



**CA**

**FOUNDATION**

**ACCOUNTING**

**MODULE 1**

**CA Nitin Goel**

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## **WEIGHTAGE IN PAST YEAR EXAMS** (From May 2018 to Jan 2025)

	MAY 18	NOV 18	MAY 19	NOV 19	NOV 20	JAN 21	JULY 21	DEC 21	JUNE 22	DEC 22	JUNE 23	DEC 23	JUNE 24	SEP 24	JAN 25
Theoretical Framework	4	4	4	4	4	4	4	4	4	4	4	5	4	4	4
Accounting Process	4+10	10	4	5+10	4+5	10	5+5 +10	5+5 +5	4+5	5+10	4	5	4+12 +5	4	4+5
Bank Reconciliation Statement	10	10	10	10	10	4	5	10	5	10	5	8	5	10	10
Inventories	–	–	5	5	10	5	5	4	5	–	5	4	5	5+5	5
Depreciation	–	4	10	4	5	10	4	5	10	4+5	10	5	8	5	10
Bills of Exchange	–	–	5	–	10	–	–	10	–	15	5	10	–	10	5
Final Accounts of Sole Proprietors	20	5	10	10+5	10+5	5	10+5	15	20	10	–	15	5	10	15
Not for Profit Organisation	–	10	10	10	10	10+10	10	10	10	10	15	12	12	10	10
Accounts from Incomplete Records	–	15	12	10	10	10	10	5	12	10	10	–	8	5	5
Partnership	10	15	10+5	10+ 15+5	10	5+10	10+5	5+10 +5	5+10 +15	5+10	5+20 +5	5+10	8+12	10+10	5+15
Company Accounts	10+5 +10	10+5 +5	10+5 +10	15+ +5+5	10+ +5+12	15+5 +12	15+5 +10	15+5	15+5	15+5	15+5 +5	15	10+15	10+15	5+15
Accounting Terminology	–	–	–	–	–	4	–	4	–	–	4	4	–	–	–

# THEORETICAL FRAMEWORK

*"One second, One minute, One hour, One day, One week, One month, One year and you are one year older. Make full use of your time."*

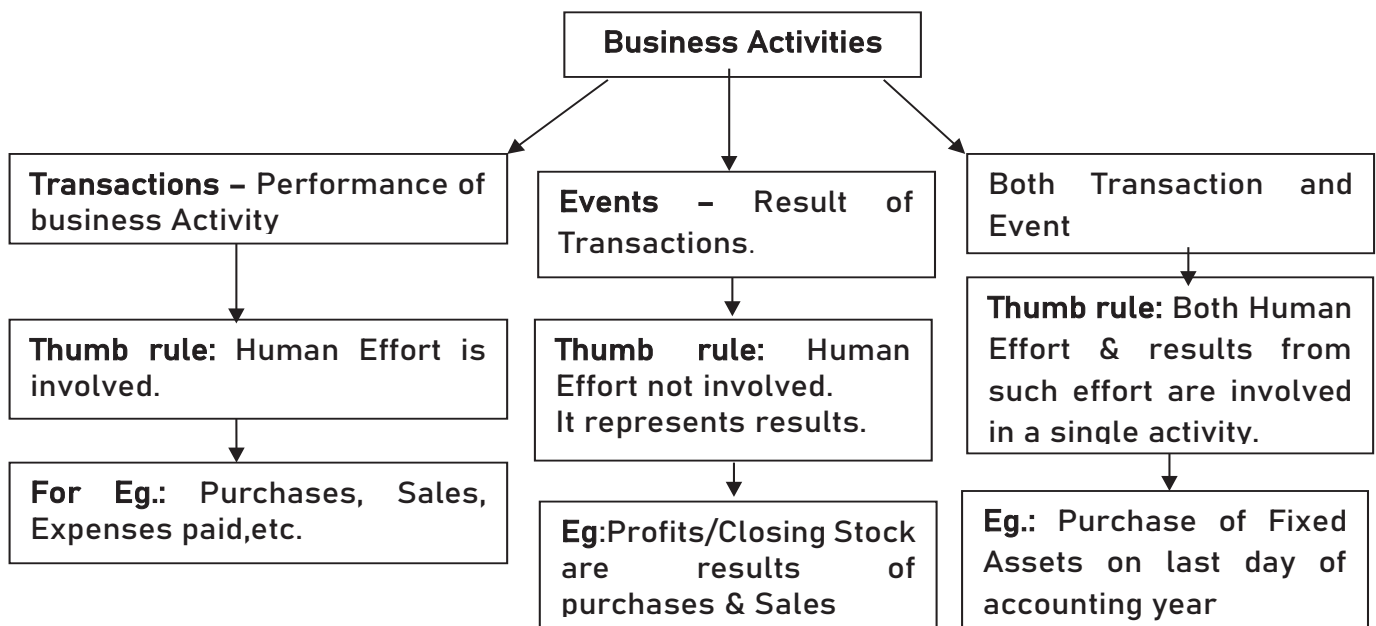
## MEANING AND SCOPE OF ACCOUNTING

### MEANING OF ACCOUNTING

- 1) As per the American Institute of Certified Public Accountants (AICPA) – Accounting is the art of **recording, classifying and summarizing** in a **significant manner** and in terms of **money, transactions and events** which are in part at least of **financial character**, and **interpreting** the results thereof.
- 2) Accounting also involves **analyzing** and interpreting financial **transactions** and **communicating** the results to the persons interested in such information.
- 3) As per American Accounting Association- Accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by the users of accounts.
- 4) Accounting is considered as an '**Information System**', as the function of Accounting is to provide **quantitative information**, primarily financial in nature about the business organization.

## TRANSACTIONS VS EVENTS, FINANCIAL VS NON- FINANCIAL

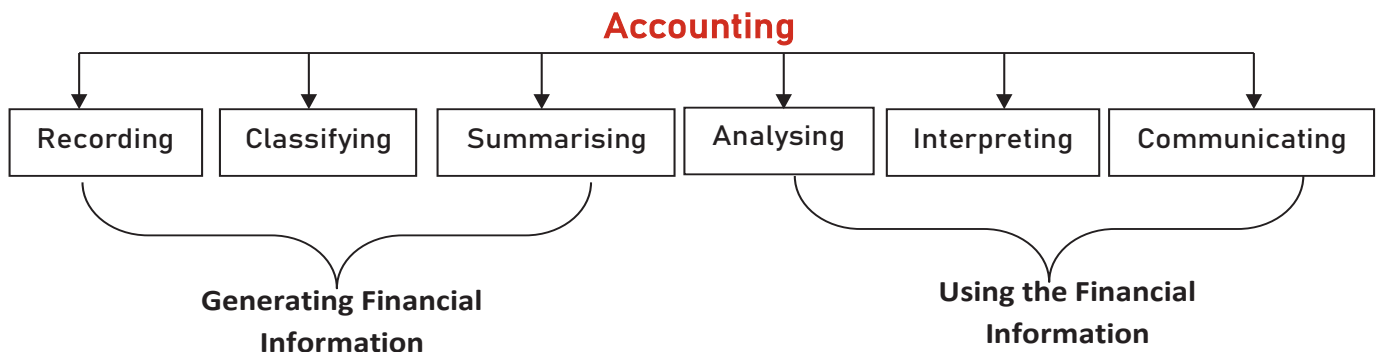
1. **Transactions and Events:** In a business or economic scenario.



## 2. Types of Transactions – 2 Types:

Types	Financial Transaction	Non – Financial Transaction
<b>Meaning</b>	When a business transaction involves a transfer of <b>money or moneys' worth</b> , then the transaction is called "Financial Transaction"	When a business transaction does not involve money or money's worth
<b>Example</b>	Purchase and Sale of goods, Payment of Expenses, Purchase of Assets, Goods lost by fire etc.	Quarrel between 2 Managers, Death of an employee etc.
<b>Types</b>	Cash and Credit Transaction	No such classification

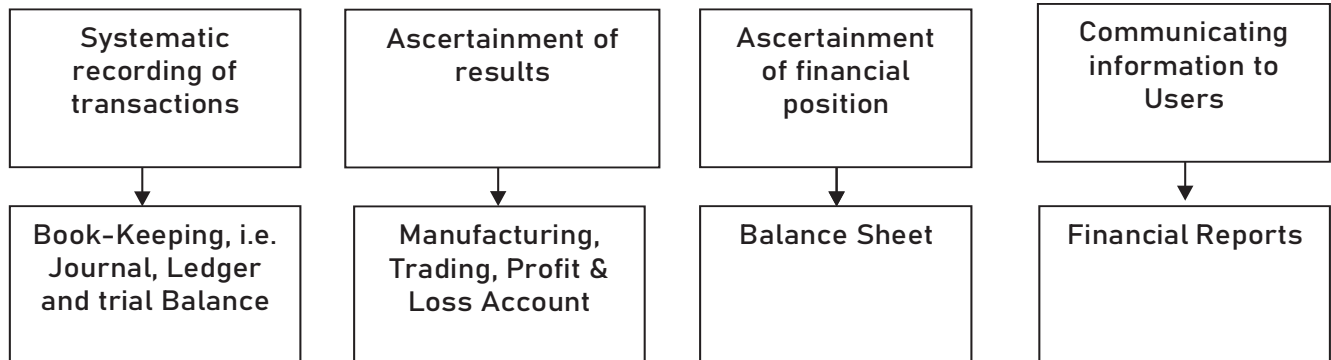
## ACCOUNTING PROCESS

**Processes of Generating Financial Information (3 processes)****1. Recording:**

<b>Meaning</b>	All business transactions which are of financial nature (i.e. expressed in terms of money) are recorded in the books of accounts.
<b>Purpose</b>	A businessman cannot keep in his memory all the business activities carried out by 'him. Hence, there is a need for keeping track of such activities in a separate record.
<b>Basis of Recording</b>	All transactions must be evidenced by supporting documents like Sales Invoice, Purchase Bill, Receipts, Pay Slip, etc. (These are called Vouchers)
<b>Relevant A/cs Book</b>	The Books in which primary entry is made is called "Journal", which is further sub—divided into several Subsidiary Books for Sales, Purchases, Cash & Bank, etc. according to the nature and size of the business.
<b>Checkpoint</b>	It is to be noted that Accounts is concerned with only FINANCIAL Transactions. Accounting will not record non—financial transactions in its books.
<b>Example</b>	<ul style="list-style-type: none"> <li>Salary paid to Manager will be recorded in the books of accounts.</li> <li>But, good health of the Manager, even if it is of great use to the business, has no financial character and no economic value, and therefore, will not be considered in Accounting.</li> </ul>

5. To know the **solvency position**: Balance sheet also helps to know whether the business is solvent, i.e. ability to meet its liabilities in short run & in long run as and when they fall due.

### Objectives of Accounting



## FUNCTIONS OF ACCOUNTING

(CA Foundation Jan 2025) (4 Marks)

<b>Measurement</b>	Accounting measures the performance of the business entity and depicts its current financial position.
<b>Forecasting</b>	Accounting helps in forecasting future performance and financial position of enterprise using past data.
<b>Decision-making</b>	Accounting provides relevant information to the Users of accounts to aid rational decision-making.
<b>Comparison &amp; Evaluation</b>	Accounting assesses performance achieved in relation to targets and discloses information which plays important role in comparing & evaluating financial results.
<b>Control</b>	Accounting identifies weaknesses in the operational system and provides feedback regarding effectiveness of measures to rectify such weaknesses.
<b>Government Regulation &amp; Taxation</b>	Accounting provides necessary information to the Government, to exercise control on the entity as well as in collection of tax revenues.

## BOOK-KEEPING – MEANING AND FEATURES

<b>Meaning</b>	It is an activity of recording and classifying the financial data relating to business operations in a significant and orderly manner.
<b>Objective</b>	<ul style="list-style-type: none"> <li>Complete recording of transactions.</li> <li>Ascertainment of financial effect on the business.</li> </ul>
<b>Features</b>	<ul style="list-style-type: none"> <li>It is art of scientifically recording the transactions.</li> <li>Recording of transactions is restricted only to that of particular enterprise</li> <li>The recordings are made in a given set of books.</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>From Financial Statements, financial information is readily available to Users</li> <li>Qualitative financial decisions can be taken, since information is reliable</li> <li>Valuable conclusions can be drawn on comparing books of different years of the same enterprise or comparing books of same period for different enterprises.</li> <li>Financial accounts of an enterprise are treated as evidence in a Court of Law.</li> </ul>



## BOOK-KEEPING V/S ACCOUNTING

*(CA Foundation Sep 2024) (4 Marks)*

Basis	Book-Keeping	Accounting
<b>Scope</b>	It is a process concerned with recording of transactions	It is a process concerned with summarising of the recorded transactions.
<b>Stage</b>	Book-Keeping is the primary stage. It constitutes as the base for accounting.	Accounting is the secondary stage. It constitutes as a language of the business.
<b>Basic Objectives</b>	To maintain systematic records of financial transactions	To ascertain net results of operations and financial position and to communicate information to the interested parties.
<b>Financial position</b>	Financial position of the business cannot be ascertained through book-keeping	Financial position of the business is ascertained based on the accounting reports
<b>Financial Statements</b>	Financial Statements do not form part of this process.	Financial statements are prepared on the basis of book-keeping records.
<b>Managerial decision</b>	Managerial decision cannot be taken with the help of these records.	Management can take decision on the basis of these records.
<b>Sub-fields</b>	There are no-sub fields for Book-Keeping	It has several sub-fields such as Financial Accounting, Management ,etc.

**Note:** In terms of scope, Book-Keeping < Accounting

## SUB FIELDS OF ACCOUNTING

*(CA Foundation Dec 2023) (5 Marks)*

<b>Financial Accounting</b>	It covers the preparation and interpretation of financial statement (i.e. P&L Account and Balance Sheet) and communication thereof, to the user of accounts. It is historical in nature as it records transactions which has already occurred. It primarily helps in determination of the net result for an accounting period and the financial position as on a given date.
<b>Management Accounting</b>	It is used for internal reporting to the Management of a business unit. The different ways of grouping information and preparing reports as desired by the Managers for discharging their functions and referred to as Management Accounting.
<b>Cost Accounting</b>	It is the process of accounting for cost and determination of overall cost of the product or service. The study of the behavioural pattern of cost will enable to control cost.
<b>Social Responsibility Accounting</b>	It is concerned with accounting for social costs incurred by the enterprise and social benefits created.
<b>Human Resource Accounting</b>	It seeks to identify, qualify and report investments made in human resources of an organization that are not presently accounted under any conventional accounting practice.

## USERS OF FINANCIAL INFORMATION

Users	Purpose
<b>Management</b>	For day-to-day decision-making and performance evaluation.
<b>Investors</b>	To analyze performance, profitability and financial position. Note: Prospective investors are interested in the track record of the company
<b>Lenders</b>	They are interested to know whether their loan-principal and interest will be paid back when due
<b>Suppliers</b>	To determine the credit worthiness of the Company.
<b>Customers</b>	To know general business viability before entering into long-term contracts and arrangements
<b>Employees</b>	To know stability, continuity & growth of the enterprises, and its ability to pay remuneration, retirement & Other benefits & to enhance career opportunities.
<b>Government</b>	To ensure prompt collection of Direct and Indirect Tax revenues & to evaluate performance and contribution to social objectives
<b>Public at Large</b>	To see whether the enterprise is making a reasonable/ substantial contribution to local economy, e.g. employment opportunities, patronage of local suppliers

## RELATIONSHIP OF ACCOUNTING WITH OTHER DISCIPLINE

<b>Auditing</b>	Auditing process review the Financial Statements, which are the outcome of the accounting process. Thus, Auditor should have a thorough & sound knowledge of accounting Standards & GAAP of reviewing the Financial statement.
<b>Economics</b>	<ul style="list-style-type: none"> <li>Economics uses the database provided by Accounting System, for developing decision-models and for rational decision-making on the use of scarce resources.</li> <li>Economic Theories have influenced the development of decision-making tools used in accounting.</li> <li>However, there are differences between the Economists' and Accountants concepts of Income, Capital and Valuation of assets</li> </ul>
<b>Law</b>	<ul style="list-style-type: none"> <li>Transactions and events are governed by the laws of the land like The Contract Act, Sale of Goods Act, Negotiable Instruments Act and Taxation Laws.</li> <li>The entity itself is governed by specific status like Partnership Act, Companies Act, Co-operative Societies Act, which have a bearing on maintenance of account books</li> </ul>
<b>Mathematics</b>	<ul style="list-style-type: none"> <li>Knowledge of arithmetic and algebra is a pre-requisite for accounting computation and measurement, e.g. Depreciation, Use of Interest and annuity tables, lease Rentals, Hire Purchase Installments etc.</li> <li>Ratios, Graphs &amp; Operation Research Models have been widely used in accounting</li> </ul>
<b>Management</b>	Management relies on accounting and other data for effective decision-making. Since an accountant plays an active role in management, he understands the data requirements, so the accounting System can be designed to serve management purpose.

## MULTIPLE CHOICE QUESTIONS

- 1) Which of the following is not a subfield of accounting?
  - (a) Management accounting.
  - (b) Cost accounting.
  - (c) Book-keeping
- 2) Purposes of an accounting system include all the following except
  - (a) Interpret and record the effects of business transaction.
  - (b) Classify the effects of transactions to facilitate the preparation of reports.
  - (c) Dictate the specific types of business enterprise transactions that the enterprises may engage in.
- 3) Book-keeping is mainly concerned with
  - (a) Recording of financial data.
  - (b) Designing the systems in recording, classifying & summarizing the recorded data.
  - (c) Interpreting the data for internal and external users.
- 4) All of the following are functions of Accounting except
  - (a) Decision making.
  - (b) Ledger posting.
  - (c) Forecasting.
- 5) Financial statements are part of
  - (a) Accounting.
  - (b) Book-keeping.
  - (c) Management Accounting.
- 6) Financial position of the business is ascertained on the basis of
  - (a) Records prepared under book-keeping process.
  - (b) Trial balance.
  - (c) Balance Sheet
- 7) Users of accounting information include
  - (a) Creditors/Suppliers
  - (b) Lenders/ Customers
  - (c) Both (a) and (b)
- 8) Financial statements do not consider
  - (a) Assets expressed in monetary terms.
  - (b) Liabilities expressed in monetary terms.
  - (c) Assets and liabilities expressed in non-monetary terms
- 9) On January 1, Sohan paid rent of ₹ 5,000. This can be classified as
  - (a) An event.
  - (b) A transaction.
  - (c) A transaction as well as an event.
- 10) On March 31, 2023 after sale of goods worth ₹ 2,000, he is left with the closing inventory of ₹ 10,000. This is
  - (a) An event.
  - (b) A transaction.
  - (c) A transaction as well as an event.
- 11) Which of the following is not a business transaction?
  - (a) Bought a machine of ₹10,000 for business
  - (b) Paid towards salaries of employees ₹ 5,000
  - (c) Paid son's fees from her personal bank account ₹ 8,000





CA



FOUNDATION

ACCOUNTING

MODULE 2

CA Nitin Goel

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		MCQ's & True/False		11E.10 – 11E.11
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11F.	Redemption of Debentures	Concept		11F.1 – 11F.2
		Class Questions	7	11F.3 – 11F.5
		MCQ's & True/False		11F.6
		Homework Questions	10	11F.7 – 11F.9
12.	Accounting Terminology	Concept		12.1 – 12.10
		True/False & Questions		12.11 – 12.13

## WEIGHTAGE IN PAST YEAR EXAMS (From May 2018 to Jan 2025)

	MAY 18	NOV 18	MAY 19	NOV 19	NOV 20	JAN 21	JULY 21	DEC 21	JUNE 22	DEC 22	JUNE 23	DEC 23	JUNE 24	SEP 24	JAN 25
Theoretical Framework	4	4	4	4	4	4	4	4	4	4	4	5	4	4	4
Accounting Process	4+10	10	4	5+10	4+5	10	5+5 +10	5+5 +5	4+5	5+10	4	5	4+12 +5	4	4+5
Bank Reconciliation Statement	10	10	10	10	10	4	5	10	5	10	5	8	5	10	10
Inventories	–	–	5	5	10	5	5	4	5	–	5	4	5	5+5	5
Depreciation	–	4	10	4	5	10	4	5	10	4+5	10	5	8	5	10
Bills of Exchange	–	–	5	–	10	–	–	10	–	15	5	10	–	10	5
Final Accounts of Sole Proprietors	20	5	10	10+5	10+5	5	10+5	15	20	10	–	15	5	10	15
Not for Profit Organisation	–	10	10	10	10	10+10	10	10	10	10	15	12	12	10	10
Accounts from Incomplete Records	–	15	12	10	10	10	10	5	12	10	10	–	8	5	5
Partnership	10	15	10+5	10+ 15+5	10	5+10	10+5	5+10 +5	5+10 +15	5+10	5+20 +5	5+10	8+12	10+10	5+15
Company Accounts	10+5 +10	10+5 +5	10+5 +10	15+ +5+5	10+ +5+12	15+5 +12	15+5 +10	15+5	15+5	15+5	15+5 +5	15	10+15	10+15	5+15
Accounting Terminology	–	–	–	–	–	4	–	4	–	–	4	4	–	–	–

## EDUCATIONAL INSTITUTIONS

Educational institutions are quite different from other not-for-profit organisations in terms of sources of finance and items of expenditure.

There are 3 main sources through which amounts are collected by the educational institutions. These are:

- (1) Donation from Public;
- (2) Fees in the form of annual tuition fees, term fees, admission fees, laboratory fee etc., and
- (3) Grants received from the Government. The Government grants are of four kinds namely Maintenance Grant, Equipment grant, Building Grant and such other grants as may be sanctioned by the Government from time to time.

### Receipts & Payments Account for the period ending on ...

Receipts	₹	Payments	₹
To Balance b/d:		By Balance b/d (Bank overdraft)	xxx
Cash xxx		By Annual Sports Expenses	xxx
Bank xxx	xxx	By Salaries & Wages	xxx
To Subscription:		By Rent, Rates & Taxes	xxx
For previous year xxx		By Insurance	xxx
For current year xxx		By Furniture	xxx
For next year xxx	xxx	By Sports Equipments	xxx
To Entrance fees	xxx	By Books & Periodicals	xxx
To Donation for Building	xxx	By Audit Fees	xxx
To General Donations	xxx	By Printing & Stationary	xxx
To Life Membership Fees	xxx	By Honorarium	xxx
To Legacy	xxx	By Bank Charges	xxx
To Gran from Govt.	xxx	By Postage & Telegrams	xxx
To Contribution for Annual Dinner	xxx	By Water & Electricity	xxx
To Dividend	xxx	By Conveyance & Travelling	xxx
To Interest	xxx	By Repairs & Maintenance	xxx
To Rent	xxx	By Sundry Expenses	xxx
To Receipt on Annual Sports	xxx	By Annual Dinner Expenses	xxx
To Sale of Old Sports Materials	xxx	By __% Investments	xxx
To Sale of Old Magazines	xxx	By Balance c/d:	xxx
To Sundry Receipts	xxx	Cash xxx	xxx
To Balance c/d (Bank overdraft)	xxx	Bank xxx	xxx
	XXX		XXX

### Income and Expenditure Account for the year ending on ....

Expenditure	₹	Income	₹
To Salaries and Wages paid xxx		By Subscription Received xxx	
Add: Outstanding at the end xxx		Add: Outstanding at the end xxx	
Less: Prepaid at the end xxx		Less: Advance at the end xxx	
Add: Prepaid in the beginning xxx		Add: Advance in the beginning xxx	
Less: Outstanding in the beg xxx	xxx	Less: Outstanding in beginning xxx	xxx
To Rent, Rates and Taxes	xxx	By Entrance Fees (revenue portion)	
To Insurance Premium	xxx	By General Donations/Legacies	xxx
To Depreciation on Furniture and Sports equipment	xxx	By Life membership Fees (revenue portion)	xxx

**FINANCIAL STATEMENTS OF NOT  
FOR PROFIT ORGANISATIONS**

To Books and Periodicals	xxx	By Annual Dinner Cont. xxx	
To Audit fees	xxx	Less Expenses xxx	
To Printing & Stationary	xxx	By Profit on Annual sports	xxx
To Honorarium	xxx	(Receipt-expenses)	
To Bank Charges	xxx	By Profit on sale of provisions (Sale	xxx
To Postage & Telegram	xxx	+ closing stock - Purchases-Opening	
To Electricity & Water	xxx	stock)	xxx
To Conveyance & Travelling	xxx	By Dividend & Interest	xxx
To Surplus i.e., excess of income over exp.	xxx	By Deficit i.e. excess of exp. over income	xxx
	<b>XXX</b>		<b>XXX</b>

**Balance Sheet of .. as at...**

Liabilities	₹	₹	Assets	₹
<b>Capital Fund:</b>			<b>Fixed Assets:</b>	
Opening Balance	xxx		<u>Building</u>	
Add: Surplus (or Less: Deficit)	xxx		Opening Balance	xxx
Add: Entrance Fees	xxx		Add: Additions	xxx
(to the extent capitalized)			Less: Depreciation	xxx xxx
Add: Life Membership subsc.	xxx		<u>Furniture</u>	
(to the extent capitalized)			Opening Balance	xxx
Add: Amt. of Capital exp. tfd from			Add: Additions	xxx
special fund (e.g. Building			Less: Assets sold	xxx
fund)	xxx	xxx	Less Depreciation	xxx xxx
<b>Prize Fund:</b>			<u>Sports Equipment</u>	xxx
Opening Balance	xxx		Less Depreciation	xxx xxx
Add: Donation for prizes	xxx			
Add: Income from Prize Fund			<b>Investments:</b>	xxx
Investments	xxx		Prize Fund Investments	xxx
Less: Expenses	xxx	xxx	Building Fund Investments	xxx
<b>Building Fund:</b>			10% Govt. Securities	xxx
Add: Donation for Building	xxx		Fixed Deposits	
Add: Income from Building				
Fund Investments	xxx		<b>Current Assets:</b>	xxx
Less: Transfer to Capital Fund	xxx		Sports Materials	xxx
<b>Current Liabilities:</b>			Outstanding Subscriptions	xxx
Subscription received in advance		xxx	Accrued Interest	xxx
Outstanding expenses		xxx	Accrued Rent	xxx
Bank overdraft		xxx	Cash in hand	xxx
Creditors		xxx	Cash at bank	
	<b>XXX</b>		<b>XXX</b>	



## ASSIGNMENT QUESTIONS

Question 1 \_\_\_\_\_ Pg no. \_\_\_\_\_

**A)**

Elite Club (not registered under the Companies Act, 2013) has 200 members with an annual subscription of ₹ 3,600 payable by every member. An analysis of subscriptions received by the club during the accounting year ended on 31st March, 2023 revealed the following

For the year 2021-22	25,200
For the year 2022-23	6,98,400
For the year 2023-24	7,200
	<b>7,30,800</b>

On 31st March, 2023 it was noted that a sum of ₹ 3,600 was still in arrears for the year ended 31st March, 2022. Calculate the amount of subscriptions that will appear on the credit side of the Club's Income and Expenditure Account for the year ended 31st March, 2023. Also show how items relating to subscriptions will appear in the Balance Sheet dated 31st March, 2023

**B)**

From the following information of M/s. Officers Sports Club (A non-profit organization) calculate (i) the total cost of sports material consumed and (ii) Sale value of sports material during the year 2022-23

	₹
Opening balance of sports material as on 1-4-2022	56,800
Closing balance of sports material as on 31-3-2023	32,900
Sports material purchased in cash	23,500
Payment made to creditors of sports material	64,300
Creditors for sports materials	
Opening	23,200
Closing	29,400

Out of the total sports material used during the year 40% was consumed by the club and the remaining was sold at a profit of 20% of cost.

Question 2 (RTP Nov 2018) / (RTP Nov 2020) / (RTP Sep 2024) \_\_\_\_\_ Pg no. \_\_\_\_\_

The following information of M/s. TT Club are related for the year ended 31st March, 2023:

Balances	As on 01-04-2022	As on 31-3-2023
Stock of Sports Material	75,000	1,12,500
Amount due for Sports Material	67,500	97,500
Subscription due	11,250	16,500
Subscription received in advance	9,000	5,250

Subscription received during year ₹ 3,75,000. Payments for Sports Material during year ₹ 2,25,000

You are required to:

- (A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2023 and
- (B) Also show how these items would appear in the Balance Sheet as on 31.03.2023.

Question 3 \_\_\_\_\_ Pg no. \_\_\_\_\_

Noida School maintains separate building fund. As on 31.3.2022, balance of building fund was ₹ 10,00,000 and it was represented by fixed deposit (15% per annum) of ₹ 6,00,000 and current

account balance of ₹ 4,00,000. During the year 2022-23, the school collected as donations towards the building fund ₹ 5,60,000 and transferred 40% of developmental fees collected ₹ 22,56,500 to building fund. Capital work progress as on 31st March, 2022 was ₹ 8,25,000 for which contractors' bill upto 75% was paid on 14.4.2022. The extension of building was finished on 31.12.2022 costing ₹ 7,25,000 for which contractors' bill was fully met. It was decided to transfer the cost of completed building (₹ 15,50,000) to the corresponding asset account. You are required to pass journal entries to incorporate the above transactions in the books of Noida School for the year 2022-23 and show the trial balance of building fund ledger.

Question 4 \_\_\_\_\_ Pg no. \_\_\_\_\_

The relevant accounts of a Club for the year ended 31st December, 2023 were as follows:

**Receipts and Payments Account**

To Balance c/d		2,500	By Books purchased	1,000
To Subscriptions:			By Printing and Stationery	200
2022	600		By Salary	1,500
2023	4,300	4,900	By Advertisement	200
To Interest		500	By Electric Charge	400
To Donation for special fund		300	By Balance c/d	7,350
To Rent:				
2022	150			
2023	300	450		
To Govt. Grants		2,000		
		10,650		10,650

**Income and Expenditure Account**

Expenditure	₹	Income	₹
To Salary	2,800	By Interest	400
To Tent Hire	200	By Subscription	4,800
To Electric charges	400	By Rent	2,300
To Depreciation on Building	750	By Govt. Grant	2,000
To Printing and Stationery	200		
To Advertisement	150		
To Surplus	5,000		
	9,500		9,500

The club's **assets** as on 1st January 2023 were:

Building ₹ 15,000; Books ₹ 10,000 Furniture ₹ 4,000; Investments ₹ 10,000

**Liabilities** as on that date were: ₹ 50 for advertisement and ₹ 100 for salary.

You are required to prepare balance sheet of the club on 31st December, 2022 & 31st December, 2023.

Question 5 **(RTP June 2024)** \_\_\_\_\_ Pg no. \_\_\_\_\_

Hilfiger Sports club gives the following receipts & payments account for the year ended March 31, 2023:

**Receipts and Payments Account**

Receipts	₹	Payments	₹
To Opening cash & bank balances	1,04,000	By Salaries	3,00,000
To Subscription	6,96,000	By Rent and taxes	1,08,000
To Donations	2,00,000	By Electricity charges	12,000
To Interest on investments	24,000	By Sports goods	40,000
To Sundry receipts	6,000	By Library books	2,00,000

		By Newspapers and periodicals	21,600
		By Miscellaneous expenses	1,08,000
		By Closing cash & bank balances	2,40,400
	<b>10,30,000</b>		<b>10,30,000</b>

<b>Liabilities</b>	<b>As on 31.03.2022</b>	<b>As on 31.03.2023</b>
Outstanding expenses:		
Salaries	20,000	40,000
Newspapers and periodicals	8,000	10,000
Rent and taxes	12,000	12,000
Electricity charges	16,000	20,000
Library books	2,00,000	-
Sports goods	1,60,000	-
Furniture and fixtures	2,00,000	-
Subscription receivable	1,00,000	2,40,000
Investment-government securities	10,00,000	-
Accrued interest	12,000	12,000

Provide depreciation: Furniture & fixtures@ 10% p.a; Sports goods@ 20% p.a; Library books@ 10%p.a. Provide full depreciation on additions. Donations are to be capitalised. You are required to prepare Club's opening balance sheet as on 1.4.2022, income and expenditure account for the year ended on 31.3.2023 and balance sheet as on that date.

Question 6 Pg no. \_\_\_\_\_

Following is Receipts & Payments Account of Mayur Club for year ended 31st Mar, 2023

<b>Receipts</b>	<b>₹</b>	<b>Payments</b>	<b>₹</b>
Opening Balance		Sports materials	3,04,500
Cash in Hand	39,100	Salaries	3,15,000
Cash at Bank	50,000	Equipment purchased on 1.10.22	60,000
Subscriptions		Bank fixed deposits on 31.3.23	1,50,000
For the year 2021-22	18,000	Rent	1,48,500
For the year 2022-23	9,63,000	Ground maintenance	22,120
For the year 2023-24	4,500	Insurance	38,400
Interest on Bank F.D. @10%	45,000	Stationery	3,450
		Sundry expenses	5,880
		Closing balance as on 31.3.2023	
		Cash in Hand	31,750
		Cash at Bank	40,000
	<b>11,19,600</b>		<b>11,19,600</b>

Following additional information is provided to you:

- The club has 220 members. The annual subscription is ₹4,500 per member
- Depreciation to be provided on furniture at 10% p.a. and on sports equipment at 15% p.a.
- On 31st March, 2023, stock of sports material in hand (after members use during the year) is valued at ₹78,000 and stock of stationery at ₹3,150. Rent for 1 month is outstanding. Unexpired insurance amounts to ₹9,600.
- On 31st March, 2022 the club had the following assets:

The above account had been prepared after the following adjustments:

Subscriptions outstanding on 31.03.2022	12,000
Subscriptions received in advance on 31.03.2022	9,000
Subscriptions received in advance on 31.03.2023	5,400
Subscriptions outstanding on 31.03.2023	15,000

Salaries outstanding at the beginning and at the end of the financial year were ₹ 8,000 and ₹ 10,000 respectively. Sundry expenses included prepaid insurance expenses of ₹ 1,200.

The Club owned a freehold ground valued ₹ 2,00,000. The Club has sports equipment on 01.04.2022 valued at ₹ 52,000. At the end of the year, after depreciation, the sports equipment amounted to ₹ 54,000. The Club raised a loan of ₹ 40,000 from a bank on 01.01.2022, which was unpaid till 31.03.2023. On 31.03.2023, cash in hand was ₹ 32,000.

Prepare Receipts and Payments account of the Club for the year ended 31st March, 2023 and Balance Sheet as on that date.

Question 12 **(RTP May 2019) / (RTP Nov 2021) (Similar)** Pg no. \_\_\_\_\_

The Receipts & Payments account of Trustwell Club prepared on 31st March, 23 is as follows.

**Receipts and Payments Account**

Receipts		₹	Payments	₹
To Balance b/d		450	By Expenses (including payment for sports material ₹ 2,700)	6,300
To Annual income from subscription	4,590		By Loss on sale of furniture (cost price ₹ 450)	180
Add: Outstanding of last year	180			
received this year	4,770			
Less: Prepaid of last year	(90)	4,680		
To Other fees		1,800	By Balance c/d	90,450
To Donation for building		90,000		
		<b>96,930</b>		<b>96,930</b>

**Additional information:**

Trustwell club had balances as on 1.4.2022:

Furniture ₹ 1,800; investment at 5% ₹ 27,000; Sports material ₹ 6,660;

Balance as on 31.3.2023;

Subscription receivable ₹ 270; Subscription received in advance ₹ 90;

Stock of sports material ₹ 1,800.

Do you agree with above receipts and payments account? If not, prepare correct receipts and payments account and income and expenditure account for the year ended 31st March, 2023 and balance sheet as on that date.

Question 13 **(CA Foundation Jan 2021)(10 Marks)/(RTP May 2020)/(May 2023) (Sim.)** Pg no. \_\_\_\_\_

Dr. Deku started private practice on 1st April, 2022 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12% per annum on the security of his life policies. His accounts for the year were kept on a cash basis & following is his summarized cash account:

	₹		₹
Own capital	2,00,000	Medicines purchased	2,45,000
Loan	3,00,000	Surgical equipments	2,50,000
Prescription fees	6,60,000	Motor car	3,20,000
Visiting fees	2,50,000	Motor car expenses	1,20,000

## PRACTICE QUESTIONS

### MULTIPLE CHOICE QUESTIONS

1. 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 granted for Scholarship Account.
2. In case of NPO, excess of total assets over liabilities is known as
  - a) Profits.
  - b) Surplus.
  - c) Capital Fund.
3. General donations and legacies are credited to
  - a) Receipts and Payments Account.
  - b) Income and Expenditure Account.
  - c) Capital Fund.
4. Interest on prize funds is
  - a) Credited to Income and Expenditure Account.
  - b) Credited to Receipts and Payments Account.
  - c) Added to prize fund.
5. Special aids are
  - a) Treated as capital receipts.
  - b) Treated as revenue receipts.
  - c) Both (a) and (b).
6. If there exist a specific sports fund, the expenses incurred in relation to sports activities will be taken to
  - a) Income and Expenditure Account
  - b) Receipt and Payment Account
  - c) Sports fund

### ANSWERS MCQs

1. (c) 2. (c) 3. (b) 4. (c) 5. (c) 6. (c)

### TRUE / FALSE

State with reasons, whether the following statements are true or false:

- 1) The Receipts and payment account for a non-profit organization follows the accrual concept of accounting. *(Sep 2024)*
- 2) Both the revenue and capital nature transactions are recorded in the Income and expenditure account.
- 3) Sale of grass by a sports club is to be treated as sale of an asset.
- 4) Subscriptions outstanding for the current year are disclosed under the Fixed assets side of the Balance sheet.



- 5) Receipts & payments account gives the details about the expenses outstanding for year.
- 6) Adjustments in the form of additional information shall be adjusted in the final accounts of an Nonprofit organisation only in one place.
- 7) Tournament expenses incurred are more than the Tournament fund, then the excess to be shown as an asset in the closing Balance sheet.
- 8) For Non-profit organisation, Excess of income over expenditure in the Income and Expenditure account is termed as profit.
- 9) Surplus of non-profit organizations is distributed among its members.
- 10) Tournament fund, building fund, library fund is based on the fund based accounting.
- 11) Subscription fees refers to the one-time fees paid by the memberships to get admission to the benefits of the club.
- 12) Token payment made to a person, who voluntarily undertakes a service which would normally be paid in case of profitable organization is termed as Honorarium.
- 13) An Insurance company is an example of non-profit organization.
- 14) Part amount of entrance fees which is to be capitalized shall be disclosed in the income and expenditure account.
- 15) Both the income and expenditure of the current and the previous year are recorded in the Income and Expenditure account.
- 16) Amount received as donation by Non-profit organisation under the will of a deceased person is termed as legacy.
- 17) Where a Non-profit organisation has a separate trading activity, the profit/loss from the trading account shall be transferred to Income and Expenditure Account at the time of consolidation.
- 18) Not for profit concerns concentrate their efforts to maximize the profit earning avenues.
- 19) All the receipts are of revenue nature in case of Non-profit organisation.
- 20) There is opening balance of Income and expenditure account.
- 21) Receipts & Payments Account is a summary of all capital receipts & payments
- 22) If there appears a sports fund, the expenses incurred on sports activities will be taken to income & expenditure account
- 23) Receipts & Payments Account highlights total income and expenditure
- 24) Only revenue items are disclosed in Income & Expenditure Account
- 25) Net income in case of persons practicing vocation is determined by preparing profit and loss account.
- 26) In case a Sports Fund is kept, expenses on account of sports events should be charged to Sports Fund.
- 27) Laboratory & library Deposits taken from the students in case of an Educational Institution are shown on the liabilities side of the Balance Sheet.
- 28) Fees received for Life Membership is a revenue receipt as it is of recurring nature. *(Nov 2018)*
- 29) Subscriptions received for the current year shall be shown in the balance sheet as a current asset.
- 30) In Not for Profit (NPO) organizations, the excess of total assets over total outside liabilities is known as Capital Fund.
- 31) Both revenue and capital nature transactions are recorded in the Receipts and Payments Account. *(Dec 2022)*

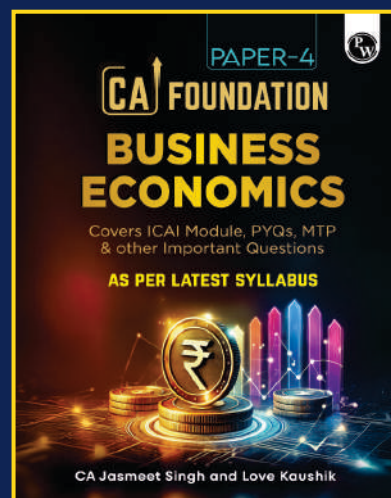
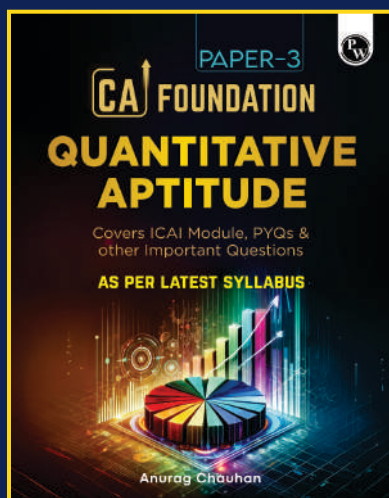
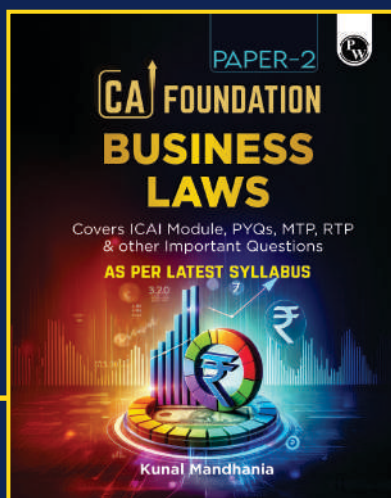
### **Solution**

- 1) **False:** It depicts the cash system of accounting rather than the accrual system, as the cash receipts and payments pertaining to any year are entered in the Receipts and

## About The Author

**CA Nitin Goel** is an All India Rank holder at all CA levels (AIR 9 in CPT, AIR 7 in Intermediate, AIR 9 in Final) and a Gold Medalist in B.Com. With 10+ years of teaching experience, he is a renowned Accounts, Advanced Accounts, and Financial Reporting faculty at PW. A former ITC professional, he blends industry insights with teaching. His students consistently score 90+ marks and have secured All India Ranks, including AIR 1, making him a trusted name in CA education.

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