

## Study Unit 7: Receipts and Payments

A receipt and payment account is a summary of actual cash receipts and payments extracted from the cashbook over a certain period. All cash received and paid during the period whether of capital or revenue is included in this account. The receipts are entered on the debit side, that is on the same side as that on which they appear in the cash book.

All the receipts are grouped under main headings such as entrance fees, annual subscription, life membership subscription, donations, interest and Sunday receipts. All the payments are entered on the credit side, under main headings such as salaries and wages, printing and stationary, rent, rates and taxes, office expenses etc.

The receipt and payment account commences with the opening balance of cash and similarly closes with the balance of cash at the end of the period. As it is a mere summary of cash at the end of the period.

As it is a mere summary of cash transactions, it does not include any income or expenditure outstanding and naturally fails to reveal the actual income.

### **Features of receipt and payment account**

It starts with the opening balance of cash in hand or overdrawn balance at bank

The cash in hand or at bank is placed on the debit side and bank overdraft on the credit side. All receipts either cash or bank are recorded in receipts column of receipts side where all cash and bank payments account. The cash and bank transactions are merged to avoid contra entries of cash and bank transaction.

All receipts and payment are included and no distinction is made between capital and revenue items

- All cash receipts and cash payments irrespective capital and revenue nature are recorded in this account. No distinction is made for capital receipts revenue receipts, capital expenditures and revenue expenditures

The receipts and payments are classified under suitable headings

The items are entered on the same side on which they appear in the cash book, i.e receipts on the debit side and payments on the credit side.

If debit side exceeds credit, it represents cash in hand or balance in bank, if credit side exceeds the debit side it represents the bank overdraft.

It ignores non-cash transactions it does not record non cash transactions Summary of cash transactions — all the cash receipts and payments made by the concern during the accounting period are recorded in this book. Therefore, receipts and payments account can be taken as a summary of cash transactions.

It is a real account. While making posting in the accounting accounts are used. This account does not show net income or net loss.

No adjustments are made in it

We cannot prepare balance sheet on the basis of this account.

It is mainly used in the preparation of income and expenditure account of the entity.

### **Objectives of receipt and payment account**

The following are the objectives of receipts and payment account;

To show cash and bank receipts and payment during the period to desire closing balance of cash and bank rating

To show the amount of cash in cash at the year ends that can be ascertained

To show the correctness of cashbook. The total debit side of cash book will agree with the total of receipt side of the account.

### **Advantages of receipt and payment account**

Total receipts and payments under various heads are available at glance

The amount of cash in hand at the year end and can be ascertained

The correctness of cash book can be verified through it.

The total of debit side of cash book will agree with the total of receipt side of this account  
on the other hand,

The total of credit side of cashbook will agree with that of payment of this account.

### **Limitations of receipts and payment account**

The receipts and payments account suffers from the following limitations; Receipts and payments account does not differentiate capital and revenue expenses and incomes

Receipts and payments account fails to show expenses and incomes on accrual basis  
Receipts and payments account fails to show non cash transactions such as depreciation of fixed assets, pilferage etc

Receipts and payments account fails to show surplus and deficiency

It does not provide an actual financial position of organization

It ignores accrual system of accounting

**Distinction between receipts and payments account and income and expenditure account statement.**

No	Receipts and payments account	No	Income and expenditure account
I.	It is a real account	1.	It is nominal account
2.	It normally starts with an opening balance	2.	It does not start with any opening balance
3.	It ends with a closing balance debit balance means cash in hand at bank, and credit balance means bank overdraft	3.	It ends with a closing balance debit balance means excess of expenditure over income and credit balance means surplus of income over expenditure.
4,	It is similar to cashbook but summarized receipts are shown on the debit and payments on the credit	4.	It is similar to profit and loss account. Expenses or loses are shown on the debit side and income and gains on the credit
5	It contains all receipts and payments whether they relate to current, previous or future year	5.	It takes into account income and expenditure relating to current year which include accrued income, outstanding expenses and excludes unearned income and prepaid expenses
6.	It contains both capital and revenue items	6.	It only revenue items –___
7.	It is not allowed by a Balance sheet	7.	It is followed by a balance sheet.

## Formatte of receipts and payments account

### Receipt and payment account for the year ending

To balance b/d cash xxx		By balance <i>bid</i> (Bank overdraft)	xxx
Bank xxx	xxx	B revenue payments	
To revenue receipts		Wages and salaries	xxx
Subscription	xxx	Rent, rates and taxes	xxx
General donations	xxx	Insurance	xxx
Sale of newspaper	xxx	Printing and stationary	xxx
Sale of periodicals	xxx	Postage	xxx
Sale of old sport materials	xxx	Advertising	xxx
Locker rent	xxx	Sundry expenses	xxx
Sale of scraps	xxx	Telephone charges	xxx
Proceeds of show	xxx	Audit fees	xxx
Miscellaneous receipts	xxx	Honorarium	xxx
Entrance fee	xxx	Conveyance	xxx
Grant in aid	xxx	Newspapers	xxx
Tot capital receipts		Repairs	xxx
Legacies	xxx	By capital payments;	
Life membership fees	xxx	Purchase of fixed assets	xxx
Specific donation	xxx	Purchase of investments	xxx
Sale of investment	xxx	Fixed deposits	xxx
Sale of fixed assets	xxx	By balance c/d bank xxx	
Endowment fund	xxx	Cash                      xxx	xxx
To balance c/d (Bank overdraft)	xxx		
	<u>xxx</u>		<u>xxx</u>

**Example 1****ZEENAT GOLF CLUE****Receipts And Payments Account for The year Ended December 31, 2017**

Receipts		Payments	
balance b/d		Supports Equipment	20,000
Cash	36 000	Tournament expenses	4,000
Bank	4 000	Electricity	1,000
Subscriptions		Printing	600
2016	4 000	Salaries and wages	6,800
2017	37,000	Exhibition expenses	4,200
2018	1,800	Balance c/d	
Entrance fees	1,600	Cash	9 000
Interest on investment	3,000	Bank	9 400
	<u>55,000</u>		<u>55,000</u>

**EXAMPLE II**

From the following information prepare a receipt and payment account of ABC club for the year ending 31<sup>st</sup> December 2010

<b>Particulars</b>	<b>Amount (Rs)</b>
Cash in hand 1-1-2010	1,000
Subscription	2,000
Donation	1,500

Entrance fee	500
Rent received	1,000
Taxes	500
Salaries	3,500
Interest received	800
Printing received	800
Printing and stationary	1,200

### **Solution**

#### **ABC Club**

#### **Receipts and payment account**

**For the year ended 31st Dec 2005**

Admission fee [25±30]	55	Salaries [250+320+350]	920
Sale of old newspaper[10±15)	25	Entertainment expenses [50+80]	130
Donation [100±50]	150	Electric charges [20±30]	50
Sale olold furniture	150	Postage [18+12]	30
		Furniture	6300
		Stationary	120
		Newspaper [25±65]	90
		Books	450
		Balance c/d	550
Balance b/d			
550			

### **Solution**

**ABC club receipt and payment account for the year ending on 31st December 2010**

<b>Receipts</b>	<b>Amount</b>	<b>Payment amount</b>	
To balance b/d	1,000	By taxes	500
To subscription	200	By salaries	3,500
To donation	1,500	By printing and stationary	1,200
To entrance fee	500		
To rent received	1,000		
To inters received	800	By balance c/d	1,600
	<b>6,800</b>		<b>6,800</b>



### Example 3

From the following cash books prepare receipts and payments account for the year ended 31 December, 2005

**Cash books**

Dates	References	L/R	Amount	Dates	References	L/R	Amount
2005				2005			
Jan-1	Balance b/d		250	Jan -5	Rent		200
Feb -2	Subscription		600	Jan-6	Traveling expenses		15
Mar-10	Admission fees		25	Jan-12	Salaries		250
Apri-5	Subscription		950	Mar-17	Entertainment expense		50
May -20	News papers		10	April 20	Electricity charges		20
June-3	Subscription		880	May 5	Furniture		300
July 15	Administration fee		30	May to	Postage		18
Aug 20	Sale of news paper		15	June 3	Stationary charges		120
Sept 5	Donation		100	July 12	Electric charges		30
Oct-1	Sale of office furniture		150	Aug 3	News aper		25
Nov -15	Donation		50	Sept 15	Salaries		320
Dec-25	Subscription		250	Sep 20	Newspaper		65
				Oct.3	Traveling expenses		25
				Oct-12	Postage		12
				Nov. 5	Rent		300
				Nov 16	Entertainment expenses		80
				Dec -5	Books		450
				Dec 12	Salaries		350
				Dec 25	Rent		130
				Dec31	Bal c/d		550
			<b>3310</b>				<b>3310</b>
2006Jan-1			550				

### **Tutor Marked Assessment-Study Unit 7**

- a) State and discuss the features of receipt and payment account. (05marks)
- b) From the following information prepare a receipt and payment account of ABC club for the year ending 31<sup>st</sup> December 2020  
(10marks)

<b>Particulars</b>	<b>Amount (Rs)</b>
Cash in hand 1-1-2010	1,000
Subscription	2,000
Donation	1,500
Entrance fee	500
Rent received	1,000
Taxes	500
Salaries	3,500
Interest received	800
Printing received	800
Printing and stationery	1,200