

ACCOUNTS FROM INCOMPLETE RECORDS (SINGLE ENTRY SYSTEM)

The term "Single Entry System" is popularly used to describe the problems of accounts from incomplete records. Very often the small sole proprietorship and partnership businesses do not maintain double entry book keeping system. Sometimes they keep record only of the cash transactions and credit transactions. Sometimes they maintain no record of many transactions. But at the end of accounting period they want to know the performance and financial position of their businesses. This creates some special problems to the accountants

Methods of Preparation of Accounts
[To ascertain Profitability & Financial position]

Statement of Affairs Method
or Capital Approach

- 1) Find opening & closing capital by making opening & closing statement of Affairs
- 2) Make Capital A/c or statement to determine Profit/Loss for the period

Final Accounts Method

- 1) Trading and P&L A/c
- 2) Balance sheet

Statement showing Profit or Loss

Capital at the end of period (Closing)	xx
+ Drawings (Cash or kind)	xx
+ Interest on Drawings	xx
(-) Additional Capital	(xx)
(-) Interest on Capital, Salary, Rem. etc.	(xx)
(-) Capital at the beginning (Opening)	(xx)
	<hr/>
	xx
	<hr/>
+ve Profit	
-ve Loss	

Question

Ravi keeps his books of account by single entry system. However, he is able to give you the following lists of his assets and liabilities in the beginning as well as at the end of the year ended 31st March, 2021:

Particulars	On 1 st April,2020 (Rs.)	On 31 st March,2021 (Rs.)
Cash in hand	1,500	1,400
Cash at bank	20,000	-
Bank Overdraft	-	2,000
Bills Receivable	15,000	25,000
Stock	93,500	98,600
Debtors	60,000	70,000
Furniture and Fittings	65,000	65,000
Building	1,00,000	1,20,000
Creditors	45,000	31,000
Bills Payable	5,000	Nil
Loan (Principal)	50,000	40,000

Ravi introduced Rs. 10,000 as fresh capital on 1st October, 2020. He also withdrew Rs. 5,000 every month for his household expenses. He also withdrew 10,000 for his daughter's marriage. During the year, there was no sale or fresh purchase of furniture and fittings. However Building was purchased on 01.01.2021

Loan amount of Rs. 10,000 was partly paid by him on 31-03-2021. Interest on Loan to be provided @ 12 p.a. and same is unpaid as on 31-03-2021. No interest of earlier period is outstanding.

During the year 2020-21, one life insurance policy of Mr. Ravi was matured and amount received Rs. 15,000 was retained in the business.

Ascertain the profit earned by Ravi during the year ended 31st March, 2021 after depreciating furniture and fittings and Building @ 10% per annum

Solution

Statement of Affairs as at 1/4/20 & 31/3/2021

Liabilities	1/4/20	31/3/21	Assets	1/4/20	31/3/21
Bank Overdraft	-	2,000	Cash in hand	1,500	1,400
Creditors	45,000	31,000	Cash at bank	20,000	-
Bills Payable	5,000	-	Bills Receivable	15,000	25,000
Loan	50,000	40,000	Stock	93,500	98,600
O/s Interest on Loan	-	6,000	Debtors	60,000	70,000
Capital (Bal. Fig.)	2,55,000	2,84,000	Building (31/03/21) [(1,20,000-(1,00,000*10%)- (20,000*10%*3/12)]	1,00,000	1,09,500
			Furniture (31/3/21) 65,000 Less <u>Dep.@10%</u> (6,500)	65,000	58,500
	3,55,000	3,63,000		3,55,000	3,63,000

Statement of Profit or Loss

Particulars	Amount
Capital as at 31/3/2021 (Closing)	2,84,000
Add Drawings [(5,000 x 12)+10,000]	70,000
Less Additional capital (10,000+15,000)	(25,000)
Less Capital as at 1/4/2020 (Opening)	(2,55,000)
Profit during year	74,000

FINAL ACCOUNTS METHOD

Following Accounts / Working Notes to ascertain missing information:

Missing Information

- 1) Cash & Bank Account: Opening/closing balance, Cash sales/purchases, Drawings/capital etc
- 2) Debtors Account: Opening/closing balance, Credit sales, Collection, B/R drawn, etc.
- 3) B/R Account: Opening/closing balance, B/R drawn, Collected, endorsed, etc.
- 4) Creditors Account: Opening/closing balance, Credit purchases, Payment, B/P Accepted, etc.
- 5) B/P Account: Opening/closing balance, B/P Accepted, discharged, etc.
- 6) Fixed Assets Account: Opening/closing balance, Purchase, Sale, Depreciation, etc.
- 7) Opening Balance sheet: To ascertain Opening Capital

Concept 1:

Debtors A/c

Creditors A/c

To Bal b/d To Sales (Credit) To Bank (Cheque Dish.) To Interest To B/R (Normal) To Bank (Disc.) To Creditors (Endorsed)	By Cash By Bank By B/R By Sales Returns By Disc. Allowed By Bad debts By Bal fd
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To Cash To Bank To B/P To Purchase Return To Disc. Received To B/R (Endorsed) To Bal fd	By Bal b/d By Purchases By B/P (Dishon.) By Noting charges By Debtors (Endorsed Bill Dish.)
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B/R A/c

B/P A/c

To Bal fd To Debtors	By Bank (Collection) By Creditors (Endorsed) By Bank (Discounted) By Discount By Debtors (Dish.) By Bal fd
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To Bank (Payment) To Creditors (Dishonoured) To Bal fd	By Bal b/d By Creditors
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Concept 2:

Fixed Assets

Case 1:

	31/3/20	31/3/21
Machinery	100000	100000

Dep. @ 10% p.a.

Dep. = $1L \times 10\% = 10000$ (P.L.A/c)

Machinery

31/3/20 : 100000

31/3/21 : 90000

Case 2:

	31/3/20	31/3/21
Machinery	100000	90000

Dep. @ 10% p.a.

Dep. = 10000 (P.L.A/c)

Machinery

31/3/20 : 100000

31/3/21 : 90000

Case 3:

	31/3/20	31/3/21
Machinery	100000	150000

Dep. @ 10% p.a.

Machinery Purchased on 1/7/20

Dep. = $(1L \times 10\%) + (50000 \times 10\% \times 9/12)$

= 10000 + 3750

=) 13750 (P.L.A/c)

Machinery

31/3/20 : 100000

31/3/21 : 150000 - 13750

=) 136250

Purchase : 50000 [Cash & Bank A/c]

Case 4:

	31/3/20	31/3/21
Machinery	100000	130000

Machinery Purchased for 50000

Machinery A/c			
To Bal b/d	100000	By Dep. (8%)	8000
To Cash/Bank	50000	By Bal b/d	130000
	<u>150000</u>		<u>138000</u>

Case 5:

	31/3/20	31/3/21
Machinery	100000	128000

Machinery Purchased for 50000

Sale of Machinery (Book value 10000) for 8000

Machinery A/c			
To Bal b/d	100000	By Cash/Bank	8000
To Cash & Bank	50000	By P/L (Loss)	2000
		By Dep. (8%)	12000
		By Bal b/d	128000
	<u>150000</u>		<u>148000</u>

Case 6:

	31/3/20	31/3/21
Machinery	220000	330000

Dep. Rate: 10% p.a.

$$\text{Purchase} = 330000 - (220000 - 40000) = 150000$$

Opening (Rem.)

$$220000 - 40000 = 180000$$

$$\text{Dep: } 180000 \times 10\% \Rightarrow 18000$$

Machinery

Sale

$$\text{Book value} = 40000$$

$$\text{Dep. (6M)} = 40000 \times 10\% \times \frac{6}{12} \Rightarrow 2000$$

$$\text{B.v. (1/10)} = 38000$$

$$\text{Loss} = 9000$$

$$\text{Sale} = 29000$$

Purchase

$$\text{Amt: } 150000$$

Dep (3M)

$$\Rightarrow 150000 \times 10\% \times \frac{3}{12} \Rightarrow 3750$$

P&L A/c: Depreciation: $18000 + 2000 + 3750 = 23750$
Loss on sale = 9000

Cash/Bank A/c: Purchase: 150000 Sale = 29000

$$\text{B/s (31/3/21)} = 330000 - 18000 - 3750 = 308250$$

Concept 3:

Sales & Purchases

Example:

$$\text{Cash sales} = 200000$$

$$\text{Credit sales: } 60\% \text{ of total sales}$$

$$\text{Total sales} = 200000$$

$$\underline{40\%}$$

$$\Rightarrow 500000$$

$$\text{Credit } 60\% = 300000$$

$$\text{Cash} = 200000$$

$$\text{Credit Purchases} = 110000$$

$$\text{Cash Purchases} = 45\% \text{ of total purchases}$$

$$\text{Total Purchases} = \frac{110000}{55\%} \Rightarrow 200000$$

$$\text{Cash } 45\% \Rightarrow 90000$$

$$\text{Credit} = 110000$$

Concept 4:

Prof. + Rate

Example

GP dot on sales

Case 1:

Sales given 500000

$$GP = 5L \times 20\% = 100000$$

Balancing figure is:

Any of them

Opening stock,
Purchases
closing stock
Direct Expenses

Case 2: Sales not given

$$\text{Find COGS} = \text{Op. stock} + \text{Purchases} + \text{Dir. Expenses} - \text{closing stock}$$

$$\text{COGS} + 20\% \text{ of } x = x$$

where x is sales

or

$$\text{COGS} + 25\% \text{ of COGS} = \text{Sales}$$

Concept 5:

Credit Period / Lag Period / Velocity

$$\text{Debtors / Creditors} = \frac{\text{Credit Sales} / \text{Credit Purchases} \times \text{Credit Period}}{12}$$



Sales = 1200000

Cash dot. 240000
Credit dot. 960000

Credit Period = 2 months

$$\text{Debtors (closing)} \Rightarrow 960000 \times \frac{2}{12} = 160000$$

Question

The following information relates to the business of ABC Enterprises, who requests you to prepare a Trading and Profit & Loss A/c for the year ended 31st March, 2021 and a Balance Sheet as on that date.

(a) Assets and Liabilities as on:

	01.04.2020	31.03.2021
Furniture	60,000	63,500
Stock	80,000	70,000
Sundry Debtors	1,60,000	??
Sundry Creditors	1,10,000	1,50,000
Prepaid Expenses	6,000	7,000
Outstanding Expenses	20,000	18,000
Cash in Hand & Bank Balance	12,000	26,250

(b) Cash transaction during the year:

- (i) Collections from debtors, after allowing discount of Rs. 15,000 (2.5% discount) amounted to Rs. 5,85,000
- (ii) Collections on discounting of bills of exchange, after deduction of discount of Rs. 1,250 (2% discount) by the bank, totalled to Rs. 61,250.
- (iii) Creditors of Rs. 4,00,000 were paid Rs. 3,92,000 (2% discount) in full settlement of their dues.
- (iv) Payment for freight inwards Rs. 30,000.
- (v) Amount withdrawn for personal use Rs. 70,000.
- (vi) Payment for office furniture Rs. 10,000.
- (vii) Investment carrying annual interest of 6% were purchased at Rs. 95 (200 shares, Face value Rs. 100 each) on 1st October, 2020 and payment made thereof.
- (viii) Expenses including salaries paid Rs. 95,000.
- (ix) Miscellaneous receipts Rs. 5,000.
- (x) Bills of exchange drawn on and accepted by customers during the year amounted to Rs. 1,00,000. Of these, bills of exchange of Rs. 20,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs. 4,000 was dishonoured.
- (xi) Goods costing Rs. 9,000 were used as advertising materials.
- (xii) Goods are invariably sold to show a gross profit of 25% on cost.
- (xiii) Difference in cash book, if any, is to be treated as further drawing or introduction of capital by proprietor of ABC Enterprises.
- (xiv) Provide at 2% for doubtful debts on closing debtors.

Solution

Trading and P & L A/c for year ended 31/3/2021

Particulars	Amount	Particulars	Amount
To Opening Stock	80,000	By Sales	6,08,750
To Purchases (4,56,000 – 9,000)	4,47,000	By Closing Stock	70,000
To Freight inwards	30,000		
To G.P. (20% on sales)	1,21,750		
	6,78,750		6,78,750
To Advertisement Expenses	9,000	By GP b/d	1,21,750
To Dep. on Furniture	6,500	By Misc. income	5,000
To Expenses for year (95,000 + 18,000 – 20,000 + 6,000 – 7,000)	92,000	By Interest on Investment (20,000 x 6% x $\frac{6}{12}$)	600
To Discount Allowed		By Discount Received	8,000
Debtor 15,000			
B/R <u>1,250</u>	16,250		

To Provision for doubtful debts	1,455		
To Net Profit	10,145		
	1,35,350		1,35,350

Balance Sheet as at 31/3/21

Liabilities		Amount	Assets		Amount
Creditors		1,50,000	Furniture (60,000 + 10,000 - 6,500)		63,500
O/s Expenses		18,000	6% Investment at cost		19,000
Capital			Accrued Int. on Investment		600
Opening	1,88,000		Stock		70,000
Net Profit	10,145		Debtors	72,750	
Drawings	(91,000)	1,07,145	Less Prov. for D/debts (1,455)		71,295
			Bills Receivable		17,500
			Cash in hand & Bank		26,250
			Prepaid expenses		7,000
		2,75,145			2,75,145

Working Notes:

Balance Sheet as at 1/4/2020

Liabilities		Amount	Assets		Amount
Creditors		1,10,000	Furniture		60,000
O/s Expenses		20,000	Stock		80,000
Capital (Bal. Fig.)		1,88,000	Debtors		1,60,000
			Cash & Bank		12,000
			Prepaid expenses		6,000
		3,18,000			3,18,000

Creditors A/c

Particulars		Amount	Particulars		Amount
To Bills Receivable (Endorsed)		20,000	By Balance b/d		1,10,000
To Bank		3,92,000	By Debtors (Endorsed Bill Dishonoured)		4,000
To Discount Received		8,000	By Credit Purchases (Bal. Fig.)		4,56,000
To Balance c/d		1,50,000			
		5,70,000			5,70,000

Cost of Goods Sold = 80,000 + 4,56,000 - 9,000 + 30,000 - 70,000 = 4,87,000

GP = (20% on Sales) = 25% on COGS = $4,87,000 \times \frac{25}{100} = 1,21,750$

Sales = COGS + GP = 6,08,750

Debtors A/c

Particulars		Amount	Particulars		Amount
To Balance b/d		1,60,000	By B/R		1,00,000
To Sales		6,08,750	By Bank		5,85,000
To Creditors		4,000	By Disc. Allowed		15,000
			By Balance c/d (Bal. Fig.)		72,750
		7,72,750			7,72,750

Bills Receivable A/c

Particulars	Amount	Particulars	Amount
To Debtors	1,00,000	By Creditors	20,000
		By Bank	62,250
		By Discount	1,250
		By Balance c/d (Bal. Fig.)	17,500
	1,00,000		1,00,000

Cash and Bank A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	12,000	By Freight Inwards	30,000
To Debtors	5,85,000	By Creditors	3,92,000
To B/R	61,250	By Expenses	95,000
To Misc. Income	5,000	By Investment	19,000
		By Furniture	10,000
		By Drawings (70,000+21,000 bal.fig.)	91,000
		By Balance c/d	26,250
	6,63,250		6,63,250

Note: All sales & purchases are assumed to be on credit basis.

Question

The following is the Balance Sheet of M/s. Care Traders as on 1-4-2020:

	Rs.
<u>Source of Funds</u>	
Share Capital	10,00,000
Profit and Loss	1,47,800
Unsecured loan @ 10%	1,75,000
Trade Payable	45,800
	13,68,600
<u>Application of Funds</u>	
Machinery	8,25,500
Furniture	1,28,700
Inventory	1,72,000
Trade Receivables	2,29,600
Bank Balance	12,800
	13,68,600

A fire broke out in the premises on 31-3-2021 and destroyed the books of account. The accountant could however provide the following information:

- 1) Sales for the year ended 31-3-2020 was Rs. 18,60,000. Sales for the current year was 20% higher than the last year.
- 2) 25% sales were made in cash and the balance was on credit.
- 3) Gross profit on sales is 30%.
- 4) Terms of Credit
Debtor : 2 months
Creditors : 1 month
All creditor are paid by cheque, no cash purchases and all credit sales are collected in cheque.
- 5) The Bank Pass Book has following details (other than payment to creditors & collection from debtors)

	Rs.
Machinery purchased	1,14,000
Rent paid	1,32,000
Advertisement expenses	80,000

Travelling expenses	78,400
Repairs	36,500
Sales of furniture	9,500
Cash withdrawn for petty expenses	28,300
Interest paid on unsecured loan	8,750

- 6) Machinery was purchased on 1-10-2020.
- 7) Rent was paid for 11 months only and 25% of the advertisement expenses relates to the next year.
- 8) Travelling expenses of Rs. 7,800 for which cheques were issued but not presented in bank.
- 9) Furniture was sold on 1-4-2020 at a loss of Rs. 2,900 on book value.
- 10) Physical verification as on 31-3-2021 ascertained the stock position at Rs. 1,81,000 and petty cash balance at nil.
- 11) There was no change in unsecured loan during the year.
- 12) Depreciation is to be provided at 10% on machinery and 20% on furniture.

Prepare Bank Account, Trading and Profit and Loss Account for the year ended 31-3-2021 in the books of M/s. Care Traders & Balance Sheet as on that date. Make necessary assumptions wherever necessary.

Solution

Bank Account

Particulars	Amount	Particulars	Amount
To Opening Balance	12,800	By Creditors (WN 6)	14,86,250
To Cash sales (WN 1)	5,58,000	By Machinery Purchased	1,14,000
To Debtors (WN 4)	16,24,600	By Advertisement expenses	80,000
To Furniture (sold)	9,500	By Rent	1,32,000
		By Travelling expenses (78,400 + 7,800)	86,200
		By Repairs	36,500
		By Petty Expenses	28,300
		By Interest on unsecured loan	8,750
		By Balance c/d (Bal. Fig.)	2,32,900
	22,04,900		22,04,900

Trading and P & L A/c for the year ended 31/03/2021

Particulars	Amount	Particulars	Amount
To Opening Stock	1,72,000	By Sales (WN 1)	22,32,000
To Purchases (WN 2)	15,71,400	By Closing Stock	1,81,000
To Gross Profit c/d (WN 1)	6,69,600		
	24,13,000		24,13,000
To Rent (1,32,000 X 12/11)	1,44,000	By G.P. b/d	6,69,600
To Advertisement expenses	60,000		
To Travelling expenses	86,200		
To Repairs	36,500		
To Petty cash expenses	28,300		
To Interest on unsecured loan	17,500		
To Loss on sale of furniture	2,900		
To Depreciation Machinery (WN 8)	88,250		
Furniture	23,260		
To Net Profit	1,82,690		
	6,69,600		6,69,600

Balance Sheet as at 31/03/2021

Liabilities	Amount	Assets	Amount
Capital	10,00,000	Furniture	1,16,300
Profit & Loss		Less depreciation	(23,260)
Opening balance	1,47,800	Machinery(WN7)	9,39,500
Add: Profit	<u>1,82,690</u>	Less depreciation	<u>(88,250)</u>
Unsecured Loan @10%	1,75,000	Stock	1,81,000
Interest on unsecured loan	8,750	Trade Receivables (WN 3)	2,79,000
Trade Payable (WN 5)	1,30,950	Prepaid expenses (Advertisement)	20,000
Outstanding expenses Rent	12,000	Bank balance	2,32,900
	16,57,190		16,57,190

Working Notes:

1. Sale for the year ended 31.03.2021

Last year Sales	18,60,000
Add growth @20%	3,72,000
Sale for 2020-21 (A)	22,32,000
Cash Sales (25% of Rs. 22,32,000)	5,58,000
Credit sales (22,32,000 – 5,58,000)	16,74,000
Gross profit 30% on sales (B)	6,69,600

2. Purchases for the year ended 31.03.2021

Cost of Sales (A-B) (22,32,000 -6,69,600)	15,62,400
Add Closing stock	1,81,000
	17,43,400
Less: Opening stock	(1,72,000)
Purchases during the year	15,71,400

3. Debtors as on 31.03.2021

Total credit sales	16,74,000
Debtors 2 months credit (16,74,000 x 2/12)	2,79,000

4. Debtors A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	2,29,600	By Bank (Bal. Fig.)	16,24,600
To Credit Sales	16,74,000	By Balance c/d	2,79,000
	19,03,600		19,03,600

5. Creditors as on 31.03.2021

Total credit purchases	15,71,400
Creditors 1 months credit (15,71,400 x 1/12)	1,30,950

6.

Creditors A/c

Particulars	Amount	Particulars	Amount
To Bank (Bal. Fig.)	14,86,250	By Balance b/d	45,800
To Balance c/d	1,30,950	By Credit Purchases	15,71,400
	16,17,200		16,17,200

7.

Machinery A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	8,25,500	By Balance c/d (Bal. Fig.)	9,39,500
To Bank (Purchase)	1,14,000		
	9,39,500		9,39,500

8. Depreciation on Machinery

Existing Machinery for 1 Year (Rs. 8,25,500 x 10%)	82,550
New Machinery (Purchased on 1.10.2020) For 6 months (Rs. 1,14,000 x ½ x 10%)	5,700
	88,250

9.

Furniture A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	1,28,700	By Bank (Sale)	9,500
		By P&L A/c (Loss on sale)	2,900
		By Balance c/d	1,16,300
	1,28,700		1,28,700