

TOPIC - 13

(CHAPTER 14 OF ICAI)

Accounts from Incomplete Records

Important Note:

Following Workings or Ledger Accounts are commonly prepared for solving every question:

1. Statement of Affairs (Opening Balance Sheet) to find out Opening Capital Balance
2. Debtors A/c to find out any one amount like Credit Sales, Collection from Debtors, Closing or Opening Balances of Debtors
3. Creditors A/c to find out any one amount like Credit Purchase, Payment to Creditors, Closing or Opening Balances of Creditors
4. Cash or Bank A/c to find out Cash Collection from Debtors, Cash Sales, Cash Expenses, Cash Payment to Creditors, Closing or Opening Cash Balances.
5. Sometimes Closing Stock may be found out by preparing Trading A/c, for this purpose Gross profit amount must be either given or calculated as under-

$$\text{Gross Profit Amount} / \text{Total Sales} * 100$$

Question 1

Assets and Liabilities of Mr. X as on 31-12-2015 and 31-12-2016 are as follows:

	31-12-2015	31-12-2016
Assets		
Building	1,00,000	?
Furniture	50,000	?
Inventory	1,20,000	2,70,000
Sundry debtors	40,000	90,000
Cash at bank	70,000	85,000
Cash in hand	1,200	3,200
Liabilities		
Loans	1,00,000	80,000
Sundry creditors	40,000	70,000

Decided to depreciate building by 2.5% and furniture by 10%. One Life Insurance Policy of the Proprietor was matured during the period and the amount ₹ 40,000 is retained in the business. Proprietor took @ ₹ 2,000 p.m. for meeting family expenses.

Prepare Statement of Affairs.

Question 2

Take figures given in Question 1. Find out profit of Mr. X.

Question 3

A and B are in Partnership having Profit sharing ratio 2:1. The following information is available about their assets and liabilities:

	31-3-2016	31-3-2017
Furniture	1,20,000	?
Advances	70,000	50,000
Creditors	32,000	30,000
Debtors	40,000	45,000
Inventory	60,000	74,750
Loan	80,000	—
Cash at Bank	50,000	1,40,000

The partners are entitled to salary @ ₹ 2,000 p.m. They contributed proportionate capital.

Interest is paid @ 6% on capital and charged @ 10% on drawings.

Drawings of A and B

	A	B
April 30	2,000	—
May 31	—	2000
June 30	4,000	—
Sept. 30	—	6,000
Dec. 31	2,000	—
Feb. 28	—	8,000

On 30th June, they took C as 1/3rd partner who contributed ` 75,000. C is entitled to share of 9 months' profit. The new profit ratio becomes 1:1:1. A withdrew his proportionate share. Depreciate furniture @ 10% p.a., new purchases ` 10,000 may be depreciated for 1/4th of a year.

Current account as on 31-3-2016: A ` 5,000 (Cr.), B ` 2,000 (Dr.)

Prepare Statement of Profit, Current Accounts of partners and Statement of Affairs as on 31-3-2017.

Question 4

The Income Tax Officer, on assessing the income of Shri Moti for the financial years 2015-2016 and 2016-2017 feels that Shri Moti has not disclosed the full income. He gives you the following particulars of assets and liabilities of Shri Moti as on 1st April, 2015 and 1st April, 2017.

1-4-2015	Assets	: Cash in hand	25,500
		Inventory	56,000
		Sundry debtors	41,500
		Land and Building	1,90,000
		Wife's Jewellery	75,000
	Liabilities	: Owing to Moti's Brother	40,000
		Sundry creditors	35,000
1-4-2017	Assets	: Cash in hand	16,000
		Inventory	91,500
		Sundry debtors	52,500
		Land and Building	1,90,000
		Motor Car	1,25,000
		Wife's Jewellery	1,25,000
		Loan to Moti's Brother	20,000
	Liabilities	: Sundry creditors	55,000

During the two years the domestic expenditure was ` 4,000p.m. The declared income of the financial years were ` 1,05,000 for 2015-2016 and ` 1,23,000 for 2016-2017 respectively.

State whether the Income-tax Officer's contention is correct. Explain by giving your workings.

Question 5

The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2017 and a Balance Sheet as on that date:

a.

	Balance on 31st March, 2016	Balance on 31st March, 2017
Building	3,20,000	3,60,000
Furniture	60,000	68,000

Motorcar	80,000	80,000
Inventory's	?	40,000
Bills payable	28,000	16,000
Cash and bank balances	1,80,000	1,04,000
Sundry debtors	1,60,000	?
Bills receivable	32,000	28,000
Sundry creditors	1,20,000	?

b. Cash transactions during the year included the following besides certain other items:

Sale of old papers and miscellaneous income	20,000	Cash purchases	48,000
Miscellaneous Trade expenses (including salaries etc.)	80,000	Payment to creditors	1,84,000
Collection from debtors	2,00,000	Cash sales	80,000

c. Other information:

- Bills receivable drawn during the year amount to ` 20,000 and Bills payable accepted ` 16,000.
- Some items of old furniture, whose written down value on 31st March, 2016 was ` 20,000 was sold on 30th September, 2016 for ` 8,000. Depreciation is to be provided on Building and Furniture @ 10% p.a. and on Motorcar @ 20% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.
- Of the Debtors, a sum of ` 8,000 should be written off as Bad Debt and a reserve for doubtful debts is to be provided @ 2%.
- Mr. Shivkumar has been maintaining a steady gross profit rate of 30% on turnover.
- Outstanding salary on 31st March, 2016 was ` 8,000 and on 31st March, 2017 was ` 10,000. On 31st March, 2016, Profit and Loss Account had a credit balance of ` 40,000.
- 20% of total sales and total purchases are to be treated as for cash.

Additions in Furniture Account took place in the beginning of the year and there was no opening provision for doubtful debts

Question 6

A. Adamjee keeps his books on single entry basis. The analysis of the cash book for the year ended on 31st December, 2016 is given below:

Receipts	₹	Payments	₹
Bank Balance as on 1st January, 2016	2,800	Payments to Sundry creditors	35,000
Received from Sundry Debtors	48,000	Salaries	6,500
Cash Sales	11,000	General expenses	2,500
Capital brought during the year	6,000	Rent and Taxes	1,500
Interest on Investments	200	Drawings	3,600
		Cash purchases	12,000
		Balance at Bank on 31st Dec., 2016	6,400
		Cash in hand on 31st Dec., 2016	500

68,000

68,000

Particulars of other assets and liabilities are as follows:

	1st January, 2016	31st December, 2016
Sundry debtors	14,500	17,600
Sundry creditors	5,800	7,900
Machinery	7,500	7,500
Furniture	1,200	1,200
Inventory	3,900	5,700
Investments	5,000	5,000

Prepare final accounts for the year ending 31st December, 2016 after providing depreciation at 10 per cent on machinery and furniture and ` 800 against doubtful debts.

Question 7

From the following data, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2017 and a Balance Sheet as at that date. All workings should form part of your answer.

Assets and Liabilities	As on 1st April 2016	As on 31st March 2017
Creditors	15,770	12,400
Sundry expenses outstanding	600	330
Sundry Assets	11,610	12,040
Inventory in trade	8,040	11,120
Cash in hand and at bank	6,960	8,080
Trade debtors	?	17,870
Details relating to transactions in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400
Additional capital-paid into Bank		8,500
Realisations from debtors-paid into Bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from Bank		3,180
Cash paid into Bank		5,000
Cash drawn from Bank		9,240
Cash in hand on 31-3-2017		1,200
Cheques issued to trade creditors		60,270

Question 8

Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balances:

	31-12-2015	31-12-2016
Sundry debtors	70,000	92,000
Bills receivable	15,000	6,000
Bills payable	12,000	14,000
Sundry creditors	40,000	56,000
Inventory	1,10,000	1,90,000
Bank	90,000	87,000
Cash	5,200	5,300

Summary of cash transactions during the year 2016:

- (i) Deposited to bank after payment of shop expenses @ ` 600 p.m., salary @ ` 9,200 p.m. and personal expenses @ ` 1,400 p.m. ` 7,62,750.
- (ii) Withdrawals ` 1,21,000.
- (iii) Cash payment to suppliers ` 77,200 for supplies and ` 25,000 for furniture.
- (iv) Cheques collected from customers but dishonoured ` 5,700.
- (v) Bills accepted by customers ` 40,000.
- (vi) Bills endorsed ` 10,000.
- (vii) Bills discounted ` 20,000, discount ` 750.
- (viii) Bills matured and duly collected ` 16,000.
- (ix) Bills accepted ` 24,000.
- (x) Paid suppliers by cheque ` 3,20,000.
- (xi) Received ` 20,000 on maturity of one LIC policy of the proprietor by cheque.
- (xii) Rent received ` 14,000 by cheque for the premises owned by proprietor.
- (xiii) A building was purchased on 30-11-2016 for opening a branch for ` 3,50,000 and some expenses were incurred on this building, details of which are not maintained.
- (xiv) Electricity and telephone bills paid by cash ` 18,700, due ` 2,200.

Other transactions:

- (i) Claim against the firm for damage ` 1,55,000 is under legal dispute. Legal expenses ` 17,000. The firm anticipates defeat in the suit.
- (ii) Goods returned to suppliers ` 4,200.
- (iii) Goods returned by customers ` 1,200.
- (iv) Discount offered by suppliers ` 2,700.
- (v) Discount offered to the customers ` 2,400.
- (vi) The business is carried on at the rented premises for an annual rent of ` 20,000 which is outstanding at the year end.

Prepare Trading and Profit & Loss Account of Mr. Anup for the year ended 31-12- 2016 and Balance Sheet as on that date.

Question 9

Ms. Rashmi furnishes you with the following information relating to her business:

a.

Assets and liabilities as on	1.1.2016`	31.12.2016`
Furniture (w.d.v)	12,000	12,700
Inventory at cost	16,000	14,000
Sundry Debtors	32,000	?
Sundry Creditors	22,000	30,000
Prepaid expenses	1,200	1,400
Unpaid expenses	4,000	3,600
Cash in hand and at bank	2,400	1,250

b. Receipts and payments during 2016:

- Collections from debtors, after allowing discount of ` 3,000 amounted to ` 1,17,000.
- Collections on discounting of bills of exchange, after deduction of discount of ` 250 by the bank, totalled to ` 12,250.
- Creditors of ` 80,000 were paid ` 78,400 in full settlement of their dues. Payment for freight inwards ` 6,000.
- Amount withdrawn for personal use ` 14,000. Payment for office furniture ` 2,000.
- Investment carrying annual interest of 4% were purchased at ` 192 (face value ` 200) on 1st July, 2016 and payment made there for. Expenses including salaries paid ` 29,000.
- Miscellaneous receipts ` 1,000.

c. Bills of exchange drawn on and accepted by customers during the year amounted to ` 20,000. Of these, bills of exchange of ` 4,000 were endorsed in favour of creditors. An endorsed bill of exchange of ` 800 was dishonoured.

d. Goods costing ` 1,800 were used as advertising materials.

e. Goods are invariably sold to show a gross profit of $33\frac{1}{3}\%$ on sales.

f. Difference in cash book, if any, is to be treated as further drawing or introduction of capital by Ms. Rashmi.

g. Provide at 2.5% for doubtful debts on closing debtors.

Rashmi asks you to prepare trading and profit and loss account for the year ended 31st December, 2016 and the balance sheet as on that date.

Question 10

Question A company sold 20% of the goods on cash basis and the balance on credit basis. Debtors are allowed $1\frac{1}{2}$ month's credit and their balance as on 31.03.2016 is ` 1,25,000. Assume that the sale is uniform through out the year. Calculate the credit sales and total sales

of the company for the year ended 31.03.2016.

Question 11

The following is the Balance Sheet of the retail business of Sri Srinivas as at 31st December, 2015:

<i>Liabilities</i>		<i>Assets</i>	
<i>Sri Srinivas's capital</i>	<i>1,00,000</i>	<i>Furniture</i>	<i>10,000</i>
<i>Liabilities for goods</i>	<i>20,500</i>	<i>Stock</i>	<i>70,000</i>
<i>Rent</i>	<i>1,000</i>	<i>Debtors</i>	<i>25,000</i>
		<i>Cash at bank</i>	<i>14,500</i>
		<i>Cash in hand</i>	<i>2,000</i>
	<i>1,21,500</i>		<i>1,21,500</i>

You are furnished with the following information:

- (1) Sri Srinivas sells his goods at a profit of 20% on sales.
- (2) Goods are sold for cash and credit. Credit customers pay by cheques only.
- (3) Payments for purchases are always made by cheques.
- (4) It is the practice of Srinivas to send to the bank every weekend the collections of the week after paying every week, salary of ` 300 to the clerk, Sundry expenses of ` 50 and personal expenses ` 100.

Analysis of the Bank Pass-Book for the 13 weeks period ending 31st March, 2016 disclosed the following:

<i>Payments to creditors</i>	<i>75,000</i>
<i>Payments of rent upto 31.3.2016</i>	<i>4,000</i>
<i>Amounts deposited into the bank (include ` 30,000 received from debtors by cheques)</i>	<i>1,25,000</i>
<i>The following are the balances on 31st March 2016:</i>	
<i>Stock</i>	<i>40,000</i>
<i>Debtors</i>	<i>30,000</i>
<i>Creditors for goods</i>	<i>36,500</i>

On the evening of 31st March, 2016 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.

You are required to prepare a statement showing the amount of cash defalcated by the Cashier and also a Profit and Loss Account for the period ended 31st March, 2016 and a Balance Sheet as on that date.

Question 12

Mr. A runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 2016 was as follows:

<i>Liabilities</i>		<i>Assets</i>	
<i>A's capital a/c</i>	<i>4,04,000</i>	<i>Furniture</i>	<i>40,000</i>
<i>Creditors</i>	<i>82,000</i>	<i>Stock</i>	<i>2,80,000</i>
		<i>Debtors</i>	<i>1,00,000</i>

		Cash in hand	28,000
		Cash at bank	38,000
	4,86,000		4,86,000

You are furnished with the following information:

1. His sales, for the year ended 31st March, 2017 were 20% higher than the Sales of previous year, out of which 20% sale was cash sales.

Total sales during the year 2015-16 were ` 5,00,000.

2. Payments for all the purchases were made by cheques only.

3. Goods were sold for cash and credit both. Credit customers pay by cheques only.

4. Depreciation on furniture is to be charged 10% p.a.

5. Mr. A sent to the bank the collection of the month at the last date of the each month after paying salary of ` 2,000 to the clerk, office expenses ` 1,200 and personal expenses ` 500.

Analysis of bank pass book for the year ending 31st March 2017 disclosed the following:

Payment to creditors	3,00,000
Payment of rent up to 31 st March, 2017	16,000
Cash deposited into the bank during the year	80,000

The following are the balances on 31st March, 2017:

Stock	1,60,000
Debtors	1,20,000
Creditors for goods	1,46,000

On the evening of 31st March 2017, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2017 and Balance Sheet as on that date. All the workings should form part of the answer.

Question 13

A trader keeps his books of account under single entry system. On 31st March, 2015 his statement of affairs stood as follows:

Liabilities		Assets	
Trade Creditors	5,80,000	Furniture, Fixtures and Fittings	1,00,000
Bills Payable	1,25,000	Stock	6,10,000
Outstanding Expense	45,000	Trade Debtors	1,48,000
Capital Account	2,50,000	Bills Receivable	60,000
		Unexpired Insurance	2,000
		Cash in Hand and at Bank	80,000
	10,00,000		10,00,000

The following was the summary of cash – book for the year ended 31st march 2016:

Receipts		Payments	
Cash in Hand and at Bank on 1st April, 2016	80,000	Payments to Trade Creditors	75,07,000
Cash Sales	73,80,000	Payments for Bills payable	8,15,000
Receipts from Trade Debtors	15,10,000	Sundry Expenses paid	6,20,700
Receipts for Bills Receivable	3,40,000	Drawings	2,40,000
	93,10,000	Cash in Hand and at Bank on 31st March, 2016	1,27,300
			93,10,000

Discount allowed to trade debtors and received from trade creditors amounted to ` 36,000 and ` 28,000 respectively. Bills endorsed amounted to ` 15,000. Annual Fire Insurance premium of ` 6,000 was paid every year on 1st August for the renewal of the policy. Furniture, fixtures and fittings were subject to depreciation @ 15% per annum on diminishing balances method.

You are also informed about the following balances as on 31st March, 2016:

Stock	6,50,000
Trade Debtors	1,52,000
Bills Receivable	75,000
Bills Payable	1,40,000
Outstanding Expenses	5,000

The trader maintains a steady gross profit ratio of 10% on sales.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date.

Question 14

The following is the Balance Sheet of a concern on 31st March, 2015:

Capital	10,00,000	Fixed Assets	4,00,000
Creditors (Trade)	1,40,000	Stock	3,00,000
Profit & Loss A/c	60,000	Debtors	1,50,000
Cash & Bank	3,50,000		
	12,00,000		12,00,000

The management estimates the purchases and sales for the year ended 31st March, 2016 as under:

	upto 28.2.2016	March 2016
Purchases	14,10,000	1,10,000
Sales	19,20,000	2,00,000

It was decided to invest ` 1,00,000 in purchases of fixed assets, which are depreciated @ 10% on cost.

The time lag for payment to Trade Creditors for purchase and receipt from Sales is one month. The business earns a gross profit of 30% on turnover. The expenses against gross profit amount to 10% of the turnover. The amount of depreciation is not included in these expenses. Draft a Balance Sheet as at 31st March, 2016 assuming that creditors are all Trade Creditors for purchases and debtors for sales and there is no other item of current assets and liabilities apart from stock and cash and bank balances. Assume that all sales and purchases are on credit basis.

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Student Notes:-

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