

QB365 Question Bank Software Study Materials

Accounts of Not-For-Profit Organisation Important 2 Marks Questions With Answers (Book Back and Creative)

12th Standard

Accountancy

Total Marks : 40

2 Marks

20 x 2 = 40

- 1) From the following details calculate the amount that will be shown as subscription in Income and Expenditure Account for the year ending 31st March, 2017.

| SUBSCRIPTION RECEIVED FOR | RS. |
|---------------------------|--------|
| 2015-16 | 7,500 |
| 2016-17 | 60,000 |
| 2017-18 | 1,500 |
| | 69,000 |

Subscription outstanding for the year 2016-17 is Rs. 2,400. Subscription for 2016-17 received in 2015-16 was Rs.1,000

Answer :

| EXPENDITURE | RS. | INCOME | RS. | RS. |
|-------------|-----|--|--------|--------|
| | | By Subscription | 60,000 | |
| | | Add: Outstanding subscription for 2016-17 | 2,400 | |
| | | Subscription received in advance in in advance in | 1,000 | 63,400 |

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

Tutorial note

- (i) Subscription for the year 2015-16 Rs. 7,500 and for the year 2017-18 Rs. 1,500 do not relate to the current year. So they should not be recorded in Income and Expenditure Account.
- (ii) Subscription outstanding for the current year 2016-17 is Rs. 2,400. It should be added with the amount of subscription received during 2016-17.
- 2) How will the following appear in the final accounts of a club for the year 2017 – 2018?

| PARTICULARS | RS. |
|--|--------|
| Prize fund on 1.4.2017 | 60,000 |
| Prize fund investment on 1.4.2017 | 60,000 |
| Interest received on prize fund investment | 6,000 |
| Prizes distributed | 8,000 |
| Donation received for prize fund | 12,000 |

Answer :

| LIABILITIES | RS. | RS. | ASSETS | RS. | RS. |
|--|--------|--------|------------|-----|--------|
| Prize fund | 60,000 | | Prize fund | | |
| Add: Interest received on prize fund investment | | | investment | | 60,000 |
| Add: Donation for prize fund | 12,000 | | | | |
| | 78,000 | | | | |
| Less: Prizes distributed | 8,000 | 70,000 | | | |

Balance sheet as on 31st March, 2018

- 3) State the meaning of not-for-profit organisation

Answer : (i) Some organisations are established for the purpose of rendering services to the public without any profit motive.
(ii) They may be created for the promotion of art, culture, education, sports, etc. These organisations are called not-for-profit

organisation.

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

4) What is legacy?

Answer : It is the amount given to a non-trading concern as per the will. It is like a donation. It appears as the debit side of receipts and payments account. But is not treated income because it is not of recurring nature. It is a capital receipt.

5) Write a short note on life membership fees.

Answer : Life membership fee is accounted as a capital receipt and added to capital fund on the liabilities side of Balance sheet. It is not recurring in nature.

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

Answer : i. Life membership fees

ii. Legacies

iii. Specific donation

iv. Sale of fixed asset

v. Special funds

vi. Prize fund

vii. Tournament fund.

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

Answer : i. Subscription

ii. Interest on investment

iii. Interest as fixed deposit

iv. Sale of old sports material

v. Sale of old newspaper.

8) From the following particulars, show how the item 'subscription' will appear in the Income and Expenditure Account for the year ended 31-12-2018? Subscription received in 2018 is Rs.50,000 which includes Rs.5,000 for 2017 and Rs.7,000 for 2019. Subscription outstanding for the year 2018 is Rs 6,000. Subscription of Rs.4,000 was received in advance for 2018 in the year 2017.

Answer :

| EXPENDITURE | RS | INCOME | RS | RS |
|-------------|----|---|--------|--------|
| | | By Subscription received during the year | 50,000 | |
| | | Less: Subscription received for 2017 | 5000 | |
| | | | 45,000 | |
| | | Less: Subscription received for 2019 | 7,000 | |
| | | | 38,000 | |
| | | Add: Subscription due for 2018 | 6,000 | |
| | | | 44,000 | |
| | | Add: Received in advance in 2017 for 2018 | 4,000 | 48,000 |

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

Cr

9) Show how the following items appear in the income and expenditure account of Sirkazhi Singers Association?

| | RS. |
|--|-------|
| Stock of stationery on 1.4.2018 | 2,600 |
| Purchase of stationery during the year | 6,500 |
| Stock of stationery on 31.3.2018 | 2,200 |

Answer :

| EXPENDITURE | RS | RS | INCOME | RS |
|-------------------------|-------|-------|--------|----|
| To stationary Consumed: | | | | |
| Opening stock | 2,600 | | | |
| Add:Purchase | 6,500 | | | |
| | 9,100 | | | |
| Less: Closing stock | 2,200 | 6,900 | | |

Dr Income and Expenditure Account of Sirkazhi singers Association Cr

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

Answer :

| LIABILITIES | RS | RS | ASSETS | RS |
|-----------------------|--------|--------|--------|----|
| Match fund | 24,000 | | | |
| Add: Receipt the fund | 26,000 | | | |
| | 50,000 | | | |
| Less: Match expenses | 33,000 | 17,000 | | |

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

- 11) What are the features of not-for-profit organizations?

Answer : Following are the features of not-for-profit organizations.

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

- 12) Explain the steps in preparations of receipts and payments account.

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

- Record the opening balance of cash in hand and favourable bank balance on the debit side of receipts and payments account. If there is a bank overdraft, it must be recorded on the credit side
- Actual cash receipts during the year are recorded on the debit side and actual cash payments during the year are recorded on the credit side.
- While recording cash-receipts and payments, no distinction needs to be made between revenue and capital items.
- If the total of the debit side is more than the credit side, the balancing figure will appear on the credit side. It represents the closing balance of cash or bank.
- If the total of the credit side is more than the debit side, the balancing figure will appear on the debit side. It represents bank overdraft.

- 13) Write a note on Donations

Answer : (i) These are the amount received by not-for-profit organizations as a gift. It may be a general donation or specific donation.

(ii) **General donation:** If the donation is received without any specific condition, then it is a general donation. It is a revenue receipt.

(iii) **Specific donation:** If the donation received with a specific condition particular purpose like donations for sports fund, prize fund, etc., It is known as a specific donation. It is a capital receipt.

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

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

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

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

15) What is treatment of "Donation" in Non-profit Organisation?

Answer : Donation is the amount received from some person by way of gift. It appears on the debit side of the receipts and payments account in the year of receipt.

16) What is meant by "Endowment Fund"?

Answer : It is a fund which provides permanent means of support for any person or institution. It provides a permanent means of support it is a receipt of capital nature. It is recorded on the debit side of receipts and payments account in the year of receipt.

17) What is meant by "Honorarium"?

Answer : It refers to the amount paid to a person to reimburse the actual expenses incurred for delivering a lecture or giving his performance as an artist. It is a usually payment side of Receipts and Payment side & expenditure side of Income and expenditure Account.

18) Give the short note on "Capital Fund".

Answer : Excess of assets over liabilities is called "Capital Fund" or "General Fund". It is similar to capital account at Commercial organisation. It is shown on the liabilities side of Balance sheet.

19) How will the following appear in the final Accounts?

| | |
|---|--------|
| Stock of sports material 1.1.2018 | 6,000 |
| Sport materials Purchased during the year | 17,000 |
| Stock of sport materials 31.12.2018 | 1,200 |

Answer :

| EXPENDITURE | | RS. | INCOME | RS. |
|----------------------------|---------------|------------|---------------|------------|
| To sports material opening | 6,000 | | | |
| Add: Purchase | <u>17,000</u> | | | |
| | 23,000 | | | |
| (-) Closing | 1,200 | 21,800 | | |

Dr. Income and expenditure A/c for the year ended 31.12.18

Cr.

Balance sheet as on 31.12.2018

| LIABILITIES | RS. | ASSETS | RS. |
|--------------------|------------|--------------------------|------------|
| | | Stock of sports material | 1,200 |

20) How do you incorporate the following in the Tanjore Club Balance sheet for the year 31.3.99?

| | |
|---------------------------------|--------|
| Medat distribution fund | 98,400 |
| Interest on the fund investment | 28,900 |
| Medals distributed | 28,700 |

Answer :

Tanjore Club

Balance sheet as on 31.3.99

| LIABILITIES | RS. | RS. | ASSETS | RS. | RS. |
|---|---------------|------------|---------------|------------|------------|
| Medal distribution fund | 98,400 | | | | |
| Add: Interest on the fund investment | <u>28,900</u> | | | | |
| | 1 | | | | |
| | ,27,300 | | | | |
| (-) Medals distributed | 28,700 | 98,600 | | | |

Balance Sheet : Total Rs. 98,600