RECEIPTS AND PAYMENTS ACCOUNT

Receipts and Payments Account records all the cash receipts and cash payments. It is a real account. It is prepared at the end of the year and records all the transactions whether it belongs to current, future or past years. All the capital and revenue nature items are posted into it. This accounts starts with opening balance of cash and bank and ends with the closing balance of the same.

ACCORDING TO WILLIAM PICKLES

"Receipts and Payments Account is nothing more than a summary of the Cash Book over a certain period analyzed and classified under suitable headings. It is the form of account most commonly adopted by treasurers of societies, clubs, associations etc., when preparing the results of the year's working."

FEATURES OF RECEIPTS AND PAYMENTS ACCOUNT

NATURE OF ACCOUNT

It is real account. The items recorded in this account are both of capital and revenue nature. The rule followed while posting the items is:

'DEBIT WHAT COMES IN, CREDIT WHAT GOES OUT'

As a result, receipts are recorded on Debit side and payments are recorded on Credit side.

BASIS OF PREPARATION

The receipts and payments account is maintained on cash basis. The transactions are recorded when there is cash paid or cash received for the same.

CAPITAL AND REVENUE ITEMS

This account records both capital and revenue items. The capital receipt as well as revenue receipt is shown at debit side of the account. The capital payment as well as revenue payment is shown at the credit side of this account.

OPENING AND CLOSING BALANCES

The opening and closing balance of the receipts and payments account show the cash in hand or cash at bank of the accounting period.

PERIOD TO WHICH ITEM BELONGS

Receipt and Payment Account records the entire amount paid or received in cash whether it is related to current, past or future year.

ADJUSTMENTS

Receipt and Payment Account records no adjustment related to Accrued Income, Outstanding Expenses, Prepaid Expenses and pre-received incomes.

PURPOSE

The purpose of preparing this account is to know about the cash position of the non- profit organisation. It does not tell about whether current incomes exceed the current expenditures or not. It merely shows the closing balance of cash in hand and cash at bank at the end of accounting period.

DOES NOT RECORD NON-CASH EXPENSES

Receipt and Payment account records only cash items. It does not record non –cash expenses like depreciation.

LIMITATIONS OF RECEIPTS AND PAYMENTS ACCOUNT

DOES NOT SHOW ITEMS ON ACCRUAL BASIS: The receipt and payment account does not show items on accrual basis. It records the items on cash basis i.e. only those items are recorded for which the cash is received or paid.

DOES NOT SHOW SURPLUS OR DEFICIT: The receipt and payment account does not record any adjustment regarding accrued income, outstanding expenses, prepaid expense, income received in advance. Thus it does not show the surplus or deficit of the year. Rather, it shows the opening and closing balance of cash in hand.

DO NOT DIFFERENTIATE BETWEEN CAPITAL AND REVENUE ITEMS: The receipt and payment account do not differentiate between capital and revenue items. It records all the assets, liabilities, income and expenditure under single account.

DO NOT DEPICT ACCURATE CURRENT YEAR DATA: The items recorded in the receipt and payment account may belong to the past or future year. In this way, it does not depict the true transactions related to current year only.

DOES NOT RECORD NON-CASH EXPENSES: Receipt and Payment account records only cash items. It does not record non –cash expenses like depreciation which must be provided for to show the real value of assets.

FORMAT OF RECEIPT AND PAYMENT ACCOUNT

DR.

RECEIPTS AND PAYMENTS ACCOUNT for the year ended...

CR.

RECEIPTS	₹	PAYMENTS	₹
To balance b/d (Opening Balance)		By Balance b/d (Closing Balance)	
Cash in Hand		Cash in Hand	

Cash at Bank	Cash at Bank	
To Subscriptions:	By Salaries	
For Previous year	By Rent	
For Current year	By Postage Expenses	
For Next year	By Advertisement Expenses	
To General Donations	By Repairs	
To Entrance/ Admission fees	By Audit Fees	
To General Grants	By Maintenance Fees	
To Sale of old newspapers, grass	By Municipal Tax	
To Dividends	By Office Expenses	
To Rent Received	By Expenses on show	
To Interest Received	By Miscellaneous Payments	
To Miscellaneous Receipts	By Loan (repayment)	
To Legacies	By Books	
To Endowment Fund	By Insurance	
To Sale of Fixed Assets, etc.	By Balance c/d (Closing Balance)	
To Balance c/d (Bank Overdraft)*	Cash in Hand	
	Cash at Bank*	