

SUBJECT - FINANCIAL ACCOUNTING

SH. ASHOK KUMAR
ASSISTANT PROFESSOR
SUB-DIVISIONAL GOVT.
DEGREE COLLEGE, NAUMATIYA,
DEHRI, ROHTAS-821304
MOB-8544366310

Income and expenditure Account - MEANING

The income and expenditure account is an account prepared by non-trading concerns to ascertain surplus or deficit of income over expenditures for a particular period. It is prepared as a part of final accounts of non-trading concerns and is equivalent to profit and loss account prepared by for-profit business enterprises. The accrual concept of accounting is strictly followed while preparing income and expenditure account of non-trading entities.

* Surplus or Deficit Balance

If revenues of a non-trading concern exceed its expenditures during the year, the income and expenditure account shows a surplus balance; and if, on the other hand, the expenditures exceed income, the account shows a deficit balance. The surplus balance is also expressed as "excess of income over expenditure" and deficit balance as "excess of expenditure over income."

* Format

Like any other account, income and expenditure account consists of

two sides - a debit side to enter expenditures and a credit side to enter revenue or incomes of non-trading concerns. A simple format of this account is shown below:

INSTITUTION NAME

INCOME AND EXPENDITURE ACCOUNT

For the year ended.....

Expenditure	\$	Income	\$

* Characteristics of Income and expenditure account

1. Income and expenditure account prepared by non-trading concerns is very much like the profit and loss account prepared by trading concerns.
2. It is always prepared at the end of the period which usually (but not always) consists of one year.
3. It is prepared by strictly following the principles of double entry system of accounting or book-keeping.
4. The incomes and expenditures of only revenue nature are included in this account. Any income and expenditure of capital nature is not included.

5. It determines the surplus or deficit of income over expenditure of the non-trading concern for the year.
6. The surplus or deficit from the income and expenditure account is transferred to the capital fund account.
7. It does not start with an opening balance; it reflects incomes received and expenditures incurred by non-trading concern during the year.
8. The accrual concept of accounting is strictly followed while its preparation.
9. It is prepared by accountants appointed by the entity's management and is audited by an independent auditor.