

TEST YOUR UNDERSTANDING

(A) Select the Best alternate :

- (i) Receipts and Payments Account generally shows :
- (a) A Debit balance (b) A Credit balance
(c) Surplus or Deficit (d) Capital Fund
- (ii) 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.
- (iii) Income and Expenditure Account reveals :
- (a) Surplus or Deficiency (b) Cash in Hand
(c) Net Profit (d) Capital Account
- (iv) 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.
- (v) Subscription received by a school for organising annual function is treated as:
- (a) Capital Receipt (*i.e.*, Liability) (b) Revenue Receipt (*i.e.*, Income)
(c) Asset (d) Earned Income

- (vi) Amount received from sale of grass by a club should be treated as :
- (a) Capital Receipt (b) Revenue Receipt
(c) Asset (d) Earned Income
- (vii) If there is a 'Match Fund', then match expenses and incomes are transferred to:
- (a) Income and Expenditure A/c (b) Assets side of Balance Sheet
(c) Liabilities side of Balance Sheet (d) Both Income and Expenditure A/c and to Balance Sheet
- (viii) Subscription received in advance during the current year is :
- (a) an income (b) an asset
(c) a liability (d) none of these
- (ix) 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
- (x) 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 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
- (xi) The opening balance of Prize Fund was ₹32,800. During the year, donations received towards this fund amounted to ₹15,400; amount spent on prizes was ₹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
- (xii) 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 year was ₹5,000. The amount debited to Income and Expenditure Account will be :
- (a) ₹85,800 (b) ₹77,800
(c) ₹82,200 (d) ₹74,200

(B) Fill in the blanks :

- (i) Receipt and Payment Account is a account.
(Personal, Real, Nominal)
- (ii) Income and Expenditure Account is a account.
(Personal, Real, Nominal)
- (iii) Life membership fee received by an institution is a receipt.
(Capital, Revenue)
- (iv) Subscription received by an institution is a receipt.
(Capital, Revenue)
- (v) Payment of honorarium is treated as expenditure.
(Capital, Revenue)
- (vi) Entrance Fees is treated as receipt. (Capital, Revenue)
- (vii) Income and Expenditure Account is prepared by concerns.
(Trading, Non-trading)
- (viii) Excess of expenditure over income is capital fund in the Balance Sheet.
(Added to, Deducted from)
- (ix) Life membership fee received by a club are shown in
(Income and Expenditure Account, Balance Sheet)
- (x) Subscription outstanding in case of a club are shown on the side of the Balance Sheet.
(Assets, Liabilities)

(C) State with reasons whether the following statements are TRUE or FALSE:

1. Receipt and Payment Account is a summary of all capital receipts and payments.
2. If there appears a sports fund, the expenses incurred on sports activities will be shown on the debit side of Income and Expenditure Account.
3. A credit balance of Income and Expenditure Account denotes excess of expenses over incomes.
4. Scholarships granted to students out of funds provided by government will be debited to Income and Expenditure Account.
5. Receipts and Payment Account records the receipts and payments of revenue nature only.
6. Donations for specific purposes are always capitalized.
7. Opening balance sheet is prepared when the opening balance of capital fund is not given.
8. Surplus of Income and Expenditure Account is deducted from the capital/general fund.
9. Receipts and Payment Account is equivalent to profit and loss account.
10. Receipts and Payment Account does not make any difference between capital and revenue receipts.