

**Dr.SNS RAJALAKSHMI COLLEGE OF ARTS AND SCIENCE  
(Autonomous)**

**Accredited by NAAC - UGC with 'A+ Grade (Cycle IV)  
( Recognized by UGC, Approved by AICTE & Affiliated to Bharathiar University)  
Coimbatore- 49**

**DEPARTMENT OF COMMERCE WITH INFORMATION  
TECHNOLOGY**

**21UCR402 – FUNCTIONAL ACCOUNTING  
Unit-2: Non-Profit Organization – PROBLEMS II**

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## INCOME AND EXPENDITURE ACCOUNT

- Prepared only including the incomes earned and the expense incurred
- The capital receipts and payments are not recorded
- Expenses are matched with the related income
- The outstanding prepaid and received-in-advance items are adjusted
- There is no opening balance

# Format of Income & Expenditure Account

Dr.		Name of the Organisation Income and Expenditure Account (for the year ended...)				Cr.
Expenditure		Amount(₹)	Income		Amount(₹)	
To Salaries	XXX		By Subscriptions	XXX		
Add: Outstanding at the end	XXX		Add: Outstanding at the end	XXX		
Less: Outstanding in the beginning	(XXX)	XXX	Advance in the beginning	XXX		
To Rent		XXX	Less: Outstanding in the beginning	(XXX)		
To Insurance Premium	XXX		Advance at the end	(XXX)	XXX	
Less: Prepaid	XXX	XXX	By Entrance Fees (revenue receipts)		XXX	
To Audit Fees		XXX	By Donations		XXX	
To Printing and Stationery		XXX	By Sale of Old Newspapers		XXX	
To Honorarium		XXX	By Hall Rent		XXX	
To Telephone Expenses		XXX	By Sundry Receipts		XXX	
To Repairs		XXX				
To Depreciation on fixed assets		XXX				
To Sports Materials used		XXX				
To Surplus (excess of income over expenditure)*		XXX	By Deficit (excess of expenditure over income)*		XXX	
<b>Total</b>		<b>XXXX</b>	<b>Total</b>		<b>XXXX</b>	

# Accounting Treatment of Income & Expenditure Account

Adjustment Type	Treatment in Income & Expenditure Account
Outstanding Expenses	Added to the related expense
Prepaid Expenses	Deducted from the related expense
Accrued income	Added to the related income
Income received in advance	Deducted from the related income
Depreciation	Shown as an expense
Profit/loss on asset sale	Recorded as income/expense accordingly

# Features of Income and Expenditure Account

- ❖ It is always prepared during the end of the period which normally comprises of 1 year.
- ❖ It decides the surplus or deficit of income over expends of the non-trading entities for the particular year.
- ❖ The surplus or deficit from the income and expenditure account is moved to the capital fund a/c.
- ❖ The Income and expenditure account of only revenue nature are incorporated in this account. Any income and expenditure of capital nature are not comprehended.
- ❖ It is prepared by accountants chosen by the enterprise's management and is audited by an independent auditor.
- ❖ It does not begin with the opening balance, and it follows back the incomes received and expenditures incurred by the non-trading entities during the financial year.
- ❖ The accumulated or accrual concept of accounting is rigidly pursued when it is prepared.

**THANK YOU**