

ANSWER KEY & MARKING SCHEME · CBSE CLASS 12**Accounting for Not-for-Profit Organisation**

Accountancy · Chapter 1 · Use this with the Board Paper · Companion to Quick Drill

HOW TO USE

Attempt the Board Paper first (closed-book, full time). Then come here. For 2-mark+ questions, compare your answer to the model. For 3-4 mark questions, also consult the **Topper Templates** below — these show the exact step-by-step structure that scores full marks per CBSE marking-scheme conventions.

MODEL ANSWERS · BOARD PAPER**Section A — VSA (1 mark × 4)****Q1. State two features of an NPO. [1 mark]**

Ans: (1) Aim is to provide service, not earn profit. (2) Surplus (not profit) is added to Capital Fund, not distributed.

Q2. On what basis is the R&P Account prepared? [1 mark]

Ans: Cash basis (actual cash + bank receipts and payments).

Q3. What is the treatment of a life membership fee? [1 mark]

Ans: Added to Capital Fund on the liabilities side of the Balance Sheet (capital receipt).

Q4. Where does the surplus from I&E Account appear? [1 mark]

Ans: Added to Capital Fund on the liabilities side of the Balance Sheet.

Section B — SA-I (2 marks × 3)**Q5. How will you treat the following in an NPO's accounts? (a) Subscription received in advance (b) Legacy. [2 marks]**

Ans: (a) Subscription received in advance: liability on the Balance Sheet's liabilities side (income received but not earned). Not credited to I&E. (b) Legacy: capital receipt → added to Capital Fund on the Balance Sheet's liabilities side. Not credited to I&E.

Q6. Calculate the amount of subscription to be credited to the Income & Expenditure Account for the year 2024-25 from the following: Subscription received during the year ₹ 60,000. Subscription outstanding on 1.4.2024 ₹ 4,000; on 31.3.2025 ₹ 7,000. Subscription received in advance on 1.4.2024 ₹ 2,500; on 31.3.2025 ₹ 1,800. [2 marks]

Ans: Subscription credited to I&E = 60,000 + 7,000 (closing O/S) + 2,500 (opening advance) – 4,000 (opening O/S) – 1,800 (closing advance) = ₹ 63,700.

Q7. Calculate the stationery consumed: Opening stock ₹ 3,000; Purchases during year ₹ 12,000; Closing stock ₹ 2,500. [2 marks]

Ans: Stationery consumed = Opening stock + Purchases – Closing stock = 3,000 + 12,000 – 2,500 = ₹ 12,500. This amount is debited to I&E Account; closing stock of ₹ 2,500 is shown as an asset on Balance Sheet.

Section C — SA-II (3 marks × 3)**Q8. Distinguish between Receipts and Payments Account and Income and Expenditure Account on any 4 bases. [3 marks]**

Ans: (1) BASIS: R&P is cash-basis; I&E is accrual-basis. (2) NATURE OF ITEMS: R&P records both capital and revenue items; I&E records only revenue items for current year. (3) PERIOD: R&P includes current, previous, and advance items; I&E includes only current-year revenue. (4) BALANCE: R&P opening/closing balance is cash + bank balance; I&E balancing figure is surplus or deficit transferred to Capital Fund. (5) FORMAT: Both prepared in T-format; R&P has Receipts on debit and Payments on credit; I&E has Expenditure on debit and Income on credit.

Q9. From the following extract of the R&P Account of a Sports Club, compute the amount to be debited to I&E for stationery consumed and the closing stock to appear on Balance Sheet. Stationery in hand on 1.4.2024 ₹ 1,500. Stationery purchased during the year ₹ 6,000. Stationery in hand on 31.3.2025 ₹ 800. [3 marks]

Ans: Stationery consumed = Opening stock + Purchases – Closing stock = 1,500 + 6,000 – 800 = ₹ 6,700. This amount appears on debit side of I&E Account as 'Stationery'. Closing stock of ₹ 800 appears as a current asset on the Balance Sheet.

Q10. Explain the treatment of the following items in the books of an NPO: (i) Donation for building construction (ii) General donation of small amounts (iii) Entrance fee. [3 marks]

Ans: (i) Donation for building construction: SPECIFIC-PURPOSE donation → CAPITAL receipt. Credit to Building Fund on the Balance Sheet's liabilities side. Not credited to I&E. (ii) General donation of small amounts: REVENUE receipt → credited to I&E Account on income side. (iii) Entrance fee: CONVENTIONAL TREATMENT — if substantial one-time membership-purchase amount, capitalise (add to Capital Fund). If recurring small amount, revenue (credit I&E). CBSE accepts either treatment if reasoned. Recent NCERT trend: treat as revenue unless specified as capital.

Section D — Long Answer (Numerical) (8-10 marks)

Q11. From the following Receipts and Payments Account and additional information of a Cricket Club, prepare the Income & Expenditure Account for the year ended 31 March 2025 and the Balance Sheet as on that date. R&P Account: Receipts: Balance b/d ₹ 6,000. Subscriptions ₹ 50,000. Donations (general) ₹ 8,000. Life Membership Fee ₹ 5,000. Sale of old furniture (book value ₹ 1,500) ₹ 1,800. Interest on Investment ₹ 2,000. Total Receipts ₹ 72,800. Payments: Salaries ₹ 24,000. Rent ₹ 8,000. Stationery ₹ 3,200. Sports Material purchased ₹ 9,000. Furniture purchased ₹ 12,000. Balance c/d ₹ 16,600. Total ₹ 72,800. Additional information: (a) Subscriptions outstanding on 1.4.2024 ₹ 3,000 and on 31.3.2025 ₹ 5,000. (b) Subscriptions received in advance on 31.3.2025 ₹ 1,500. (c) Salary outstanding on 31.3.2025 ₹ 2,500. (d) Closing stock of stationery ₹ 800; opening stock ₹ 1,200. (e) Depreciation on Furniture (excluding new purchase) at 10% on book value ₹ 18,000. [10 marks]

Ans: STEP 1 — Compute opening Capital Fund. Opening assets: Cash ₹ 6,000 + Outstanding subscriptions ₹ 3,000 + Stationery stock ₹ 1,200 + Furniture (assumed book value ₹ 18,000) = ₹ 28,200. Opening Capital Fund = ₹ 28,200 (no other liabilities given). STEP 2 — Subscription to I&E = 50,000 + 5,000 (closing O/S) – 3,000 (opening O/S) – 1,500 (closing advance) = ₹ 50,500. STEP 3 — Salary expense = 24,000 (paid) + 2,500 (closing O/S) = ₹ 26,500. STEP 4 — Stationery consumed = 1,200 + 3,200 – 800 = ₹ 3,600. STEP 5 — Depreciation on Furniture = 10% × ₹ 18,000 = ₹ 1,800. (New furniture purchased; ignore depreciation on new purchase per question.) STEP 6 — Profit on sale of old furniture = 1,800 – 1,500 = ₹ 300 (credit to I&E). STEP 7 — I&E ACCOUNT: Credits (Income): Subscriptions 50,500 + Donations 8,000 + Profit on sale 300 + Interest 2,000 = ₹ 60,800. Debits (Expenses): Salaries 26,500 + Rent 8,000 + Stationery 3,600 + Sports material 9,000 (assuming fully consumed) + Depreciation 1,800 = ₹ 48,900. SURPLUS = 60,800 – 48,900 = ₹ 11,900. STEP 8 — BALANCE SHEET as on 31.3.2025. LIABILITIES: Capital Fund (28,200 + Surplus 11,900) = 40,100 + Life Membership 5,000 + Outstanding Salary 2,500 + Subscription Received in Advance 1,500 = ₹ 49,100. ASSETS: Furniture (18,000 – 1,800 dep. – 1,500 sold + 12,000 new) = 26,700 + Stationery 800 + Outstanding subscriptions 5,000 + Cash 16,600 = ₹ 49,100. ✓ Totals match.

Q12. What are the typical features of an NPO? How does its accounting differ from a sole proprietor's? [11 marks]

Ans: FEATURES of NPO: (1) Aim = service to members or society, not profit. (2) Organised as a society, club, trust, association. (3) Sources of funds = subscriptions, donations, grants, government aid. (4) Surplus (not profit) is added to Capital Fund — never distributed. (5) Managed by an elected committee/board. (6) Examples: schools, hospitals, charitable trusts, sports clubs. DIFFERENCES from sole proprietor accounting: (1) STATEMENTS: NPO prepares R&P + I&E + B/S. Sole proprietor prepares Trading + P&L + B/S. (2) TERMINOLOGY: 'Surplus/Deficit' (NPO) vs 'Profit/Loss' (sole). 'Capital Fund' vs 'Capital Account'. (3) NATURE OF INCOME: NPO income is mainly subscriptions, donations, grants. Sole proprietor income is mainly sales of goods/services. (4) NO DRAWINGS: NPO members don't withdraw surplus; sole proprietor regularly takes drawings. (5) BASIS OF FIRST STATEMENT: NPO's R&P is cash-basis (unique); sole proprietor's Trading account is fully accrual. (6) SPECIFIC FUNDS: NPO maintains earmarked funds (Building, Prize, Sports); sole proprietor has no equivalent — all retained earnings go to Capital A/c.

★ TOPPER TEMPLATE — 8-mark: 'Prepare I&E Account + Balance Sheet from given R&P Account + adjustments.'

Annual

Step 1 [1 mark]	Compute opening Capital Fund	Opening Capital Fund = Opening assets – Opening liabilities – Specific funds. Show this calculation explicitly. (1 mark)
Step 2 [2 marks]	Calculate adjusted income items	Subscriptions to be credited = received + closing outstanding + opening advance – opening outstanding – closing advance. Show line-by-line. Repeat for any other income with outstanding/advance adjustments.
Step 3 [2 marks]	Calculate adjusted expense items	Stationery consumed = opening stock + purchases – closing stock. Salaries = paid + closing outstanding – opening outstanding + opening prepaid – closing prepaid. Depreciation on fixed assets as per rate.
Step 4 [2 marks]	Prepare I&E Account	Credit side (Income): subscriptions, donations general, interest received, rent received etc. Debit side (Expenditure): salaries, stationery consumed, rent paid, depreciation, repairs. Surplus/Deficit = balancing figure.
Step 5 [1 mark]	Prepare Balance Sheet	Liabilities: Capital Fund (opening + surplus) + Specific funds + Outstanding expenses + Income received in advance. Assets: Fixed assets (after depreciation) + Closing stocks + Outstanding income + Prepaid expenses + Cash + Bank.

COMMON LOSS OF MARKS:

- Including capital items (life membership, building fund donation) in I&E.
- Forgetting depreciation on fixed assets — auto –1 mark.
- Subscription calculation error (most common).
- Not transferring surplus to capital fund.
- Mismatched balance sheet totals — auto –1 mark.

★ TOPPER TEMPLATE — 3-mark: 'Calculate subscription income for the year given outstanding + advance details.'

Most years

Step 1 [1 mark]	Write the formula	Subscription credited to I&E = Subscription received (from R&P) + Outstanding at end + Advance at start – Outstanding at start – Advance at end. State each term.
Step 2 [1 mark]	Substitute given values	Tabulate the 5 items from the question. Show the addition/subtraction explicitly.
Step 3 [1 mark]	Final amount + state	Compute. State: 'Subscription to be credited to I&E Account = ₹ X.' This is what appears on the credit side of I&E.

COMMON LOSS OF MARKS:

- Confusing 'outstanding' (income earned but not yet received) with 'advance' (received but not yet earned).
- Wrong sign (add vs subtract) on advance terms.
- Not stating the final amount as 'credit to I&E'.

★ TOPPER TEMPLATE — 3-mark: 'Distinguish between R&P Account and I&E Account (any 4 differences).'

2018, 2020, 2022

Step 1 [1 mark]	Basis (cash vs accrual)	R&P: prepared on CASH BASIS — records actual cash + bank receipts and payments. I&E: prepared on ACCRUAL BASIS — records income earned and expenses incurred for the year, regardless of cash.
Step 2 [1 mark]	Nature of items	R&P: includes BOTH capital and revenue items (all cash flows). I&E: includes ONLY revenue items for the current year. Capital items appear in Balance Sheet.
Step 3 [1 mark]	Period + balance	R&P: includes receipts/payments for current year, previous year, AND advance for next year. I&E: only current-year revenue. R&P opening + closing balance = cash/bank balance. I&E closing balance = surplus or deficit (transferred to Capital Fund).

COMMON LOSS OF MARKS:

- Listing 4 differences but not explaining each — half-mark each.
- Confusing the directions (treating I&E as cash-basis or vice versa).
- Missing the balance treatment (surplus vs cash balance).

MARKING SCHEME — GENERAL NOTES

- Working notes for subscriptions, stationery consumed, depreciation are MANDATORY (auto –1 mark if missing).
- Capital items in I&E account is the single most-deducted error.
- Mismatched Balance Sheet totals = auto –1 mark even if everything else is right.
- Format T-style for R&P, I&E (Debit | Credit). Balance Sheet vertical or T-format acceptable.
- State final figures with ₹ symbol + comma format (e.g., ₹ 49,100).