

# ACCOUNTING FOR NON-FOR-PROFIT ORGANISATIONS

## STUDY NOTES

- **Introduction:**

Not-for-Profit Organisations refer to the organisations that are set up for the welfare of the society and are set up as charitable institutions which function without any profit motive. Their main aim is to provide service to a specific group or the public at large.

Such organisations include clubs, charitable institutions, schools, religious organisations, trade unions, welfare societies and societies for the promotion of art and culture.

- **Source of income:**

The major sources of their income usually are subscriptions from their members, donations, grants-in-aid, income from investments, etc. The funds raised by such organisations are credited to capital fund or general fund. The surplus generated by NPOs is added in the capital fund and deficit is subtracted from it.

- **Final accounts of Not for Profit Organisations:** The final accounts of NPOs include:

- Receipts & Payments A/c
- Income & Expenditure A/c
- Balance sheet.

- **Receipt and Payment Account**

- It is similar to cash book. It is a summary of cash and bank transactions of not for profit organisations.
- It is real account in nature. All cash receipts are recorded on debit / receipts side and all cash payments are recorded on credit / payment side of it.
- Receipt and Payment Account gives summary of various receipts and payments, whether they are of current period, previous period or succeeding period.
- It records all receipts and payments, whether they are of capital or revenue nature.
- The opening balance in Receipt and Payment Account represents opening cash in hand/cash at bank which is shown on its receipts side and the closing balance represents closing cash in hand and bank balance as at the end of the year, which appear on the credit side of the Receipt and Payment Account. However, if it is bank overdraft at the end, it will be shown on its debit side.
- It does not record non - cash items like depreciation, outstanding expenses, accrued income, and provision for doubtful debts (if any).

- **Income and Expenditure Account:**

- It is the summary of revenue income and expenditure of NPO for the current accounting year.
- It is just like a profit and loss account of the business organisations.
- It is nominal account in nature and it is prepared on accrual basis.
- Revenue Items of only current accounting period are recorded in it whether paid or unpaid, received or not received.
- It includes only revenue incomes and expenses of the current accounting period. It does not record capital receipts and payments.

- The expenses and losses of revenue nature are shown on the expenditure side (debit side) and incomes and gains of revenue nature on the income side (credit side) of the account.
- It does not have opening balance. But its closing balance shows the net operating result either surplus (i.e. excess of income over expenditure) or deficit (i.e. excess of expenditure over income), which is transferred to the capital fund shown in the balance sheet.

● **Balance sheet:**

- Not for Profit Organisations also prepare Balance Sheet for ascertaining the financial position of the organisation at the end of the year.
- Balance sheet contains only capital items like assets, liabilities and capital or general fund.
- It shows assets and liabilities as at the end of the year. Assets are shown on the right hand side and the liabilities on the left hand side of balance sheet
- Capital Fund or General Fund is recorded on liability side of balance sheet and the surplus or deficit either added to/deducted from the capital fund.
- Capitalised items like legacies, entrance fees and life membership fees directly in the capital fund. Besides the Capital or General Fund, there may be other funds created for specific purposes or to meet the requirements of the contributors/donors such as building fund, sports fund, etc. Such funds are shown separately in the liabilities side of the balance sheet.
- In order to find opening capital fund, we have to prepare opening balance sheet if required.

● **Subscriptions:**

- Subscription is a membership fee paid by the members of NPOs on annual basis. This is the main source of income of such organisations.
- Subscription paid by the members is shown as receipt on the debit side in the Receipt and Payment Account and as income on the credit side in the Income and Expenditure Account.
- Receipt and Payment Account shows the total amount of subscription actually received during the year.
- Whereas the Income and Expenditure Account shows subscription amount of the current period only, whether it has been received or not.
- Amount of Subscription for the current year is calculated in following manner:

Total amount of subscription received:	xxx
Add : Outstanding subscription at the end of the year	xxx
Add : Advance subscription in the beginning of the year	xxx
Less : Outstanding subscription in the beginning of the year	xxx
Less : Advance subscription at the end of the year	xxx

**Amount of subscription to be shown on credit side of Income and expenditure account: xxx**

- Outstanding subscription is shown on asset side and advance subscription is shown on the liability side of the balance sheet.

● **Admission or entrance fees:**

- It is a fee charged from new member on his admission to NPO.
- It is a revenue receipt and shown on the income side of the Income and Expenditure account.

Note: If specific information is given to capitalize admission fee, then it is shown on the liability side and added in the capital fund.

● **Life membership fees:**

Some members pay lump sum amount as life membership fee instead of paying periodic subscription. Such amount is treated as capital receipt and credited / added to the capital fund or shown separately on the liability side of the balance sheet.

● **Donations:**

Donation is a sort of gift in cash or property received from some person or organisation.

Donation can be for specific purposes or for general purposes.

- **Specific Donations:** If donation received is to be utilised to achieve some specified purpose like construction of building, running a library, etc, it is called Specific Donation. Such donation is shown on the liabilities side of the Balance Sheet, whether the amount is big or small.
- **General Donations:** Such donations are to be utilised to promote the general purpose of the organisation. These are treated as revenue receipts as it is a regular source of income; hence it is taken to the income side of the Income and Expenditure Account of the current year.

● **Legacies:**

Legacy is the amount received as per the will of a deceased person.

If the use of legacy is specified as specific legacy and is shown on liability side of the balance sheet. If the use is not specified, it is considered as revenue nature and credited to income and expenditure account.

● **Endowment Fund:**

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

● **Grants in aid or Government Grant:**

Grants are received by schools, colleges, public hospitals, etc. for their activities.

The recurring grants in the form of maintenance grant is treated as revenue receipt and credited to Income and Expenditure account.

However, grants such as building grant are treated as capital receipt and transferred to the building fund account.

Some Not-for-Profit organisations also receive cash subsidy from the government or government agencies. This subsidy is also treated as revenue income and credited to income and expenditure account.

● **Sale of an old asset:**

Receipts from the sale of an old asset are shown in the Receipts and Payments Account of the year in which it is sold.

Any gain or loss on the sale of asset is taken to the Income and Expenditure Account of the year.

● **Sale of Periodicals:**

It is an item of recurring nature and shown as the income side of the Income and Expenditure A/c.

● **Sale of Sports Materials and old news paper:**

Sale of sports materials like old balls, bats, nets, etc is shown as an income in the Income and Expenditure Account.

● **Honorarium:**

It is the amount paid to the person who is not the regular employee of the institution. It is shown on the expenditure side of the Income and Expenditure Account.

● **Treatment of revenue expenditure:**

If some item of expenditure is useful only for current accounting period, it is treated as revenue expenditure and shown on the expenditure side of the income and expenditure account.

For example, salary paid, rent paid, insurance premium paid, etc.

Such revenue expenditures are calculated considering adjustments as follow:

Expense paid during the year	xxx
Add: Outstanding expenditure at the end of the year	xxx
Add: Prepaid expenditure at the beginning of the year	xxx

Less: Outstanding expenditure at the beginning of the year	xxx
Less: Pre paid expenditure at the end of the year	xxx
<b>Net amount to be shown on debit side of Income and Expenditure A/c</b>	<b>xxx</b>

● **Treatment of capital expenditure:**

If item of expenditure is useful for more than only one year, it is treated as capital expenditure and shown on the asset side of the balance sheet after depreciation on it.

For example, expenditure on purchase of books, curtains, crockery items, electric items, purchase of furniture, machine, investments, etc.

Depreciation on it is revenue expenditure and shown on the expenditure side of the income and expenditure account.

● **Cost of consumable items / Sale or purchase of consumable items:**

Not for profit organisations purchase consumable items like stationery items, medicines, sports materials, etc.

Receipts from sale of consumable items like stationery are revenue receipts and credited to income and expenditure account

Cost of such consumable items is debited to income and expenditure account and it is calculated as follow:

Opening stock	xxx
Add: cash purchase if any	xxx
Add: credit purchase	xxx
Less: closing stock	xxx
Cost of consumable items to be debited to Income and expenditure/c	xxxx

Alternatively it can be also calculated as follow:

Amount paid for	xxxx
Add: Opening stock	xxxx
Add: Closing creditors	xxxx
Add: Opening advance to creditors	xxxx
Less: closing stock	xxx
Less: opening creditors	xxx
Less: closing advance to creditors	xxx
Cost of consumable items to be debited to Income and expenditure/c	xxxx

● **Fund based accounting:**

◆ **Specific fund:**

- The Not-for-Profit Organisations may create special funds for certain purposes such as 'prize funds', 'match fund' and 'sports fund', building fund, pavilion fund, etc.
- Specific or special fund is also known as restricted fund as it can be used only for purpose for which it is created.
- The special funds are shown on the liability side of the balance sheet.
- Such funds are invested in securities and the income earned on such investments is added to the respective fund. (not credited to Income and Expenditure Account.)
- Investment of such fund is shown on asset side of balance sheet.
- Donations received for such fund is added in the fund.
- Expenses incurred on such specific purposes are deducted from the special fund. E.g., the interest income

on sports fund investments is added to the sports fund and all expenses on sports deducted there from.

- After all adjustment of income and expenses, if the balance in specific or special fund is negative, it is transferred to the debit side of the Income and Expenditure Account.
- If asset fund like building fund or pavilion fund is created, expenses on construction of asset are subtracted from the fund and the amount up to that extent is added in the capital fund.

◆ **General fund / capital fund:**

The difference between assets and outside liabilities is known as general or capital fund. It is shown on liability side of the balance sheet.

The surplus generated by NPOs is added in the capital fund and deficit is subtracted from it.

Capital fund or general fund is also known as unrestricted fund as there is no restriction on its use.

◆ **General fund investment and interest on general fund investment:**

General fund investment is shown on asset side and interest received from it is revenue income, credited to income and expenditure account.

## QUESTION BANK

### MULTIPLE CHOICE QUESTIONS

1. Charitable trust, Schools, Public Hospitals, sports clubs are example of \_\_\_\_\_.  
(a) Manufacturing organisations (b) Trading organisations  
(c) Not for profit organisations (d) Profit making organisations
2. If Sports Fund as on 1.4.2021 is ₹35,000, Sports Fund Investments ₹35,000, Interest on Sports Fund ₹ 4,000, Donations for Sports Fund Investment ₹15,000 Sports Prizes awarded ₹ 10,000, Expenses on Sports Events ₹ 4,000, what would be closing balance of sports fund?  
(a) 70,000 (b) 40,000  
(c) 99,000 (d) 78,000
3. Interest on general fund investment is \_\_\_\_\_.  
(a) Debited to income and expenditure account (b) Credited to income and expenditure account  
(c) Added in prize fund (d) Added in sports fund
4. How much amount will be shown in Income and Expenditure Account in the following case? 1-4-2009 31-3-2010 Creditors for Stationery ₹8,000 ₹ 6,000 Stock of Stationery ₹ 3,000 ₹ 3,200 During 2009-10 payment made for Stationery was ₹60,000  
(a) ₹62,200 (b) ₹58,200 (c) ₹57,800 (d) ₹61,800
5. Interest on sports fund investment is \_\_\_\_\_.  
(a) Debited to income and expenditure account  
(b) Credited to income and expenditure account  
(c) Added in capital fund  
(d) Added in sports fund
6. If Prize Fund is ₹ 80,000, Prize Fund Investments ₹80,000, Income from Prize Fund Investments ₹ 8,000 and Prizes awarded ₹ 6,000 \_\_\_\_\_ amount will be shown on asset side of balance sheet.  
(a) Prize fund 80,000 (b) Prize fund investment ₹ 80,000  
(c) Prize fund ₹ 82,000 (d) Prizes awarded ₹ 6,000
7. Receipts and Payments Account generally shows  
(a) A Debit balance (b) A Credit balance  
(c) Surplus or Deficit (d) Capital Fund

8. The Stock of sports materials as on April 1, 2021 is ₹ 7,500 and on March 31, 2022, is ₹ 6,200, Amount paid for sports material during the year 2021-22 is ₹ 17,000, Creditors for sports material as on April 1, 2021 is ₹ 2,000 and on March 31, 2022 is ₹ 1,200. What amount of sports material will be debited to Income and Expenditure Account for the year ended March 31, 2022 ?
- (a) 18,500                      (b) 17,500                      (c) 16,500                      (d) 20,000
9. Income and Expenditure Account reveals:
- (a) Surplus or Deficiency                      (b) Net Profit  
(c) Cash in Hand                      (d) Capital Account
10. If building fund is ₹ 25, 00,000 and expenses on the construction of building is ₹ 25, 36,000. Which one of the following is incorrect?
- (a) ₹ 25,00,000 of fund will be added in capital fund  
(b) ₹ 25,36, 000 expenses on construction of building will be added in capital fund  
(c) ₹ 25, 36,000 will be shown on asset side of balance sheet.  
(d) ₹ 36,000 will be adjusted from (debited to) income and expenditure account
11. The amount of Subscription received from members' by a Non-profit organisation is shown in which of the following?
- (a) Debit side of Income and Expenditure Account  
(b) Credit side of Income and Expenditure Account  
(c) Liability side of Balance Sheet  
(d) Assets side of Balance Sheet
12. If opening Prize Fund is ₹ 1, 20,000, Prize Fund Investments ₹ 1,20,000, Income from Prize Fund Investments ₹ 38,000 and Prizes awarded ₹ 18,000, the amount of closing prize fund would be ₹ \_\_\_\_\_.
- (a) 1,58,000                      (b) 1,40,000                      (c) 2,40,000                      (d) 1,02,000
13. Rent expense of a non-profit organization paid in advance. Which of the following is the correct Classification of rent?
- (a) Expense                      (b) Liability                      (c) Equity                      (d) Asset
14. Capital fund ₹16,00,000; library building fund ₹55,00,000; expenses on the construction of library building is ₹ 55,60,000. What amount of library building fund will be shown in the balance sheet after construction of library?
- (a) Nil                      (b) 55,00,000  
(c) 55,60,000                      (d) 71,60,000
15. Donation received for a special purpose:
- (a) Should be credited to Income and Expenditure Account  
(b) Should be credited to separate account and shown in the Balance Sheet  
(c) Should be shown on the assets side  
(d) Should not be recorded at all.
16. Subscription received by a school for organising annual function is treated as:
- (a) Capital Receipt (.e. Liability)                      (b) Revenue Receipt (i.e., Income)  
(c) Asset                      (d) Earned Income
17. Subscription received in cash during the year amounted to ₹40,000 subscription outstanding at the end of previous year was ₹1,500 and outstanding at the end of current year was ₹2,000 Subscription received in advance for next year was ₹800. The amount credited to Income & Expenditure Account will be
- (a) ₹38,700                      (b) ₹39,700  
(c) ₹40,300                      (d) ₹41,300
18. Income and Expenditure Account is a
- (a) Personal Account                      (b) Real Account  
(c) Nominal Account                      (d) Real and Nominal Account, both

19. The amount of Entrance Fees' received by a Non-profit organisation (if it is received regularly) is shown in which of the following?
- Liability side of Balance Sheet
  - Assets side of Balance Sheet
  - Debit side of Income and Expenditure Account
  - Credit side of Income and Expenditure Account
20. If Match Expenses ₹16,000, Opening Match Fund ₹8,000, Donation for Match Fund ₹5,000 and Sale of Match tickets ₹7,000 given, what will be the closing balance of match fund?
- 4,000
  - 20,000
  - 24,00
  - 6,000
21. Receipts and Payments Account is a
- Personal Account
  - Real Account
  - Nominal Account
  - Real and Nominal Account, both
22. If Match Expenses ₹25,000, Opening Match Fund ₹5,000, Donation for Match Fund ₹8,000 and Sale of Match tickets ₹6,000 given, where will you show the closing balance of match fund?
- Balance sheet liability side
  - Balance sheet asset side
  - Income and expenditure account debit side
  - Income and expenditure account credit side
23. Deficit in Income & Expenditure Account reveals:
- Excess of cash receipts over payments
  - Excess of cash payments over receipts
  - Excess of expenditure over income
  - Excess of income over expenditure
24. Which one is not source of income for a not-for-profit organisation is:
- Subscription from Members
  - Donation
  - Entrance Fees
  - Revenue from sale of goods
25. Balance of computers as on 1/4/2021 is ₹ 2,30,000. One computer whose book value is ₹ 30,000 on 1/4/2021 sold at a loss of ₹20 % on 30/9/2021. Computers are depreciated at 10 % p.a. on straight line method. Depreciation on computer as on 31/3/2022 will be ₹ \_\_\_\_\_.
- 21,500
  - 20,000
  - 23,000
  - 21,000
26. Which of the following represent capital receipt?
- Life Membership fee
  - General Donation
  - Subscription
  - Interest on Investments
27. General fund ₹6,00,000; Pavilion fund ₹5,00,000; donations received for pavilion ₹50,000; expenses on the construction of pavilion is ₹5,50,000. What amount of pavilion fund will be transferred to general fund after construction of pavilion?
- 5,50,000
  - 5,00,000
  - Nil
  - 4,50,000
28. If there is a 'Match Fund', then match expenses and incomes are transferred to:
- Income and Expenditure A/c
  - Assets side of Balance Sheet
  - Liabilities side of Balance Sheet
  - Both Income and Expenditure A/c and to Balance Sheet
29. Subscription received in cash during the year amounted to ₹5,00,000; subscription outstanding at the end of previous year was ₹20,000 and outstanding at the end of current year was ₹25,000. Subscription received in advance for next year was ₹8,000 and received in advance during previous year was ₹7,000. The amount credited to Income & Expenditure Account will be:
- ₹5,04,000
  - ₹5,06,000
  - ₹ 4,96,000
  - ₹4,94,000

30. Honorarium is a kind of remuneration paid to a person who is not the employee of a non-profit Organisation. Which of the following statements is true about the honorarium payment?  
 (a) It's a revenue expenditure (b) It's a Capital expenditure  
 (c) It is not recorded in the books of accounts (d) It is liability
31. Subscription received in cash during the year amounted to ₹2,30,000; subscription received in advance for next year was ₹10,000 and received in advance during previous year was 8,000. Subscription in arrears at the end of previous year was ₹18,000 and subscription in arrears at the end of current year was 12,000. The amount credited to Income & Expenditure Account will be:  
 (a) ₹2,96,000 (b) ₹3,04,000 (c) ₹2,92,000 (d) ₹3,08,000
32. The amount received for sale of old sports materials by organisation is shown in which of the following?  
 (a) Debit side of Income and Expenditure Account  
 (b) Liability side of Balance Sheet  
 (c) Credit side of Income and Expenditure Account  
 (d) Assets side of Balance Sheet
33. Machine balance as on 1/4/2021 is ₹3,20,000. Machine whose book value is ₹20,000 on 1/4/2021 sold at a loss of ₹10 % on 31/12/2021. Machine is to be depreciated at 10 % p.a. Loss on the sale of machine is ₹ \_\_\_\_\_.  
 (a) 1850 (b) 3700 (c) 2000 (d) 1750
34. Subscription received in advance during the current year is:  
 (a) an income (b) an asset  
 (c) a liability (d) none of these
35. What amount will be credited to the Income and Expenditure Account for the year ending 31st March, 2010 on the basis of the following information? Outstanding Subscription 31-3-2009 ₹10,000 31-3-2010 ₹25,000 Advance Subscription 31-3-2009 ₹3,000 31-3-2010 ₹2,000 Subscription received during the year 2009-10 were ₹400000  
 (a) ₹3,84,000 (b) ₹4,16,000 (c) ₹3,86,000 (d) ₹ 4,14,000
36. Subscription received in advance during the current year is :  
 (a) An Income (b) An Assets (c) A Liability (d) An expense
37. There are 200 members, each paying an annual subscription of 10 subscription received during the year ₹1,95,000; subscriptions received advance at the beginning of the year ₹23,000 and at the end of the year ₹2,000 Amount shown in Income Expenditure Account will be  
 (a) ₹2,00,000 (b) ₹1,96,000 (c) ₹1,94,000 (d) ₹2,01,000
38. The Receipts and Payments Account is a summary of  
 (a) Debit and Credit balance of Ledger Accounts (b) Cash Receipts and Payments  
 (c) Expenses and Incomes (d) Assets and Liabilities
39. The opening balance of Prize Fund was ₹32,800. During the year, donation received towards this fund amounted to ₹15,400, amount spent on prizes ₹12,300 and interest received on prize fund investment was ₹4,000. The closing balance of Prize Fund will be  
 (a) ₹56,500 (b) ₹64,500 (c) ₹39,900 (d) ₹31,900
40. Income & Expenditure Account shows the balance of  
 (a) Cash in Hand (b) Capital Account (c) Net Profit (d) Surplus or deficit
41. Salary paid in cash during the current year was ₹80,000; outstanding salary at the end was ₹4,000; Salary paid in advance last year pertaining to the current year was ₹3,200; paid in advance during current year for next you was ₹5000 The amount debited to Income and Expenditure Account will be  
 (a) ₹85,800 (b) ₹77,800 (c) ₹82,200 (d) ₹74,200
42. An amount of ₹12,000 received by a Social Club as entrance fee  
 (a) Capital Receipts (b) Revenue Receipts  
 (c) Capital Expenditures (d) Revenue Expenditures



43. Subscription received during 2021-2022 is ₹2,50,000, Subscription outstanding on 31-3-2022 is ₹ 28,000, and on 01-04-2021 is ₹8,000. Advance subscription on 31-3-2022 is ₹ 5,000 and on 31-3-2021 is ₹ 10,000. The amount of subscription to be credited to Income & Expenditure A/c for the year 2021- 2022 will be ₹ \_\_\_\_\_.
- (a) 265000                      (b) 275000                      (c) 225000                      (d) 235000
44. Amount received from sale of grass by a club should be treated as:
- (a) Capital Receipt              (b) Revenue Receipt              (c) Asset                              (d) Earned Income
45. Salary paid for the year ended 31st March, 2010 amounted to ₹75,000. How much amount will be recorded in Income and Expenditure Account in the following case? Outstanding Salary 31-3-2009. ₹6,500 31-3-2010. ₹6,000 Prepaid Salary 31-3-2009 ₹1,200 31-3-2010 ₹1,000
- (a) ₹75,700                      (b) ₹74,300                      (c) ₹75,300                      (d) ₹74,700
46. Income and Expenditure Account records transactions of:
- (a) Revenue nature only  
(b) Capital nature only  
(c) Both revenue and capital nature  
(d) Income of only revenue nature and expenditure of revenue and capital nature
47. How much amount will be shown in Income and Expenditure Account in the following case? 31-3-2009 31-3-2010 Unpaid for Medicines ₹10,000 ₹12,000 Stock of Medicines ₹8,000 ₹13,000 Payment made for medicines during 2009-10 was ₹2,50,000 .
- (a) ₹2,53,000                      (b) ₹2,57,000                      (c) ₹2,47,000                      (d) ₹2,43,000
48. Out of the following items, which one is shown in the 'Receipts and Payments Account' of a not for profit organisation?
- (a) Accrued subscription    (b) Depreciation  
(c) Outstanding salary    (d) Subscription received in advance
49. Subscription received during 2021-2022 is ₹ 2,55,000, Advance subscription on 31-3-2022 is ₹ 15,000 and on 31-3-2021 is ₹ 10,000. The amount of subscription to be credited to Income & Expenditure A/c for the year 2021- 2022 will be ₹ \_\_\_\_\_.
- (a) 2,80,000                      (b) 2,60,000                      (c) 2,50,000                      (d) 2,00,000
50. Out of the following items, which is not shown in the 'Receipts and Payments A/c' of a not for profit organisation?
- (a) Subscription received in advance                              (b) Legacy  
(c) Donation received    (d) Outstanding rent
51. Out of the following items, which is not shown in the 'Receipts and Payments A/c' of a not for profit organisation?
- (a) Subscription received in advance                              (b) Last year subscription received  
(c) Current year subscription received                              (d) Depreciation on furniture
52. Specific Donation received by NPO is shown on the :
- (a) Liabilities side of the Balance Sheet                              (b) Assets side of the Balance Sheet  
(c) Credit side of Income & Expenditure A/c                              (d) Debit side of Income & Expenditure A/c
53. Scholarship granted to students out of specific funds provided by Government will be debited to
- (a) Income and Expenditure Account                              (b) Receipts and Payments Account  
(c) Funds    (d) None of the three
54. Special aids are :
- (a) Treated as capital receipts    (b) Treated as revenue receipts  
(c) Added to Capital Fund    (d) Subtracted from capital fund
55. Outstanding salary on 1/4/2021 is ₹ 10,000 and on 31/3/2022 is ₹ 20,000, if the amount debited to Income and Expenditure Account is ₹ 1,00,000, then the cash paid to Salary Account is ₹ \_\_\_\_\_.
- (a) 1,10,000                      (b) 1,20,000                      (c) 90,000                      (d) 70,000

56. Donations received for special purposes should be \_\_\_\_\_
- Credited to a separate account and shown in the balance sheet
  - Treated as revenue
  - Treated as revenue unless the amount is big
  - Not be recorded.
57. Subscription is arrears at the end are shown.
- On the Assets side of Balance Sheet only
  - On the Liabilities side of the Balance Sheet only
  - On the Credit side of the Income & Expenditure Account by way of addition to subscription received and on the assets side of Balance Sheet.
  - Debit side of the Profit & Loss Account and the liabilities side of a Balance Sheet
58. Total Assets at the end are ₹ 2,25,000. External liabilities ₹1,00,000. If surplus for the year ₹20,000. Opening Capital Fund will be:
- 1,05,000
  - 1,25,000
  - 25,000
  - 1,00,000
59. Receipts & Payments Account is a summary of
- Debit & Credit balances of Ledger Account
  - Income & Expenses
  - Cash Receipts & Payments
  - None of the above
60. \_\_\_\_\_ amount will be shown in Income and Expenditure A/c if Payment made for Medicines during 2019-20 was ₹ 2,50,000, creditors for medicine on 2019 are ₹10,000 and on 2020 are ₹ 12,000 ; stock of medicines on 2019 is ₹ 8000 and on 2020 is ₹13000.
- 2,53,000
  - 2,47,000
  - 2,57,000
  - 2,43,000
61. Which of the following represent capital receipt
- Rent Receipt
  - Entrance Fees
  - Sports Expenses
  - Life Membership Fees
62. Insurance claim received on account of machinery damaged completely by fire is
- Capital Receipt
  - Revenue Receipt
  - Capital Expenditure
  - Revenue Expenditure
63. Cost of stationery consumed of Commerce club will be ₹ \_\_\_\_\_ for the year ended 31st March 2012 if payment during the year for stationery is ₹ 2,00,000; Stock of stationery on 1/4/2011 ₹ 50,000 and on 31/3/2012 ₹ 40,000; Creditors for stationery on 1/4/2011 ₹ 20,000 and on 31/3/2012 ₹ 10,000.
- 2,50,000
  - 2,00,000
  - 2,40,000
  - 2,10,000
64. Amount received by sale of crockery should be treated as :
- Revenue Receipts
  - Capital Receipts
  - Assets
  - Unearned Income
65. On 1st April 2021, the balance of Building fund is ₹ 10, 00,000 and that of Capital fund is ₹ 5, 00,000 given. Donations received for the construction of building during the year is ₹ 2,25,000 and expenditure incurred on construction of the building till 31st March, 2022 is ₹ 10,25,000. The balance of Capital fund and building fund on 31st March 2022 will be ₹ \_\_\_\_\_ and \_\_\_\_\_ respectively.
- 15,25,000 and 2,00,000
  - 2,00,000 and 15,25,000
  - 15,25,000 and 7,00,000
  - 3,00,000 and 2,00,000
66. \_\_\_\_\_ is the main source of income for Not for Profit Organisations.
- Subscription
  - Specific donation
  - Legacy
  - Entrance Fees
67. Opening capital fund is shown on the \_\_\_\_\_ of the \_\_\_\_\_.
- On the Debit side, income and expenditure account
  - On the Credit side, income expenditure account
  - On the liability side , balance sheet
  - On the asset side , balance sheet

68. On the basis of the information given below, what amount of stationery will be debited to Income and Expenditure account of Raman Health Club for the year ended 31st March 2020:

Particulars	1/4/2019	31/3/2020
Stock of stationery	80,000	60,000
Creditors for stationery	90,000	1,10,000

Stationery purchased during the year ended 31st March 2020: Rs 4,70,000.

- (a) 4,10,000                      (b) 4,90,000                      (c) 5,00,000                      (d) 5,10,000
69. In NPO, \_\_\_\_\_ represents the excess of assets over liabilities.  
 (a) Surplus                      (b) Deficit                      (c) Capital                      (d) Capital fund
70. Salary paid in cash during the current year was ₹30,000; Outstanding salary at the end of previous year was ₹2,000 and outstanding salary at the end of current year was ₹3,000. Salary paid in advance during current year for next year was ₹2,600, the amount debited to Income and Expenditure Account will be  
 (a) ₹33,600                      (b) ₹26,400                      (c) ₹31,600                      (d) ₹28,400
71. Receipts & Payments account is prepared on \_\_\_\_\_ of accounting and income and expenditure account is prepared on \_\_\_\_\_ of accounting.  
 (a) Accrual basis, cash basis                      (b) Cash basis, accrual basis  
 (c) Cash basis, cash basis                      (d) Accrual basis, accrual basis
72. \_\_\_\_\_ of a Not for Profit Organisation is calculated by preparing opening balance sheet.  
 (a) Closing Sports fund                      (b) Opening Capital fund  
 (c) Closing capital fund                      (d) Subscription received
73. Cricket equipments purchased during the year is ₹4,150. What will be the cost of cricket equipments consumed if stock of cricket equipments on 1.1.2021 is ₹ 1,000 and on 31.12.2021 is ₹1,500?  
 (a) 3,650                      (b) 5,150                      (c) 5,650                      (d) 4,650
74. Outstanding Subscriptions in case of a NPO are shown on the \_\_\_\_\_.  
 (a) Asset side of the balance sheet.  
 (b) Liability side of the balance sheet  
 (c) Expenditure side of the income and expenditure account  
 (d) Receipt side of receipt and payment account.
75. Subscription received in cash during the year amounted to ₹60,000; subscription received in advance for next year was ₹3,000 and received in advance during previous year was ₹2,000. Subscription in arrears at the end of current year was ₹5,400. The amount credited to Income & Expenditure Account will be  
 (a) ₹53,600                      (b) ₹66,400                      (c) ₹35,600                      (d) ₹64,400
76. Investment in sinking fund by a non-profit organization is a/an  
 (a) Liability                      (b) Accumulated fund                      (c) Asset                      (d) Equity
77. As per Receipt and Payment Account for the year ended on March 31, 2022, the subscriptions received were ₹2,50,000. Additional Information given is as follows:  
 1. Subscriptions Outstanding on 1.4.2021 : ₹ 50,000  
 2. Subscriptions Outstanding on 31.3.2022 : ₹35,000  
 3. Subscriptions Received in Advance as on 1.4.2021: ₹25,000  
 4. Subscriptions Received in Advance as on 31.3.2022: ₹30,000  
 The amount of income from subscriptions for the year 2021-22 is ₹ \_\_\_\_\_.  
 (a) 2,50,000                      (b) 3,35,000                      (c) 3,30,000                      (d) 2,30,000
78. Which of the following items is not shown in the receipts and payments account?  
 (a) Depreciation of fixed assets                      (b) Provision for doubtful debts  
 (c) Machine purchased                      (d) Both (a) and (b)

79. Subscription received during 2021-2022 is ₹ 50,000, Subscription outstanding on 31-3-2022 is ₹ 8,000, and Subscription outstanding on 01-04-2021 is ₹ 6,000. The amount of subscription to be credited to Income & Expenditure A/c for the year 2021- 2022 will be ₹ \_\_\_\_\_.
- (a) 42,000                      (b) 52,000                      (c) 56,000                      (d) 58,000
80. Entrance fee is treated as \_\_\_\_\_.
- (a) Revenue receipt              (b) Asset                      (c) Capital receipts              (d) Liability
81. Receipt and Payment Account of Maya Sports Club showed that ₹ 68,500 was received by way of subscriptions for the year ended on March 31, 2022. The additional information was as under:
1. Subscription Outstanding as on March 31, 2021 were ₹ 6,500,
  2. Subscription received in advance as on March 31, 2021 were ₹ 4,100,
  3. Subscription Outstanding as on March 31, 2022 were ₹ 5,400,
  4. Subscription received in advance as on March 31, 2022 were ₹ 2,500.
- For the year ended on 31st March 2022, the amount to be credited to income and expenditure account for subscriptions would be \_\_\_\_\_
- (a) 99,000                      (b) 69,000                      (c) 79,000                      (d) 1,09,000
82. Which of the following is generally considered as a non-profit oriented organization?
- (a) Charitable organization                      (b) Corporation  
(c) Audit firms                      (d) Insurance companies
83. Tournament Fund balance as on 1.4.2021 is ₹10,700, Subscriptions for tournament received during the year ₹ 65,800, Expenditure incurred during the year on conducting tournaments ₹ 72,400. What will be closing balance of Tournament fund on 31/3/2022?
- (a) 17300                      (b) 76500                      (c) 83200                      (d) 4100
84. Non-profit organizations prepare all of the following accounts except the
- (a) Receipts and payment accounts                      (b) Income and Expenditure accounts  
(c) Balance sheet                      (d) Income statement
85. 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
86. Income and expenditure account is based on
- (a) Cash accounting                      (b) Accrual accounting  
(c) Government accounting                      (d) Management accounting
87. Total salaries paid in 2021-2022 : ₹ 10,200,  
Prepaid salaries on 31-3-2021: ₹ 1,200,  
Prepaid salaries on 31-3-2022: ₹ 600,  
Outstanding salaries on 31-3-2021 : ₹ 900,  
Outstanding salaries on 31-3-2022: ₹ 750. Based on the given information \_\_\_\_\_ amount of salary will be charged to Income & Expenditure A/c for the year ending 2021-2022.
- (a) 10,650                      (b) 10,950                      (c) 11,000                      (d) 11,400
88. 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
89. When cash is received for life membership, which one of the following double entries is passed?
- (a) Cash Debit and capital Credit                      (b) Life membership Debit and cash Credit  
(c) Investment Debit and cash Credit                      (d) Cash Debit and life membership fund Credit

90. Find the amount of stationery consumed if on March 31, 2022, payments made for Stationery is ₹ 23,000, Stock of stationery on 1/4/2021 is ₹ 4,000 and on 31/3/2022 is ₹ 3,000, Creditors for stationery on 1/4/2021 ₹ 9,000 and on 31/3/2022 is ₹2,500.  
 (a) 18,500 (b) 20,500 (c) 17,500 (d) 24,000
91. Which of the following is the accounting equation for a non-profit organization?  
 (a) Asset = Capital + Liabilities (b) Capital + Liabilities = Assets  
 (c) Capital fund + Liabilities = Assets (d) Liabilities = Asset + Accumulated fund
92. A non-profit organization received ₹10,000 as the entrance fee of a new member. If 20% of the fee has to be capitalized, what is the amount of fee needs to be shown in the income and expenditure account?  
 (a) 2,000 (b) 8,000 (c) 9,000 (d) 10,000
93. Not-for-profit organisations prepare:  
 (a) Trading Account (b) Trading & Profit and Loss Account  
 (c) Income and Expenditure Account (d) All of the above
94. ₹ 10,000 received as the 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
95. Subscription received in advance during the current year is:  
 (a) An income (b) An asset  
 (c) A liability (d) Expenditure
96. Book value of furniture on 1/4/2021 is 13,500 and on 31/3/2022 is ₹ 16,500. If furniture purchased during the year is of ₹ 6,000, the depreciation on furniture is ₹ \_\_\_\_\_.  
 (a) 3,000 (b) 9,000 (c) 7,500 (d) 10,500
97. Subscription received but not yet earned is considered as a/an  
 (a) Asset (b) Liability (c) Income (d) Expenditure
98. If rent paid during the year 2021- 22 is ₹ 8,000. Outstanding rent on 1/4/21 is ₹ 2,000 and on 31/3/22 is ₹ 5000. Prepaid rent on 1/4/2021 is ₹ 500 and on 31/3/2022 is 1500. Which amount will be debited to income and expenditure account for rent?  
 (a) 10,000 (b) 11,500 (c) 6,000 (d) 4,000
99. The balance sheet of a non-profit organization such as a charitable hospital doesn't contain the  
 (a) Assets (b) Building (c) Debts (d) Owner's equity
100. 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
101. The balance of Building fund is ₹ 15, 00,000 and that of Capital fund is ₹ 25, 00,000. Expenditure incurred on construction of the building till 31st March, 2022 is ₹ 14, 50,000 and construction is completed. The balance of Capital fund and building fund on 31st March 2022 will be ₹ \_\_\_\_\_ and \_\_\_\_\_ respectively.  
 (a) 25,00,000 and 50,000 (b) 39,50,000 and Nil  
 (c) 39,50,000 and 50,000 (d) 40,00,000 and Nil
102. In non-profit accounting, the sale of old newspapers is generally considered as a/an  
 (a) Expenses (b) Expenditure (c) Income (d) Capital receipt
103. Subscription received in cash during the year amounted to ₹60,000; subscription received in advance for next year was ₹ 3000 and received in advance during previous year was ₹ 2,000. Subscription in arrear at the end of current year was ₹ 5,400. The amount credited to income & expenditure account will be:  
 (a) 53,600 (b) 66,400 (c) 55,600 (d) 64,400

104. Amount received by a school for organising annual function is treated as:  
 (a) Capital receipt (b) Revenue receipt (c) Asset (d) Earned income
105. ₹ \_\_\_\_\_ will be debited in Income and Expenditure Account for medicines consumed during the year 2020-21, if Stock of medicines as on April 1, 2020: ₹ 15,00,000 and on March 31, 2021: ₹ 10,00,000; Cash purchases of medicines during the year 2020-21: ₹ 2,00,000 and credit purchases: ₹ 6,00,000  
 (a) 8,00,000 (b) 7,00,000 (c) 13,00,000 (d) 11,00,000
106. Out of following items, which one is shown in the Receipts and Payment Account?  
 (a) Outstanding Salary (b) Depreciation  
 (c) Accrued Subscription (d) Life Membership Fees
107. On 1/4/2021, balance of Books and Journals Fund is ₹ 4, 50,000 and 7% Books and Journals Fund Investments is ₹ 400,000. If on 31/3/2022, Interest received on Books and Journals Fund Investments is given ₹ 13,000, what amount of interest accrued will be recorded on asset side of balance sheet?  
 (a) 15000 (b) 13000 (c) 28000 (d) 18500
108. General donations and entrance fees are credited to :  
 (a) Receipts and Payments Account (b) Income and Expenditure Account  
 (c) Capital Fund (d) Added to prize fund

### INPUT-TEXT BASED MCQs

Read the following text and answer the following questions (109 to 112) on the basis of the same:

Dr. Swati Mital a qualified M.B.B.S. doctor got voluntary retirement at the age of 50 years from a renowned hospital. She was residing in a flat of a wide apartment which is surrounded by a slum which is inhabited by economically weaker strata of the society. As the people in that area were not aware about importance of health care, a widespread ailment had been persistently prevailing. Swati met with some of the well-off people of apartment and decided to open a dispensary named as 'Aapka Clinic' to provide them cost free medical assistance and make them aware about hygienic living, physical fitness, and economic balance diet. Many of the apartment members agreed to it. She approached health department of the town with her proposal which was accepted and an initial one time grant of ₹2,00,000 was sanctioned immediately for purchase of medical equipment and test kits for pathological tests. 10 members of the apartment contributed ₹20,000 each as lifetime subscription to the clinic. Swati decided to charge ₹10 as one time registration fee from patients. Apart from above Swati made following transactions for first year:

S. No.	Particulars	Amount in (₹)
1.	Purchased Equipment	1,20,00
2.	Purchased Medicines	95,000
3.	Purchased Furniture	10,000
4.	Rent Paid	12,000
5.	Free received for medical tests	45,000
6.	Honorarium paid to Yoga teacher	35,000
7.	Honorarium paid to physiotherapist and sports teacher	38,000

Swati informed that during the first year 10,500 patients were registered for treatment and for other services. Taking reference from the above, answer following questions.

109. Not for profit organization prepares  
 (i) Income and Expenditure account (ii) Trading and Profit loss account  
 (iii) Receipt and Payment account (iv) None of the above  
 (a) Only (ii) (b) Only (iii)  
 (c) Both (i) and (ii) (d) Both (i) and (iii)
110. Honorarium paid to Physiotherapist and sports teacher Will be posted to  
 (a) Debit side of Income and Expenditure Account (b) Debit side of Receipt and Payment Account  
 (c) Debit side of Profit and Loss Account (d) Credit side of Income And Expenditure account

111. State whether the following statements are true or false:

“Donations received by Ms Swati Mital from health department should be capitalized.”

- (a) True (b) False (c) Cannot Say (d) None of these

112. Lifetime subscription paid by 10 members will be posted in

- (a) Expenditure side of Income and Expenditure Account  
(b) Liability side of closing Balance Sheet  
(c) Income side of Income and Expenditure Account  
(d) Assets side of closing Balance Sheet

Read the following text and answer the following questions (113 to 117) on the basis of the same:

Star sports Club is engaged in the activity of identifying and promoting sports talent from rural and tribal areas of the country. Identifying with this Noble cause Mr Mahesh a renowned industrialist donated ₹50,00,000 on 1st July 2020, for the construction of a new hostel and mess for upcoming sportsmen. Besides this Mr Mahesh offered the services of his personal chartered accountant, free of charge, to streamline the account of Start Sports Club. The chartered accountant visited the office of the NPO on 31st March 2021 and found that till date rupees 35,00,000 had been spent on construction of hostel and mess building. he also noted that the NPO had a capital fund of ₹1,20,00,000 in the beginning of the year. Other important points that he noted were that NPO had 2000 regular members each having an annual subscription of ₹2000 per annum. On 1st April 2020, 180 members had not paid for subscription of previous year and 20 members had paid for 2020-2021 in advance (out of which 5 had paid advance of 2021-2022 as well) 31st March 2021, 110 Members he had outstanding balance (including 50 who had not paid for 2019-20 as well) and 25 members had paid for 2021- 2022 in advance (including all 5 who had paid in advance in 2019-20) Since the accountant of NPO was not clear about how to deal with all the above information he drafted a set of questions for guidance. Considering that you are the Chartered Accountant of Mr. Mahesh answer the following questions based on the information detailed above.

113. The amount of ₹50,00,000 received from Mr Mahesh towards building and mess should be transferred to

- (a) Capital fund (b) General fund  
(c) Income and Expenditure account (d) Building fund

114. The amount of ₹35,00,000 spent on construction of building should be:

- (i) reflected on debit side of income and expenditure account as an expense.  
(ii) reflected on asset side of balance sheet.  
(iii) reflected as a deduction from Building fund and addition to capital fund.  
(iv) Not be recorded till the building is complete.

On basis of given information choose which of the following stands true

- (a) Only (iv) (b) Both (i) and (iv) (c) Both (ii) and (iii) (d) None of these

115. The amount of subscription in arrears on 1st April 2020 is:

- (a) ₹3,60,000 (b) ₹3,00,000 (c) ₹2,000 (d) ₹1,80,000

116. The amount of subscription in arrears on 31st March 2021 is:

- (a) ₹2,20,000 (b) ₹3,60,000 (c) ₹3,20,000 (d) ₹1,80,000

117. The amount of subscription in advance on 31st March 2021 is:

- (a) ₹40,000 (b) ₹50,000 (c) ₹10,000 (d) None of these

## ANSWERS

### Multiple Choice Questions

1. (c) 2. (b) 3. (b) 4. (a) 5. (d) 6. (b) 7. (a) 8. (b) 9. (a) 10. (a)  
11. (b) 12. (b) 13. (d) 14. (a) 15. (b) 16. (a) 17. (b) 18. (c) 19. (d) 20. (a)  
21. (b) 22. (c) 23. (c) 24. (d) 25. (a) 26. (a) 27. (a) 28. (c) 29. (a) 30. (a)  
31. (c) 32. (a) 33. (a) 34. (c) 35. (b) 36. (c) 37. (a) 38. (b) 39. (c) 40. (d)

41. (c) 42. (b) 43. (b) 44. (b) 45. (d) 46. (a) 47. (b) 48. (d) 49. (c) 50. (d)  
 51. (d) 52. (a) 53. (c) 54. (a) 55. (c) 56. (a) 57. (d) 58. (a) 59. (c) 60. (b)  
 61. (d) 62. (a) 63. (b) 64. (b) 65. (a) 66. (a) 67. (c) 68. (d) 69. (d) 70. (d)  
 71. (b) 72. (b) 73. (a) 74. (a) 75. (d) 76. (c) 77. (d) 78. (d) 79. (b) 80. (a)  
 81. (b) 82. (a) 83. (d) 84. (d) 85. (b) 86. (b) 87. (a) 88. (c) 89. (d) 90. (c)  
 91. (c) 92. (b) 93. (c) 94. (b) 95. (c) 96. (a) 97. (b) 98. (a) 99. (d) 100. (c)  
 101. (d) 102. (c) 103. (d) 104. (a) 105. (c) 106. (d) 107. (a) 108. (b)

### Input-Text Based MCQs

109. (d) 110. (a) 111. (a) 112. (b) 113. (d) 114. (c) 115. (a) 116. (c) 117. (b)

### HINTS TO SOME SELECTED QUESTIONS

1. Opening balance + donations+interest income – expenses – prizes awarded.
6. Other items will be shown on liability side under prize fund.
8. Opening stock + payment made for stationery + opening advance + closing creditors – opening creditors – closing stock – closing advance
12. Closing fund = Opening fund + Income from investment – Expenses
14. Full amount of Library building fund is utilised. So balance of library building fund is zero.
20. Closing fund = Opening fund+ donations + Income from sale of tickets – Expenses.
22. Specific fund like match fund is shown on liability side of balance sheet but if fund balance is less than expenditure, the net balance of the fund becomes negative and the resultant debit balance (19,000 – 25,000 = 6,000) shall be charged to the Income and Expenditure Account of that year.
25. Depreciation =  $2,00,000 \times \frac{10}{100} = 20,000$  and  $30,000 \times \frac{10}{100} \times \frac{6}{12} = 1500$ .  
 Total depreciation = 20,000 + 1,500 = 21,500.
33. 20,000 – 1,500 depreciation for 9 months = 18,500. Loss on sale 10 % of 18500.
43. Subscription received + outstanding of current year + advance of previous year – outstanding of previous year – advance of current year.
49. Subscription received + advance of previous year – advance of current year
63. Opening stock + payment made for stationery + closing creditors – opening creditors – closing stock.
65. Expenditure on construction of building will be subtracted from Building fund and will be added in capital fund.
68. Opening stock + payment made for stationery + opening advance + closing creditors – opening creditors – closing stock – closing advance.
74. Opening stock + Purchase – Closing stock.
79. Subscription received + outstanding of current year – outstanding of previous year
84. Opening balance + subscriptions received – expenditure.
87. Salary paid + O/s of 31/3/22 + Prepaid of 31/3/21- O/s of 31/3/21 – Prepaid of 31/3/22
90. Opening stock + payment made for stationery + closing creditors – opening creditors – closing stock.
96. Depreciation = (opening value + purchase) – closing book value
98. Rent paid + o/s of current year – o/s of previous year + prepaid of previous year- prepaid of current year.
101. Expenditure on construction of building (₹ 14,50,000) will be subtracted from Building fund and will be transferred to capital fund. As the construction is completed balance of building fund ₹ 50,000 (15,00,000 – 14,50,000) will also be transferred to capital fund.
105. Medicine consumed = Opening stock + cash and credit purchase- closing stock
107.  $4,00,000 \times \frac{7}{100} = 2,80,000 - 13,000 = 15,000$

