~~ prepare opening
balance sheet i.e 1st day of the financial year

Preparation of Closing balance sheet

It is to be prepared as usual. All assets
existing on the date of BS on assets side and
all liabilities ~~on~~ Capital fund on
liabilities side.

NOW some problems are attempted

both short and main from exercise given in
the text Book (Jain & Narang)

Note: Call me on my phone: 9440746717
for any clarification; ^{Doubt} Feel free to call.

Exercises
from Jain & Narang
Text Book

Short questions for 4 marks

Prob. Q. 14

Give Journal entries for the following

- a) outstanding subscriptions $\text{Rs } 5000$
 Dr 5000
 TO subscriptions $\text{Rs } 5000$
 (Income)
-
- b) Rent received in advance $\text{Rs } 3000$
 Rent $\text{Rs } 300$
 TO Rent received in advance $\text{Rs } 300$
-
- c) prepaid Insurance $\text{Rs } 100$
 TO Insurance $\text{Rs } 100$

Q. 15

| Dr Receipts & payments ac / Cash Book | | Cr | |
|---------------------------------------|--------------|-----------------------|--------------|
| Receipts | ₹ | Payments | ₹ |
| TO Balance b/d | | By Salaries ac | 3000 |
| - Cash | 500 | " Rent ac | 1200 |
| - Bank | 4800 | " Furniture ac | 2000 |
| TO subscriptions | 11,000 | " Tournament expenses | 3000 |
| TO Entrance fees | 1,000 | " Periodicals a | 1200 |
| | | " Entertainment exp. | 1500 |
| | | " Mts. Expenses | 300 |
| | | By Balance c/d | |
| | | (closing) | |
| | | Cash | 800 |
| | | Bank (derived) | 4300 |
| | <u>17300</u> | | <u>17300</u> |
| TO Balance b/d (op) | | | |
| Cash | 800 | | |
| Bank | 4300 | | |

Note: Cash Book records actual receipts and payments, closing cash balance given in the problem, Bank balance (closing) is derived, found out.

| Receipts | | Cash Book / Receipts & payment a/c or payments | |
|----------|----------------------------|--|----------------------|
| | | ₹ | ₹ |
| 2018 | | | |
| Jan 1 | TO Balance b/d | | |
| | Cash a/c | 2000 | By Furniture a/c |
| | Bank a/c | 28000 | " Investments a/c |
| | TO Subscriptions Received | 84000 | " Books a/c |
| | TO Interest on Investments | 3000 | " Rent a/c |
| | | | ----- |
| | | | 2000 |
| | | | 2018 |
| | | | Dec 31 |
| | | | By Balance c/d (cls) |
| | | | Cash (given) |
| | | | Bank |
| | | | ----- |
| | | | 17400 |
| | | | 80000 |
| | | | ----- |
| | | | 117000 |
| 2019 | | | |
| Jan 1 | TO Balance b/d | 117000 | |
| | Cash | 17400 | |
| | Bank | 80000 | |

Note: In Cash Book, only actual receipts and payments of cash/a/c by Bank only be recorded. No outstanding incomes or expenses or Assets be recorded.

Q No. 17

Ascertainment of Subscriptions (Income) to be credited to Income and expenditure a/c for the financial year ending 31-12-2017

| | | |
|--|-------------|------|
| → Total Subscriptions Received during the year 2017: | ₹ | 5800 |
| <u>Add</u> : Subscriptions received in advance in 2016 for 2017 | | 300 |
| <u>Add</u> : Subscriptions outstanding/Receivable for 2017 | | 250 |
| | | 6350 |
| <u>Less</u> : Subscription received in 2017 for 2019: | 150 | |
| <u>Less</u> : Subscription received in 2017 for 2018 | 250 | |
| | (350 - 150) | |
| <u>Less</u> : Subscriptions of/s on 31-12-2016 ₹ 250 | | |
| of which 150 collected in 2017 | 150 | 550 |
| ₹ 50 still due on 31-12-2017 (200-50) | | |
| | | 5800 |
| Subscription income for 2017 F. year to be credited to I & E a/c | | 5800 |

Note: Only ~~the~~ Subscription income relating to FY 2017 only be taken into consideration, whether they are received or Receivable/Outstanding (This is a/c as per accrual A/c concept).

Balance sheet as on 31-12-2017

| <u>Liabilities</u> | ₹ | <u>Assets</u> | ₹ |
|-------------------------------------|-----|--------------------------------|-----|
| Subscriptions received in advance — | | Subscriptions of or Receivable | |
| For 2018 → | 350 | For 2016 | 50 |
| For 2019 | 150 | For 2017 | 250 |
| | 550 | | 300 |

Note: This is a good problem. Understand it carefully. On 31 Dec 2017 status of Assets and liabilities should be given. Nothing else. Note the following —

- a) Subscriptions received in advance (~~for coming~~ coming year) is a liability.
- b) Subscriptions receivable or outstanding is an 'asset'

General Rules

Memorise them

- (a) Any income or/ or receivable is an asset
- (b) Any income received in advance is a liability
- (c) Any expenditure or/ or payable is a liability
- (d) Any expenditure paid in advance is an Asset on the date of BS

Problem 18

Closing balance of Sports Material as on 31-12-2019 appear ~~not~~ on Assets side of BS as follows

Balance Sheet as on 31-12-2019

| | | |
|-----------------------------|------|-----|
| Sports Mat (op) | 200 | |
| + purchased during the year | 3350 | |
| | 3550 | |
| less: Dep. | 3000 | 550 |

Cal. of Depreciation on Sports Material (ASM is an asset)

OP balance as on 1-1-2019 : 200

Purchased during the year : 3350

(paid 3550 less 150 paid for last year dues)

| | |
|-------------------------------------|------|
| Total value of SM | 3550 |
| less: closing balance on 31-12-2019 | 550 |
| Depreciation on Sp. Mat. | 3000 |

To be Dr to I & E A/c

Ques 19

(i) ~~Sub~~ Donations Received for construction of ~~any~~ Pavilion is a Capital Receipt/Income: Appears in balance sheet on liabilities side. Any expenditure paid for construction of Pavilion is deducted from it in BS. as follows

Balance Sheet as on 31-12-2019

| <u>Liabilities</u> | ₹ | | <u>Assets</u> | ₹ |
|---------------------------------|--------|--|---------------|---|
| Donations for Pavilion received | 75000 | | | |
| Less: construction exp paid | 59200 | | | |
| Balance remaining → | 162000 | | | |

note: Donations for construction of Pavilion is a liability, ~~It~~ because the said amount is to be paid whenever expenditure is incurred on its construction

(ii) Tournament funds: It is also a liability, ~~to be paid~~ shown on liabilities side of BS. Any Tournament expenses paid during the year is to be deducted from Tournament Fund in BS, but not to be Dr. to I & E a/c. If any interest is received on Tournament fund deposited into Bank is to be added to T. Fund in BS. Interest on T.F should not be credited to I & E a/c.

So,

Balance Sheet as on 31-12-2019

| <u>Liabilities</u> | ₹ | | <u>Assets</u> | ₹ |
|-----------------------------|-------|--|---------------|---|
| T. Fund (op) | 3760 | | | |
| Collected during the year → | 18600 | | | |
| Total F. available | 22160 | | | |
| Less: T. Expenses paid | 20200 | | | |
| Balance of T. F available | 1960 | | | |

iii) Life membership fees received is a Capital Receipt/Income. Hence, ~~add~~ L.M. fees received add to Capital fund in the BS on liabilities side.

Problem 20

I & E acc for the year ended 31 Dec 2019

| <u>Expenses</u> | ₹ | <u>Income</u> | ₹ |
|-----------------|---|--|-------|
| | | By Subscription received | 25000 |
| | | Add: Sub. received in 2018 for 2019 | 7500 |
| | | Add: Sub. OS for 2019 | 10000 |
| | | 42500 | |
| | | Less: Sub. received in 2019 for 2018 | 5000 |
| | | 37500 | |
| | | Less: Sub. received in 2019 for 2020 (Advance) | 5000 |
| | | 32500 | |

Balance sheet as on 31-12-2019

| <u>Liabilities</u> | ₹ | <u>Assets</u> | ₹ |
|-----------------------------------|------|-------------------------------------|-------|
| Sub. received in advance for 2020 | 5000 | Sub. Receivable/OS as on 31-12-2019 | 10000 |
| 5000 | | 10000 | |

Problem 21

Subscriptions income to be credited to I & E acc for FY 2019

Only current year income (2019) to be considered

| | |
|--|-------|
| Subscriptions received during the year 2019 | 39000 |
| Add: Sub. received in advance in 2018 for 2019 | 2000 |
| Add: Sub. Receivable or outstanding for 2019 | 10000 |
| Less: Sub. received in 2019 for 2020 | 1200 |
| Less: Sub. received in 2019 for 2018 | 800 |
| | 40000 |

← To be credited to I & E acc

2018 = previous year, 2019 current year, 2020 coming year

Prob. 23

Subscriptions income to be Cr. to I&E ac for the financial year 2019.

| | |
|--|-------------|
| Subs. Recd → during 2019 | ₹ |
| | 5,200 |
| Less: Recd for 2018 | <u>200</u> |
| Add: Recd in advance in 2018 for 2019. | 5000 |
| | <u>200</u> |
| Add: outstanding for 2019 (5000-800) | 5200 |
| | <u>4700</u> |
| Less: Recd in advance for 2020 | 9900 |
| | <u>100</u> |
| | <u>9800</u> |

← To be Cr. to I & E ac →
 [Book answer is WRONG]

Balance sheet as on 31-12-2019

| | | | |
|----------------------|-----|--------------------------------|----------------|
| Sub. Recd in advance | ₹ | | |
| | 100 | Subscriptions outstanding/Due | 200 |
| | | For 2018 (1000-200) | 800 |
| | | For 2019 | 4700 |
| | | | <u>5500</u> |
| | | Total Receivable on 31-12-2019 | 5500 |

Note: Subscriptions outstanding for 2018 are ₹ 1000 of which ₹. 200 collected in 2019, Balance ₹ 800 still due for 2018 is ~~₹ 800~~. Total Sub due/ds OS on 31-12-2019 is ₹ 5500 which includes ₹. 4700 for 2019 and ₹. 800 for 2018.

Imp.: Only current year income (~~in 2019~~ ^{is} for 2019) is to be taken into account. 2018 ~~previous year~~ Income of 2018 and 2020, is to be excluded if it is ~~is~~ included in Subs. Recd during 2019 (current year). 2019 currt yr. 2018 previous yr 2020 coming year (Advance).

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Accounts of Non-Trading Concerns. Dr P.V. Rao

Q No. 2(a) 12 Marks Questions
 B Com I year
 B Com I yr (Hon) A & B & Cond-App - A sections
Financial Accounting

Dr Receipts Income & Expenditure a/c for the year ended ... Cr

| Expenses | ₹ | Income | ₹ |
|------------------------------|--------|-------------------------------------|-------|
| TO Salaries paid (as per CB) | 2400 | By Fees Received | 28000 |
| less: paid for last yr | 300 | less: Received for last yr | 3000 |
| Add: payable for C yr | 400 | Add: Fees receivable for current yr | 25000 |
| | 2500 | | 30000 |
| TO Entertainment expenses | 500 | By Donations | 800 |
| TO Tournament expenses | 1000 | | |
| " Meeting expenses - - - | 1000 | | |
| " Traveling & conveyance exp | 800 | | |
| " Rent paid - - - | 1200 | | |
| " postage & telegrams | 1700 | | |
| " printing & stationery | 500 | | |
| " purchase of periodicals | 1800 | | |
| (3000 - 2000) | | | |
| TO Excess of Income over Exp | 20,600 | | |
| (SURPLUS) | 30,800 | | 30800 |

Note: (1) Books purchased is an asset; periodicals is an expense. (2) Donations of small amount take as income. (3) Current year Incomes & expenses only be recorded in I & E a/c.

Q No. 2(b)

Dr Income & Expenditure a/c for the year ended 31-12-2018

| Expenses | ₹ | Income | ₹ |
|---|-------|---|------|
| TO Salaries paid - - - | 4800 | By Subscriptions received | 8300 |
| " Rent paid - - - 500 | | less: Received for 2019 | 1000 |
| + payable for cur. yr 60 | 560 | Add: Sub. OS. for 2018 | 700 |
| " Stationery & postage | 200 | By Interest receivable on Savings Certificate (A) | 100 |
| " Help to needy students | 2000 | | |
| " Loss on sale of furniture (BV. 100 - SF. 300) | 100 | | |
| TO Excess of Income over expenditure (Surplus) | 1,440 | | |
| | 9,100 | | 9100 |

Note: 2018 (Current year) Incomes & Expenses only be taken into account. Bicycle purchase, Savings certificates are assets appear in Bal. Sheet.

Dr Income and Expenditure of Bombay Sports Club for the year ended 31-12-2018

| Expenses | ₹ | Incomes | ₹ |
|---|--------|--|--------|
| → Wages - - - - | 5330 | By Subscrip ⁿ for 2018; 16900 | |
| " Rent to paid (CB) 5200 | | Add: OS for 2018 468 | 17,368 |
| + payable for 2018 1300 | | " Lockers land revenue 500 | |
| Sum: paid for 2017 1300 | 5,200 | + Receivable for 2018 90 | |
| → Stationery - - - 3068 | | Sum: received for 2017 590 | 530 |
| + payable for 2018 364 | | " Entrance fees (X) - | 550 |
| Sum: paid for 2017 312 | 3,120 | | |
| → Repair - - - - 806 | | | |
| → Interest paid - - 1500 | | | |
| → Excess of Income over Expenses (Surplus) 5,942 / 5392 | | | 18,448 |
| | 18,448 | | 18,448 |

Note: (X) Entrance fees is taken as regular income; if it is taken as Capital receipt surplus would be ₹ 5392 (5942 - 550).

Prob no 4

Dr Income & Expenditure of Delhi Club for the year ended 31-12-2019

| Expenditure | ₹ | Incomes | ₹ |
|---|--------|--------------------------------------|--------|
| → Salaries & wages - 2262 | | By Subscriptions (CB) 10560 | |
| Add: OS. salaries 300 | 2,562 | + Receivable for 2019 280 | |
| " Rent & Telephone Exp. 3194 | | - Received for 2020 400 | 10,410 |
| " Fuel & light - - - - 1618 | | " Sundry receipt from Billiards 1763 | |
| " Cost of entertainment 2190 | | " Sale of E. tickets - - - 3234 | |
| " Sundry Expenses - - - 1600 | | " Entrance fees - - - 448 | |
| " Cost of annual dinner 760 | | | |
| " Repairs - - - - 734 | | | |
| " Depreciation on Furniture (2500 x 10/100) 250 | | | |
| " Dep. on B. tables (250 x 20/100) 250 | | | |
| " Dep on China glass etc. 333 x 11/100 111 | | | |
| → Excess of Income over Expenses 2,566 | | | 15,835 |
| | 15,835 | | 15,835 |

Note: This problem is given in the form of Trial balance i.e. Dr & Cr balances. Capital fund also given in T Balance. Adjustments are given as additional information. It is like final acc you have worked in 1st Semester. The other model is Cash Book Model.

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Balance Sheet of Delhi Club as on 31.12.2019

| Liabilities | | | Assets | | ₹ |
|---|------|-------------|-------------------------------|------|-------------|
| Capital fund | 4000 | | Furniture - - - | 2500 | |
| + Surplus | 2566 | 6566 | less Depreciation | 280 | 2280 |
| Sundry creditors - - - | | 2600 | Bills & Tables etc | 1280 | 1000 |
| Subscriptions received in advance (ie for 2020) | | 400 | less Depreciation | 250 | |
| Salaries payable / OS | | 300 | Mirrors glass & cutlery etc | 333 | 222 |
| | | | less Depreciation | 111 | |
| | | | Sundry Debtors - - - | | 1,170 |
| | | | Cash at Bank - - - - | | 4800 |
| | | | Cash in hand | | 174 |
| | | | Subscriptions receivable / OS | | 250 |
| | | <u>9866</u> | | | <u>9866</u> |

Q 5 Income & Expenditure A/c for the year ended 31.12.2018

| Expenses | ₹ | Incomes | ₹ |
|-------------------------------|-------------|--|-------------|
| TO Expenses paid (for 2018) | 2000 | By Subscriptions received for 2018: 2100 | |
| TO Interest paid - - - - | 400 | + received in advance in 2017 | |
| " Miscellaneous Expenses | 2000 | for the yr 2018 (X) 600 | 2,700 |
| | | " Entrance fees - - - | 800 |
| TO Excess of Income (Surplus) | 3560 | " Lectures Rent - - - - 700 | |
| | | less: OS. in 2017, received | |
| | | in 2018 - - - - 260 | 460 |
| | | " Miscellaneous Receipts - | 4000 |
| | <u>7960</u> | | <u>7960</u> |

Notes
 (X) Subscriptions, ₹ 600 received in 2017 (advance) for Fin year 2018.
 So - ₹ 600 to sub. received in cash for 2018 ie ₹ 2100;
 Total sub. income is 2100 received in cash + received in 2017 for 2018 = 2700.

Balance Sheet A - - - - - as on 31 Dec 2018

| Liabilities | | ₹ | Assets | | ₹ |
|---|-------|--------------|--|--------|--------------|
| Capital fund | 33620 | | Land - - - - - | 4000 | |
| + Surplus - - - - | 3560 | 37,180 | Buildings | 30,000 | |
| Loan - - - - - | | 5000 | Subscriptions outstanding for 2017 (380-200) | 180 | |
| Outstanding exp. (1000-1200) | | 200 | Cash & Bank balance | 8300 | |
| Subscriptions received in advance (ie for 2019) | | 100 | | | |
| | | <u>42480</u> | | | <u>42480</u> |

Notes
 (1) Expenses due on 31-12-2017 ₹ 1000 of which 1200 paid in 2018 = So still due ₹ 200
 (2) Subs. for 2017 outstanding for 2017 are ₹ 380, of which ₹ 200 received in 2018. Hence ₹ 180 still receivable relating to 2017.

Cash Book / Receipts & Payments a/c

| Receipts | | £ | Payments | | Cr |
|----------|--|-------------|----------|--------------------------------------|-------------|
| 1-1-2018 | TO Balance b/d | | | By Rent | 600 |
| | Cash at Bank | 3000 | | " Printing | 150 |
| | " Subscriptions | 2500 | | " Advertisement | 200 |
| | " proceeds from Ent. selections | 1000 | | " sundry exp | 55 |
| | " Interest on Securities | 475 | | " Govt. securities | 2500 |
| | " Entrance fees | 500 | | " Furniture | 600 |
| | " Sale of old furniture (Book value £100) | 75 | | " Library Books | 300 |
| | | | | " Cost of Entertainment 31/3/2019 | 750 |
| | | <u>7550</u> | | By Balance c/d (Cash at Bank) | <u>2595</u> |
| 1-1-2019 | TO Bal b/d Cash at Bank | 2595 | | | <u>7550</u> |

Balance & Expenditure of A Musical Society for the year ended 31/3-2019

| EXPENDITURE | | £ | INCOME | | £ |
|---|-----|-------------|---------------------------------|------|-------------|
| TO Rent paid | 600 | | By Subscriptions (CB) | 2500 | |
| Add: Due for cur. year | 100 | | + OS for cur. year | 325 | |
| Loss on sale of furniture | 75 | | - Rent for last year | 2825 | 2425 |
| paid for last yr | 625 | 275 | " proceeds from Ent. selections | 1000 | 1000 |
| TO Printing exp | 150 | | " Interest on Securities | 475 | |
| + OS for cur. year | 75 | 225 | + OS for cur. year | 150 | |
| " Advertisement exp | | 200 | - Record for last year | 625 | 500 |
| " sundry exp | | 55 | " Entrance fees | | 500 |
| " Cost of entertainment | | 750 | | | |
| " Loss on sale of furniture (100 - 75) | | 25 | | | |
| TO Surplus | | <u>2895</u> | | | |
| | | <u>4425</u> | | | <u>4425</u> |

Balance sheet of Musical Society as on 31 March 2019

| Liabilities | | £ | Assets | | £ |
|----------------------------------|--------|---------------|--------------------------------|-------|---------------|
| Capital fund (100) | 15,575 | | Furniture - (OP) | 1475 | |
| + Surplus | 2,895 | 18,470 | Add: purchase of F | +600 | |
| Rent payable / OS / due | 100 | | Less: sale of F (BV £100) | -100 | 1475 |
| Printing exp. payable / OS / due | 75 | | Library Books - (OP) | 1000 | |
| | | | + purchase during the year | 300 | 1,300 |
| | | | Govt. Securities - (OP) | 10000 | |
| | | | + purchase | 2500 | 12500 |
| | | | Cash at Bank (100) | | 2595 |
| | | | Accrued Interest on Securities | | 150 |
| | | | Subscriptions OS / Receivable | | 325 |
| | | <u>18,645</u> | | | <u>18,645</u> |

Income & Expense Statement of Cuttack Citizen Club for the year ended 31-12-2018

| Income & Expense Statement | | Income | |
|-----------------------------|-------------|-----------------------------|-------------|
| ₹ | | ₹ | |
| TO Salaries - - - - - | 1200 | By Subscriptions (2018) | 3500 |
| " Electricity - - - - - | 120 | +: OS. for 2018 (A) | 75 |
| " News paper exp. - - - - - | 525 | " profit from refreshments | 100 |
| ↪ Surplus ↪ | 2,475 | " Furniture hired - - - - - | 200 |
| | <u>4320</u> | " Sundry income - - - - - | 120 |
| | | " Entrance fees - - - - - | 300 |
| | | " Interest accrued ↪ | 25 |
| | | | <u>4320</u> |

Ascertainment of Capital fund as on 1-1-2018 (Opening)

Balance Sheet of Cuttack Citizen Club as on 1-1-2018 (OP)

| Liabilities | | Assets | |
|---------------------|-------------|---------------------------------------|-------------|
| ₹ | | ₹ | |
| Creditors - - - - - | 1200 | Furniture - - - - - | 2500 |
| Capital Fund (Bal) | 4850 | Utensils - - - - - | 800 |
| | | Consumable stores - - - - - | 350 |
| | | Cash - - - - - | 2350 |
| | | Subscriptions outstanding/ receivable | 50 |
| | <u>6050</u> | | <u>6050</u> |

Balance Sheet of Cuttack Citizen Club as on 31-12-2018 (Clo)

| Liabilities | | Assets | |
|---|-------------|--|-------------|
| ₹ | | ₹ | |
| Capital Fund | 4850 | Furniture - - - - - | 2500 |
| + Surplus | 2475 | Utensils - (OP) | 800 |
| Subscriptions received in advance for 2019 (CB) | 75 | + purchase ↪ | 200 |
| Creditors - - - - - | 550 | Consumable stores - (P. 350 + Cr purchase 350) | 700 |
| | | Fixed deposits - - - - - | 2500 |
| | | Cash balance - - - - - | 1,150 |
| | | Subscriptions outstanding/ receivable | 75 |
| | | Interest accrued on FD | 25 |
| | <u>7950</u> | | <u>7950</u> |

Creditors a/c

| | | | |
|---------------------------|-------------|--|-------------|
| TO Cash (paid) | 1000 | 1-1-2018 | |
| 31-12-2018 TO Balance c/d | 550 | By Balance b/d (OP) | 1200 |
| | <u>1550</u> | By purchases a/c (Cr purchase of stores) | 350 |
| | | 1-1-2019 By Bal b/d | <u>1550</u> |
| | | | 550 |

Prb. 8

Dr Income & Expenditure A/c Jay Jagdish, P for the year ended 31-12-2018

| Expenses | ₹ | Income | ₹ |
|---|--------------|--|--------------|
| TO Salaries 7150 + payable for 2018 650 | 7800 | By Members Subscriptions/fees 12900 | 12900 |
| " Rent & Taxes 900 - prepaid for 2019 50 | 850 | " Non-Members Subscriptions 1200 - Received for 2019 (Adv) 50 | 1,150 |
| " Electricity charges 600 | 600 | " Miscellaneous Receipts. 2500 | 2500 |
| " Telephone charges - 400 | 400 | | |
| " General expenses 1700 | 1700 | | |
| " Scooter expenses 350 | 350 | | |
| TO SURPLUS → 4850 | 4850 | | |
| | <u>16550</u> | | <u>16550</u> |

Balance sheet of Jay Jagdish, P as on 01-01-2018

| Liabilities | ₹ | Assets | ₹ |
|-------------------------|--------------|------------------------------|---------------|
| Building fund 19,000 | 19,000 | Land/plot 8000 | 8000 |
| Capital Fund (Bal) 9260 | 9260 | Building fund deposit 19,000 | 19,000 |
| | | Cash balance 1260 | 1260 |
| | <u>28260</u> | | <u>28,260</u> |

Balance sheet of Jay Jagdish, P as on 31 Dec 2018

| Liabilities | ₹ | Assets | ₹ |
|---|--------------|--------------------------------------|---------------|
| Capital Fund (B) 9260 + Surplus 4850 | 14,110 | Land & plot - - - 8000 | 8000 |
| Building Fund 19,000 + Received during the year 5000 + Interest on B.F deposit 1140 | 25,140 | Books - - - - - 2100 | 2100 |
| Non-members fees received in advance (2019) - 50 | 50 | Scooter - - - - - 3860 | 3860 |
| Salaries payable/due 650 | 650 | Building fund Deposit at Bank 25,140 | 25,140 |
| | <u>39950</u> | Cash at Bank in asset acc 800 | 800 |
| | | Rent paid in advance (2019) 50 | 50 |
| | | | <u>39,950</u> |

Note | Building fund Deposit - in Bank is an Asset
 Building fund is a liability
 Interest on B.F is to be added to B. fund.

Prob No 10

Balance sheet of Warangal Prindo club as on 30-6-2018 (OP)

Liabilities

₹

Assets

₹

| | | | |
|--------------|--------------|-------------------|--------------|
| Capital fund | 79800 | Buildings | 20000 |
| | | Investments | 50000 |
| | | Cash (on 30-6-18) | 3800 |
| | | OS. subscriptions | 6000 |
| | <u>79800</u> | | <u>79800</u> |

Dr Income & Expenditure of W.F. club for the year ended 30-6-2019

Expenses

- TO salaries 20000
- TO printing 22000
- " General expenses 4000
- " loss on sale of Investments 3000
- " Surplus - - - - 54000

₹

Income

₹

| | | | |
|----------------------------|---------------|-------|---------------|
| By Subscriptions | 90000 | | |
| + OS & Renewable Cy | 7800 | | |
| - Recd for last yr | 97800 | 97800 | |
| - Recd for coming yr | 500 | 6000 | |
| C Advance | | | 91300 |
| By Interest on Investments | 10200 | | |
| + OS/ Renewable Cy | 1500 | | |
| | <u>102000</u> | | <u>103000</u> |

Balance sheet of W.F. club as on 30-6-2019 (closing)

Liabilities

- Subscriptions received in advance 500
- Building Donations for Buildings 80000
- Capital fund 79800
- + Surplus 54000

₹

Assets

₹

| | |
|----------------------------|---------------|
| Cash | 500 |
| OS. Subscriptions | 780 |
| Int. on Investments OS/due | 150 |
| Buildings (OP) | 20000 |
| + purchased | 155000 |
| Investments (OP) | 50000 |
| + purchased | 20000 |
| - sold (Book Value) | 70000 |
| | 45000 |
| | 250 |
| | <u>214300</u> |

Note: Book value of Investment sold was ₹ 45000. They were sold for ₹ 42000, Hence loss is ₹ 3000.
Dr to I&E a/c

Balance Sheet of Visakha Association as on 31-Dec-2017 (CP)

| Liabilities | ₹ | Assets | ₹ |
|--------------|--------------|---|--------------|
| Capital Fund | 81300 | 3% Govt. Securities | 60000 |
| | | Library Books | 20000 |
| | | Cash balance | 20800 |
| | | Subscriptions outstanding (see note) | 500 |
| | <u>81300</u> | | <u>81300</u> |

Dr Income & Expenditure A/c of Visakha Youth Assn. for the year end 31/12/2018

| Expenses | ₹ | Income | ₹ |
|----------------------------|--------------|----------------------------------|--------------|
| TO Establishment Exp. 6000 | | By Subscription received 21250 | |
| - paid for 2019 400 | 5600 | less: Received for 2019 750 | |
| " Telephone charges 790 | | 20500 | |
| " Stationery - 600 | | less: Received for 2017 500 | 20000 |
| " Travelling Exp. - 650 | | By Hall Rent - - - - - | 1300 |
| " Rent paid - 5400 | | By Interest on Investments - - - | 1200 |
| + payable OS 450 | 5850 | (40,000 x 3/100) | |
| " Donations - - - - - | 5000 | Received (CR) 1000 | |
| TO Surplus | 4010 | + Receivable 200 | |
| | <u>22500</u> | | <u>22500</u> |

Balance Sheet of Visakha Youth Assn. as on 31-12-2018 (Cont)

| Liabilities | ₹ | Assets | ₹ |
|--------------------------------------|--------------|------------------------------------|--------------|
| Donations for Prize fund | 10000 | Library Books 20000 | |
| O.S. Rent - - - - - | 450 | + purchased this year 3000 | 23000 |
| Subscription received in advance 750 | | 3% Govt. Securities | 60000 |
| Cap. Fund - 81300 | | Cash balance | 32910 |
| + Surplus 4010 | 85310 | Interest on G. Sec. Receivable 200 | |
| | <u>96510</u> | (1200 - 1000) | 600 |
| | | Establishment Exp prepaid | |
| | | | <u>96510</u> |

Note (2)

Interest on Investments Govt Securities
 $40000 \times \frac{3}{100} = 1200$ p.a
 Received as per Cash Book 1000
 Due Receivable $\rightarrow 200$
 Total Income $\rightarrow ₹ 1200$
 of which 1000 received & ₹ 200 receivable

Note (1)

Subscty received during the year: 21250
 - Received for 2019 750
 20500
 Less: Subscription for 2018 (400 members @ ₹ 50) 20000
 Received for 2017 (due in 2017) 500

Balance sheet of ... as on 30-06-2017 (Opening)

| Liabilities | ₹ | Assets | ₹ |
|--|--------------|----------------------------|--------------|
| Tournament fund | 8000 | Buildings & play grounds | 30000 |
| Subscriptions received in advance for 2018 | 1200 | Furniture | 6000 |
| Capital Fund (Bal. fig) | 52300 | Sports materials | 2000 |
| | | 10% Investments | 16000 |
| | | Subscription receivable/os | 3000 |
| | | Cash balance | 6500 |
| | <u>61500</u> | | <u>61500</u> |

Income & Expenditure acc of ... for the year ended 30-06-2018

| Expenses | ₹ | Income | ₹ |
|------------------------------------|--------------|-----------------------------|--------------|
| TO Salaries | 4800 | By Sub. Received (2018) | 20800 |
| " Telephone charges | 300 | + received in 2017 for 2018 | 1200 |
| " Stationery - - - - - 250 | 200 | + Receivable/os. for 2018 | 1500 |
| - unused stationery 50 | 600 | By Entrance fees | 1500 |
| " Subscriptions to Journals | 1000 | " Interest on Investments | 1600 |
| " Repairs to Buildings | 3000 | (10% on 16000) (800 + 800) | |
| " play ground Maintenance | 7200 | Recd. 800 | |
| " Depreciation on Sports Materials | 200 | Receivable 800 | |
| (2000 + 10800 - 600 - 5000) | 1500 | " Other Receipts | 1200 |
| " Loss on Sale of Furniture | 1500 | | |
| (1000 - 800) | 300 | | |
| " Dep. on P.G. Buildings | 8700 | | |
| " Dep. on Furniture | <u>27800</u> | | <u>27800</u> |
| TO SURPLUS | | | |

Balance sheet of ... as on 30-6-2018 (Closing)

| Liabilities | ₹ | Assets | ₹ |
|---|--------------|-------------------------------------|--------------|
| Subscription received in advance (for 2019) | 2000 | Cash in hand | 950 |
| Tournament Fund 8000 | 6000 | Cash at Bank | 10000 |
| Tour. Expenses 2000 | | Stock/unused stationery | 50 |
| Capital Fund 52300 | 61000 | 10% Investments | 16000 |
| + Surplus 8700 | | Interest due on Investments | 800 |
| | | (1600 - 800) | |
| | | Sports Materials (2000 + 10800 | 5000 |
| | | - 600 - 7200 Dep) | |
| | | Furniture (4000 + 3000 - 1000 | 5700 |
| | | - 300 Dep) | |
| | | Subs. outstanding/receivable (2018) | 1500 |
| | | Sub. os for 2017 (3000 - 2500) | 500 |
| | | Buildings (30000 - 1500) | 28500 |
| | <u>69000</u> | - Dep | <u>69000</u> |

Notes: 1) Sub. OS for 2017 is ₹ 3000 of which 2500 received in 2018 hence, ₹ 500 still due on 30-6-2018. Shown as asset ₹.500

② Sub. OS for 2018 ₹.1500 wrongly printed in the text book in Subl. Received in advance column.

③ Sub. received for 2019 (Advance) as on 30-6-2018 is a liability i.e. ₹ 2000.

4) Interest on Investments 10% on 16000 = $16000 \times \frac{10}{100} = 1600$
 Received as per Cash Book ₹ 800, still receivable ₹ 800

5) Cal. of Dep. on Sports Materials.

| | |
|-------------------------------|--------------------------------------|
| | ₹ |
| Opening balance | 2000 |
| + purchased during the year | 10800 |
| | <hr/> |
| | 12800 |
| - sold during the year | 600 |
| | <hr/> |
| | 12200 |
| - closing balance of Sp. Mat. | 5000 |
| | <hr/> |
| | 7200 |
| | <hr/> |
| | Dep. or reduction in the value of SM |

6) Cal of Dep. on Furniture

| | |
|---|--------------|
| Op. balance | 4000 |
| + purchased during the year | 3000 |
| | <hr/> |
| | 7000 |
| (30-6-2018) | |
| - Furniture (Book value) sold | 1000 |
| | <hr/> |
| | 6000 |
| less: Dep. $(3000 \times \frac{10}{100})$ | 300 |
| | <hr/> |
| | 5700 |
| | <hr/> |
| | Clo. balance |

Furniture purchased on 30-6-2018, for ₹. 3000
 no depreciation is charged as it is purchased on last day of the F. year.

Imp note: It is not important that how many problems you worked out. But understand the issues in NTC accounts

Balance Sheet of Ranabhai Mission Charitable Hospital as on 31-12-2018

| Liabilities | ₹ | Assets | ₹ |
|-----------------------------------|-----------------|---|-----------------|
| Subscriptions received in advance | 64 | Cash | 7130 |
| Creditors for Medicines | 10000 | Subscription outstanding | 280 |
| Capital Fund | 1,67,316 | Stock of medicines | 8810 |
| (Bal. figure) | | 7% Investments ($70000 \times \frac{100}{7}$) | 1,00,000 |
| | | Equipment | 21,200 |
| | | Buildings | 40,000 |
| | <u>1,77,380</u> | | <u>1,77,380</u> |

Dr Income & Expenditure of A.R.K. Mission Ch. Hospital for the year ended 31-12-2019

| Expenditure | ₹ | Income | ₹ |
|-------------------------------|---------------|------------------------------|---------------|
| TO Salaries | 27,500 | By Subscriptions received | 47996 |
| " Honorarium to Doctors | 9,000 | + Os. for 2019 | 280 |
| " Petty expenses | 461 | + received in 2018 for 2019 | 64 |
| " Expenses of charitable show | 750 | | <u>48340</u> |
| " Cost of Medicines consumed | 27,660 | Less: Received for 2018/2019 | 220 |
| " Depreciation on Buildings | 2,000 | Less: Received for 2020 | 340 |
| (40000 - 18000) | | | <u>48,000</u> |
| " Depreciation on equipment | 4,600 | " Donations | 4,500 |
| | | " Interest on Investments | 7,000 |
| TO SUB TOTAL | <u>79,779</u> | ($1,00,000 \times 7/100$) | |
| | | " Proceeds from charity show | 10,450 |
| | <u>79,950</u> | | <u>79,950</u> |

Balance Sheet of A.R.K. Mission Charitable Hospital as on 31-12-2019 (Closing)

| Liabilities | ₹ | Assets | ₹ |
|--|-----------------|--------------------------|-----------------|
| Capital Fund | 1,67,316 | Buildings (Op) | 40,000 |
| + Surplus | 79,779 | - Dep | 2,000 |
| | <u>1,75,295</u> | Equipment (Op) | 21,200 |
| Creditors for Medicines | 8,000 | + purchased | 15,000 |
| Subscriptions received in advance (2020) | 100 | | <u>36,200</u> |
| | | Less: Depreciation | 4,600 |
| | | 7% Investments | 1,00,000 |
| | <u>1,83,395</u> | Stock of Medicines | 9,740 |
| | | Subscriptions or payable | 280 |
| | | Cash (Balance) | 3,775 |
| | | | <u>1,83,395</u> |

Notes (1) Investments: Interest received on investments during 2019 was ₹. 7000 which is 7% on Investments. Hence the value of Investments on 31-12-2018 is ₹. $7000 \times \frac{100}{7} = 1,00,000$ principal. In other words, interest on 1,00,000 at 7% p.a. would be ₹. 7,000.

② Ascertainment of Credit purchase of Medicines by paying creditors for medicines

| Dr | | Creditors for Medicines | | Cr | |
|--------------------------------------|---------------|--|--|---------------|--|
| ← To Cash acc (paid to creditors) | 30,590 | 1-1-2019 By Balance b/d (op) (due) | | 10,000 | |
| → To Balance c/d (closing) | 8,000 | By purchases (Cr. purchase of medicines) | | 28,590 | |
| | <u>38,590</u> | By Balance b/d | | <u>8,000</u> | |
| | | | | <u>38,590</u> | |

③ Cal. of cost of Medicines used in the hospital:

| | |
|----------------------------------|---------------|
| Stock of Medicines (op. balance) | ₹. 8,810 |
| Asset in op. BS | |
| Add: Purchased on credit | 28,590 |
| Total stock of Medicines | <u>37,400</u> |
| Less: Stock of Medicines unused | 9,740 |
| Asset in BS on 31-12-2019 | |
| Cost of Medicines consumed | <u>27,660</u> |
| (Dr to I.R.E. acc) | |

④ Ascertainment of Depreciation on equipment -

| | |
|---|---------------|
| Equipment (op bal. as per BS) | ₹ 21,200 |
| Add: purchased during the year (Cash Book) | 15,000 |
| | <u>36,200</u> |
| Less: closing balance of equipment (31-12-2019) | 31,600 |
| Depreciation on equipment | <u>4,600</u> |

Some important points (Dr. to I.R.E. acc) to remember in Non-trading concern
On a given date (Balance sheet) Accounts -

- Any income received in advance is a liability.
- Any income receivable/ or outstanding is an Asset.
- Any expenditure payable/ or outstanding is a liability.
- Any expenditure paid in advance is an Asset.

problems given under cash Book model (Receipts & payments acc) it becomes necessary to ~~prepare~~ ascertain capital fund at the beginning of the financial year. When problems are given under Trial balance Model, Capital fund will be given in T.B. The method of working out the problem is similar to that of Final Accounts in I semester.

Dr Income & Expenditure A/c of Saraswathi P. School for the year ended 31-3-2019 Cr

| Expenses | ₹ | Incomes | ₹ |
|---|-----------------|---|-----------------|
| TO Salaries 200000 | | By Tuition fees 200000 | |
| + outstanding/due 12000 | 2,12,000 | + Receivable 10000 | 2,10,000 |
| " Stationery - - - | 15,000 | " Admission fees | 5000 |
| " General Expenses | 8000 | " Rent of Hall - - - | 6000 |
| " Annual sports expenses | 6000 | " Misc. Receipts - - - | 12000 |
| " Depreciation on Buildings (5% on 250000) | 12,500 | " Govt. grants - - - | 1,40,000 |
| " Depreciation on L. Books (15% on 60000) | 15000 | " Interest on Investments (200000 x 9/100) | 18000 |
| " Dep. on Furniture (See Notes) | 2000 | | |
| " Loss on Sale of Furniture | 11000 | | |
| TO Surplus | | | |
| | 1,13,500 | | |
| | <u>3,89,000</u> | | <u>3,89,000</u> |

Balance sheet of Saraswathi Public school as on 31-3-2019

| Liabilities | ₹ | Assets | ₹ |
|---|-----------------|--|-----------------|
| Salaries payable to creditors for supplies | 12000 | Cash at Bank | 21,000 |
| Donations for Library Books | 6000 | Tuition fees Receivable | 10,000 |
| Capital/General Fund | 4,00,000 | 9% Investments - - | 2,00,000 |
| + Surplus | 1,13,500 | Interest receivable on Investments - - - | 18,000 |
| | 5,13,500 | Library Books 60000 - Depreciation (15%) 9000 | 51,000 |
| | | Furniture: 40000 - Book Value of F. sold 20000 (5000 + Dep. 1000 + Loss 11000) | 20,000 |
| | | Less: Dep on unsold Furniture (500 + 500) | 1,000 |
| | | Buildings - - - 2,50,000 - Dep. 12,500 | 2,37,500 |
| | <u>5,56,500</u> | | <u>5,56,500</u> |

Note: This problem was given under Trial Balance Model/Method with adjustments. Prob NO 4 also given under TB model. In such case Capital Fund/General Fund will be available in TB on credit side. NO need to prepare Op. balance sheet to ascertain Capital Fund unlike Cash under Cash Book Model.

- (Notes) 1) General Fund or Capital Fund, both are same
- 2) Govt. grants; Take it as income, these grants are received from Govt. for providing services to public/society by NT Concerns. So, treat it as income.
- 3) Interest on investments is income. It is not received. So it is receivable i.e. 9% on 20000 = ₹18,000
- 4) Cal. of Depreciation.

on Buildings $250,000 \times \frac{5}{100} = 12,500$

on L. Books $60,000 \times \frac{15}{100} = 9,000$

on Furniture,

on 15000 $\times \frac{10}{100} \times \frac{4 \text{ Months}}{12 \text{ Months}} = 500$

on 20000 (sold) $\times \frac{10}{100} \times \frac{6 \text{ M}}{12 \text{ M}} = 1000$

on 50000 $\times \frac{10}{100} \times \frac{12 \text{ M}}{12 \text{ M}} = 5000$

Total Dep. $\rightarrow 2000$

Book Value of Furniture
on 31-03-2019 was ₹40,000
i.e. Book value of F sold 20,000 (A)
" " F purchased 15,000 (B)
" " F from the beginning 5,000 (C)
Total Furniture 40,000

on 31 March 2019 Furniture
on hand is ₹20,000 (20,000 sold)

Its WDV is

(A) $\frac{BV}{Dep} = \frac{5000}{500} = 10$

(B) $\frac{15,000}{500} = 30$

$\frac{20,000}{1000} = 20$
WDV

19,000 is WDV of Furniture shown as asset in B.S.

Cal. of Loss on sale of Furniture

Book value of F sold on 30/9/2018: 20,000

Less: Dep up to 30/9/2018 1,000

($20,000 \times \frac{10}{100} \times \frac{6}{12}$)

Written down value of F \rightarrow 19,000

Less: Selling price 8,000

Loss on sale of F 11,000

Dr to I & E a/c

Furniture used/with the School is

purchased during the year 15,000
From the beginning of the financial year (1-4-2018) 5,000

Dep on these:

on 15,000 for 4 months - 500

on 5,000 for full year - 500

20,000 BV 1,000 19,000 WDV

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students are advised to contact me (Dr PVR) for any doubts relating to Financial Accounting-II. My contact NO is 9440746717. Note down your doubts at one place and make a call on phone not on "whatseq". I am available 10 AM to 10 PM on all the days.