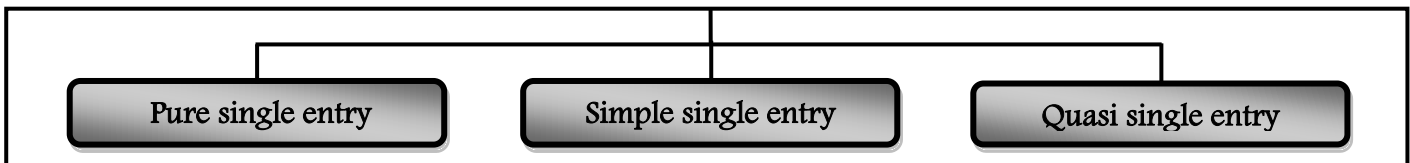


9. ACCOUNTS FROM INCOMPLETE RECORDS

CONCEPT 1 : INTRODUCTION

- * Very often the small sole proprietorship and partnership businesses do not maintain double entry bookkeeping system. Sometimes they keep record only of the cash transactions and credit transactions.
- * But at the end they want to know the performance and financial position. This creates some special problems to the accountants.
- * The term "Single Entry System" is popularly used to describe the problems of accounts from incomplete records.
- * **Features :**
 - (a) It is an inaccurate, unscientific and unsystematic method of recording.
 - (b) There is generally no record of real and personal accounts and a record is kept for cash transactions and personal accounts.
 - (c) Cash book mixes up business and personal transactions.
 - (d) There is no uniformity in maintaining the records.
 - (e) Profit under this system is only an estimate and therefore true and correct profits cannot be determined.

CONCEPT 2 : TYPES OF SINGLE ENTRY



- (a) Pure single entry:
 - ▶ Only personal accounts are maintained with no information of cash and bank balances, sales and purchases, etc.
 - ▶ This method exists only on paper and has no practical application.
- (b) Simple single entry:
 - ▶ In this, only:
 - (a) Personal accounts, and
 - (b) Cash book are maintained.
 - ▶ Although these accounts are kept on the basis of double entry system, postings from cash book are made only to personal accounts and no other account is to be found in the ledger.
 - ▶ Cash received from debtors or cash paid to creditors is simply noted on the bills issued or received.
- (c) Quasi single entry:
 - ▶ In this:
 - (a) Personal accounts,
 - (b) Cash book, and
 - (c) Some subsidiary books are maintained.
 - ▶ The main subsidiary books are Sales book, Purchases book and Bills book.
 - ▶ No separate record is maintained for discounts.
 - ▶ In addition, some scattered information is also available like wages, rent, rates, etc..
 - ▶ It is generally adopted as a substitute for double entry system.

CONCEPT 3 : ASCERTAINMENT OF PROFIT BY CAPITAL COMPARISON

- * This method is also known as Net Worth method or Statement of Affairs Method.

$$\text{Closing Capital} - \text{Opening Capital} = \text{Profit}$$

- * If detailed revenue and expenses are not known, it becomes difficult to prepare P&L A/c.
- * Instead by collecting information about assets and liabilities, it is easier to prepare balance sheet at two different points of time.

(1) Methods of Capital Comparison :

- * Capital is increased if there is profit, while capital is reduced if there is loss.
- * However, if the proprietor/partners made fresh investments, capital is increased; if they make withdrawal capital is reduced.
- * So while determining the profit by capital comparison, the following rules should be followed.

Particulars		Particulars	
		By Bal b/d	xxx
To Cash	xxx	By Cash	xxx
To Loss	xxx	By Profit *	xxx
To Bal b/d	xxx		
Total `	xxx	Total `	xxx

- * It is clear from the above capital comparison method one should know the opening capital and closing capital.
- * This should be determined by preparing statement of affairs at the two respective points of time. Capital always equals assets minus liabilities.
- * The accountant utilizes the following sources of finding out the assets and liabilities :
 - (a) Cash book for cash balance
 - (b) Bank pass book for bank balance
 - (c) Personal ledger for debtors and creditors
 - (d) Inventory by actual counting and valuation.
 - (e) As regards fixed assets, he prepares a list of them.

After deducting reasonable amount of depreciation, the written down or depreciated value would be included in the Statement of Affairs.

- * After obtaining all necessary information about assets and liabilities, of the accountants is to prepare statement of affairs at two different points of time.

(2) Difference between Statement of Affairs and Balance Sheet :

Basis	Statements of affairs	Balance Sheet
Reliability	It is prepared on the basis of transactions partly recorded on the basis of double entry book keeping and partly on the basis of single entry. Most of the assets are recorded on the basis of estimates, rather than records.	Strictly on the basis of double entry book keeping. Hence the balance sheet is not only reliable, but also dependable.
Capital	Capital is merely a balancing figure being excess of assets over capital. Hence Assets \neq Liabilities	Capital is derived from the capital account in the ledger. Hence Assets = Liabilities
Omission	It is very difficult to locate the assets &	As all items are recorded there is no

- * Analysis of cash as well as bank receipts & payments, should be extensive but under significant heads.

Cash and Bank Summary Account for the year ended

Particulars	Cash `	Bank `	Particulars	Cash `	Bank `
To Balance in hand (opening)			By Sundry payments (Expense)		
To Sales			By Purchases		
To Collection from debtors			By Sundry creditors		
			By Drawings		
			By Petty expenses		
			By Rent		
			By Electricity and water		
			By Repairs		
			By Wages		
			By Balance in Hand		
Total `			Total `		

- * The important point about incomplete records is that much of the information may not be readily available and that the relevant information has to be ascertained.
- * It is quite likely that some of the missing information will then be available.
- * Consider the following about a firm relating to 2014.

Particulars	`
Cash Balance on 1 st Jan., 2014	250
Bank overdraft on 1 st Jan., 2014	5,400
Cash purchases	3,000
Collection from Sundry debtors	45,600
Sale of old furniture	750
Purchase of Machinery	12,000
Payment of Sundry creditors	26,370
Expenses	8,450
Fresh Capital brought in	5,000
Drawings	3,230
Cash Balance on 31 st Dec, 2014	310
Bank balance on 31 st Dec, 2014	1,180

- * Now prepare the cash and Bank Summary.

Cash and Bank Summary

Particulars	`	Particulars	`
Cash Balance as on 1-1-2014	250	Bank overdraft	5,400
Collection from Sundry debtors	45,600	Cash purchases	3,000
Sale of old furniture	750	Purchase of Machinery	12,000
Fresh Capital brought in	5,000	Payment to Sundry creditors	26,370
Balancing figure	8,340	Expenses	8,450
		Drawings	3,230
		Cash balance on 31-12-2014	310
		Bank balance on 31-12-2014	1,180

Total `	59,940	Total `	59,940
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3] Analysis of Sales Ledger and Purchase Ledger :

Sales Ledger

- * It would disclose information about :
 - [a] Opening balance of the debtors, [b] the goods sold to them on credit during the year,
 - [c] Bills receivable dishonoured, if any; [d] Cash received from them in the accounting period,
 - [e] Discount,
 - [f] Rebate or any other concession allowed to them,
 - [g] Receipts of bills receivable,
 - [h] Returns inwards,
 - [i] Bad debts written off and
 - [j] Transfers.

Analysis of Sales Ledger of the year

Opening Customer Balance	Sales	Bills Dishonored	Total Debits	Cash Recd.	Dis-counts Allowed	Bills Recd.	Sales Returns	Bad Debts	Total Credit	Closing Balance
--------------------------	-------	------------------	--------------	------------	--------------------	-------------	---------------	-----------	--------------	-----------------

- * It would also be possible to prepare Total Debtors

Total Debtors Account

Liabilities	`	Assets	`
Opening balance		Cash/Bank	
Sales		Discount	
Bills dishonored		Bills receivable	
Interest		Bad debts	
		Closing balance	
Total `		Total `	

**Purchases Ledger is similar to Sales Ledger
Nominal Accounts**

Expenses A/c			
Particulars	`	Particulars	`
To Prepaid		By Payable	
To Cash		By I & E	
To Payable		By Prepaid	
Total `		Total `	

Income A/c			
Particulars	`	Particulars	`
To Receivable		By R.I. Advance	
To I & E		By Cash	
To R.I. Advance		By Receivable	
Total `		Total `	

Distinction between Business Expenses and Drawings :

- * It has been already stated that often the distinction is not made between business expenses & drawings.
- * While completing accounts from incomplete records, it is necessary to scan the business transactions carefully to identify the existence of drawings.
- * The main items of drawings are :
 - [a] rent of premises commonly used for residential as well as business purposes ;
 - [b] common electricity and telephone bills ;
 - [c] life insurance premiums of proprietor/partners paid from business cash ;

- [d] household expenses met from business cash ;
- [e] private loan paid to friends and relatives out of business cash ;
- [f] personal gifts made to any friends and relatives out of business cash ;
- [g] goods or services taken from the business for personal consumption ;
- [h] cash withdrawals to meet family expenses.

* So it is necessary to scan the summary of cash transactions, business resources and their utilisation to assess the nature of drawings and its amount.

Fresh Investment by proprietors / partners

- * Like drawings, often fresh investments made by proprietors' partners are not readily identifiable.
- * It becomes necessary to scan the business transactions carefully.
- * Apart from direct cash investment, fresh investments may take the following shape:
 - [a] Money collected and put in the business on maturity of Life Insurance Policy of the proprietors;
 - [b] Interest and dividend of personal investment of the proprietors collected and put in the business;
 - [c] Income from non-business property collected and put in the business.
- * Unless these items are properly identified and segregated, business income will be inflated and proper statement of affairs cannot be prepared.

CONCEPT 5 : BILL OF EXCHANGE ENTRIES

Sr. no.	In the Books of X	In the Books of Y
1]	Y's A/c (Debtor) Dr	Purchases A/c Dr
	To Sales A/c	To X (Creditor) A/c
2]	Bills Receivable A/c Dr	X A/c Dr
	To Y's A/c	To Bills Payable (Liability) A/c
3]	Situation I : Retain	
	No Entry	
	Situation II :Discount	
	Bank A/c Dr	No Entry
	Discount A/c Dr	
	To Bills Receivable A/c	
	Situation III : Endorsed	
	Endorsee/Creditors A/c Dr	No Entry
	To Bills Receivable A/c	
	4]	Due Date : Honour
Situation I : Retain		
Bank A/c Dr		Bills Payable A/c Dr
To Bills Receivable A/c		To Bank A/c
Situation II :Discount		
No Entry		
Bills Payable A/c Dr		
To Bank A/c		
Situation III : Endorsed		
No Entry		
Bills Payable A/c Dr		
To Bank A/c		
5]	Due Date : Dishonour	
	Situation I : Retain	
	Y's A/c Dr	Bills Payable A/c Dr
	To Bills Receivable A/c	To X A/c
	Situation II :Discount	

Y's A/c	Dr	Bills Payable A/c	Dr
To Bank A/c		To X A/c	
Situation III : Endorsed			
Y's A/c	Dr	Bills Payable A/c	Dr
To Creditors A/c		To X A/c	

EXERCISE**Illustration 1 :**

Suresh does not maintain his books of accounts under the double entry system but keeps slips of papers from which he makes up his annual accounts. He has borrowed moneys from a bank to whom he has to render figures of profits every year. He has given to the bank, the following profit figures:

Year ending 31 st December	Profits (₹)
2010	20,000
2011	32,000
2012	35,000
2013	48,000
2014	55,000

The bank appoints you to audit the statements and verify whether the figures of profits report is corrected or not; for this purpose, the following figures are made available to you:

- [a] Position as on 31st December, 2009: Sundry debtors ₹20,000; Inventory in trade (at 95% of the cost) ₹47,500; Cash in hand and at bank ₹12,600; Trade creditors ₹6,000; Expenses due ₹1,600.
- [b] He had borrowed ₹5,000 from his wife on 30th September, 2009 on which he had agreed to pay simple interest at 12% p.a. The loan was repaid along with interest on 31st December, 2011.
- [c] In December, 2010, he had advanced ₹8,000 to A for purchase of a vacant land. The property was registered in March, 2012 after payment of balance consideration of ₹32,000. Costs of registration incurred for this were ₹7,500.
- [d] Suresh purchased jewellery for ₹15,000 for his daughter in October, 2012. Marriage expenses incurred in January were ₹24,000.
- [e] A new VCR was purchased by him in Mar 2014 for ₹18,000 & presented by him to his friend in Nov, 2014.
- [f] His annual household expenses amounted to a minimum of ₹24,000.
- [g] The position of assets and liabilities as on 31st December 2014 was found to be Overdraft with bank (secured against property) ₹12,000; Trade creditors ₹10,000. Expenses payable ₹600; Sundry debtors (including ₹600 due from a peon declared insolvent by Court) ₹28,800; Inventory in trade (at 125% of cost to reflect market value) ₹60,000 and Cash in hand ₹250.

It is found that the rate of profit has been uniform throughout the period & proportion of sales during the years to total sales for the period was in the ratio of 3:4:4:6:8. Ascertain the annual profits and indicate differences, if any, with those reported by Suresh to the bank earlier. All workings are to form part of your answer.

Illustration 2 :

AVL is an unemployed science graduate with typewriting qualification. Being unable to get employment for more than `500 p.m. he decided to start his own typewriting institute. He approached U.B.C. Bank which sanctioned him a loan of `20,000 on 1-1-2014. His father gifted him `5,000 on 1-1-2014. He purchased 6 typewriters worth `24,000.

Unable to understand the accounts properly, he seeks your help in preparing a Profit and Loss Account and Balance Sheet relating to the year ending 31-12-2014. His Pass Book reveals the following:

Sr. No.	Particulars	
[a]	Expenses of the Institute	8,400
[b]	Salary to self	4,000
[c]	Monthly Fee Collected	32,700
[d]	Examination Fee Collected	4,200

The following are the additional details available:

- [1] During the year AVL purchased a second-hand cycle costing `400 from a student who owed monthly fees of `100. The balance was paid. The cycle is used for the institute only.
- [2] AVL helped a friend by encashing a cheque for `1,000 which was dishonoured. The friend has so far repaid only `400.
- [3] AVL has taken `600 per month for his personal expenses in addition to his salary.
- [4] AVL runs the institute from his house for which a rent of `600 p.m. is paid. 50% may reasonably be allocated for his own living.
- [5] The following are outstanding as at end of 31-12-2014

Sr. No.	Particulars	
[a]	Fees Receivable	2,200
[b]	Expenses Payable	1,000
[c]	Salary to Self for Nov. and Dec,	
[d]	Inventory of stationery on hand	200

- [6] Provide Depreciation 20% on typewriters and cycle.
- [7] The loan from Bank is repayable at `500 p.m. from the beginning of July onwards. Interest is payable at 12% per annum in addition to instalments for principal.
- [8] Assume that all transactions are routed through Bank and no cash is handled.

Illustration 3 :

The following is the Balance Sheet of Sri Agni Dev as on 31stMarch, 2010:

Liabilities		Assets	
Capital Account	2,52,500	Machinery	1,20,000
Sundry Creditors for purchases	45,000	Furniture	20,000
		Stock	33,000
		Debtors	1,00,000
		Cash in hand	8,000
		Cash at Bank	16,500

Total `	2,97,500	Total `	2,97,500
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Riots occurred and fire broke out on the evening of 31st March, 2011, destroying the books of account and Furniture. The cashier was grievously hurt and the cash available in the cash box was stolen.

The trader gives you the following Information:

[i] Sales are effected as 25% for cash and the balance on credit. His total sales for the year ended 31st March, 2011 were 20% higher than the previous year. All the sales and purchases of goods were evenly spread throughout the year (as also in the last year).

[ii] Terms of credit

Debtors 2 Months
 Creditors 1 Month

[iii] Stock level was maintained at `33,000 all throughout the year.

[iv] A steady Gross Profit rate of 25% on the turnover was maintained throughout. Creditors are paid by cheque only, except for cash purchase of `50,000.

[v] His private records and the Bank Pass-book disclosed the following transactions for the year.

- [a] Miscellaneous Business expenses `1,57,500 (including `5,000 paid by cheque and `7,500 was outstanding as on 31st March, 2011)
- [b] Repairs `3,500 (paid by cash)
- [c] Addition to Machinery `60,000 (paid by cheque)
- [d] Private drawings `30,000 (paid by cash)
- [e] Travelling expenses `18,000 (paid by cash)
- [f] Introduction of additional capital by `5,000
 depositing in to the Bank

[vi] Collection from debtors were all through cheques.

[vii] Depreciation on Machinery is to be provided @ 15% on the Closing Book Value,

[viii] The Cash stolen is to be charged to the Profit and Loss Account.

[ix] Loss of furniture is to be adjusted from the Capital Account.

Prepare Trading, Profit and Loss Account for the year ended 31st March, 2011 and a Balance Sheet as on that date. Make appropriate assumptions whenever necessary. All workings should form part of your answer.

Illustration 4 :

Lucky does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following Information from which you are requested to prepare his final accounts for the year 2011:

Particulars	1.1.2011 `	31.12.2011 `
Debtors	1,02,500	
Creditors		46,000
Stock	50,000	62,500
Bank Balance		50,000
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

Particulars	

Received from debtors	3,40,000
Additional capital brought in	5,000
Sale of fixed assets (book value `2,500)	1,750
Paid to creditors	2,80,000
Expenses paid	49,250
Personal drawings	25,000
Purchase of fixed assets	5,000

No cash transactions took place during the year. Goods sold at cost plus 25%. Cost of goods sold `2,60,000.

Illustration 5 :

From the following furnished by Shri Ramji, prepare Trading and Profit and Loss account for the year ended 31.3.2011. Also draft his Balance Sheet as at 31.3.2011:

Particulars	1.4.2010	31.3.2011
Creditors	3,15,400	2,48,000
Expenses outstanding	12,000	6,600
Fixed assets (includes machinery)	2,32,200	2,40,800
Stock in hand	1,60,800	2,22,400
Cash in hand	59,200	24,000
Cash at bank	80,000	1,37,600
Sundry debtors	3,30,600	
Details of the year's transactions are as follows:		
Cash and discount credited to debtors		12,80,000
Returns from debtors		29,000
Bad debts		8,400
Sales (Both cash and credit)		14,36,200
Discount allowed by creditors		14,000
Returns to creditors		8,000
Capital introduced by cheque		1,70,000
Collection from debtors (Deposited into bank after receiving cash)		12,50,000
Cash purchases		20,600
Expenses paid by cash		1,91,400
Drawings by cheque		8,600
Machinery acquired by cheque		63,600
Cash deposited into bank		1,00,000
Cash withdrawn from bank		1,84,800
Cash sales		92,000
Payment to creditors by cheque		12,05,400

Note : Ramji has not sold any Fixed Asset during the year.

Illustration 6 :

Mr. X runs a retail business. Suddenly he finds on 31.3.2011 that his Cash and Bank balances have reduced considerably. He provides you the following information:

[i] Balances	31.3.2010`	31.3.2011`
Sundry Debtors	35,400	58,800
Sundry Creditors	84,400	22,400

Cash at Bank	1,08,400	2,500
Cash in Hand	10,400	500
Rent (Outstanding for one month)	2,400	3,000
Stock	11,400	20,000
Electricity and Telephone bills-outstanding		6,400
[ii] Bank Pass-book reveals the following		
Total Deposits		10,34,000
Withdrawals:		
Creditors		8,90,000
Professional charges		34,000
Furniture and Fixtures (acquired on 1.10.10)		54,000
Proprietor's drawings		1,61,900

[iii] Rent has been increased from January, 2011.

[iv] Mr. X deposited all cash safes and collections from debtors after meeting wages, shop expenses, rent, electricity and telephone charges.

[v] Mr. X made all purchases on credit.

[vi] His credit sales during the year amounts to `9,00,000.

[vii] He incurred `6,500 per month towards wages.

[viii] He incurred following expenses:

[a] Electricity and telephone charges `24,000 (paid)

[b] Shop expenses `18,000 (paid).

[ix] Charge depreciation on furniture and fixtures @10% p.a.

Finalise the accounts of Mr. X and compute his profit for the year ended 31.3.2011. Prepare his statement of affairs and reconcile the profit and capital balance.

Illustration 7 :

Mr. Ashok keeps his books in Single Entry system. From the following information, prepare Trading and Profit & Loss Account for the year ended 31st March, 2011 and the Balance Sheet as on that date:

Assets and Liabilities	31.3.2010	31.3.2011
Sundry Creditors	30,000	25,000
Outstanding expenses	1,000	500
Fixed Assets	23,000	22,000
Stock	16,000	22,500
Cash in Hand and at bank	14,000	16,000
Sundry Debtors		36,000

Following further details are available for the Current year:

Total receipts from debtors	1,30,000	Cash purchases	2,000
Returns inward	3,000	Fixed Assets purchased and paid by cheque	1,000
Bad Debts	1,000	Drawings by cheques	6,500
Total Sales	1,50,000	Deposited into the bank	10,000
Discount received	1,500	Withdrawn from bank	18,500

Return outwards	1,000	Cash in hand at the end	2,500
Capital introduced (paid into Bank)	15,000	Paid to creditors by cheques	1,20,000
Cheques received from Debtors	1,25,000	Expenses paid	20,000

Illustration 8 :

'A' and 'B' are in partnership sharing profits and losses equally. They keep their books by single entry system. The following balances are available from their books as on 31.3.2010 and 31.3.2011

Particulars	31.3.2010	31.3.2011
Building	1,50,000	1,50,000
Equipments	2,40,000	2,72,000
Furniture	25,000	25,000
Debtors		1,00,000
Creditors	65,000	
Stock		70,000
Bank loan	45,000	35,000
Cash	60,000	

The transactions during the year ended 31.3.2011 were the following:

Particulars	
Collection from debtors	3,80,000
Payment to creditors	2,50,000
Cash purchases	65,000
Expenses paid	40,000
Drawings by 'A'	30,000

- On 1.4.2010 an equipment of book value `20,000 was sold for `15,000. On 1.10.2010, some equipments were purchased.
- Cash sales amounted to 10% of sales.
- Credit sales amounted to `4,50,000.
- Credit purchases were 80% of total purchases.
- The firm sells goods at cost plus 25%.
- Discount allowed `5,500 during the year.
- Discount earned `4,800 during the year.
- Outstanding expenses `3,000 as on 31.3.2011.
- Capital of 'A' as on 31.3.2010 was `15,000 more than the capital of 'B', equipments and furniture to be depreciated at 10% p.a. and building @ 2% p.a.

You are required to prepare:

- [i] Trading and Profit and Loss account for the year ended 31.3.2011 and
- [ii] The Balance Sheet as on that date.

Illustration 9 :

Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained `10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you :

Assets and Liabilities	As on 1.4.2010	As on 31.3.2011
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	

Analysis of his bank pass book reveals the following information :

- [a] Payment to creditors `7,00,000
- [b] Payment for business expenses `1,20,000
- [c] Receipts from debtors `7,50,000
- [d] Loan from Laxman `1,00,000 taken on 1.10.2010 at 10% per annum
- [e] Cash deposited in the bank `1,00,000

He informs you that he paid creditors for goods `20,000 in cash and salaries `40,000 in cash. He has drawn `80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales.

Prepare:

- [i] Trading and Profit and Loss Account for the year ended 31.3.2011.
- [ii] Balance Sheet as at 31st March, 2011.

Illustration 10 :

The closing capital of Mr. B as on 31.3.2010 was `4,00,000. On 1.4.2009 his capital was `3,50,000. His net profit for the year ended 31.3.2010 was `1,00,000. He introduced `30,000 as additional capital in February, 2010. Find out the amount drawn by Mr. B for his domestic expenses.

Illustration 11 :

Lokesh, who keeps books by single entry, had submitted his Income-tax returns to Income-tax authorities showing his incomes to be as follows :

Year ending March 31, 2005	=	33,075
Year ending March 31, 2006	=	33,300
Year ending March 31, 2007	=	35,415
Year ending March 31, 2008	=	61,875
Year ending March 31, 2009	=	54,630
Year ending March 31, 2010	=	41,670

The Income-tax officer is not satisfied as to the accuracy of the incomes returned. You are appointed as a consultant to assist in establishing correctness of the incomes returned and for that purpose you are given the following information:

- [a] Business liabilities and assets at March 31, 2004 were:

Creditors: `32,940, Furniture & Fittings: `22,500, stock : `24,390 (at selling price which is 25% above cost), Debtors: `11,025, Cash at Bank and in hand `15,615.

- [b] Lokesh owned his brother `18,000 on March 31, 2004. On February 15, 2007 he repaid this amount and on April 1, 2009, he lent his brother `13,500.

- [c] He owns a house which he purchased in 1999 for ₹90,000 & a car which he purchased in October, 2005 for ₹33,750. In January, 2009, he bought debentures in X Ltd. having face value of ₹40,000 for ₹33,750.
- [d] In May, 2009 a sum of ₹13,500 was stolen from his house.
- [e] Lokesh estimates that his living expenses have been 2004-05 - ₹13,500; 2005-06 - ₹18,000; 2006-07 - ₹27,000; 2007-08, 2008-09 and 2009-10 - ₹31,500 p.a. exclusive of the amount stolen.
- [f] On March 31, 2010 business liabilities and assets were: Creditors ₹37,800, Furniture, Fixtures and Fittings ₹40,500, Stock ₹54,330 (at selling price with a gross profit of 25%), Debtors ₹26,640, Cash-in-Hand and at Bank ₹29,025.

From the information submitted, prepare statements showing whether or not the incomes declared by Lokesh are correct.

Illustration 12 :

M/s Ice Limited gives you the following information to find out Total Sales and Total Purchases:

Particulars	Amount ₹
Debtors as on 01.04.2011	70,000
Creditors as on 01.04.2011	81,000
Bills Receivables received during the year	47,000
Bills Payable issued during the year	53,000
Cash received from customers	1,56,000
Cash paid to suppliers	1,72,000
Bad Debts recovered	16,000
Bills Receivables endorsed to creditors	27,000
Bills Receivables dishonoured by customers	5,000
Discount allowed by suppliers	7,000
Discount allowed to customers	9,000
Endorsed Bills Receivables dishonoured	3,000
Sales Return	11,000
Bills Receivable discounted	8,000
Discounted Bills Receivable dishonoured	2,000
Cash Sales	1,68,500
Cash Purchases	1,97,800
Debtors as on 31.03.2012	82,000
Creditors as on 31.03.2012	95,000

Illustration 13 :

A sole trader requests you to prepare his Trading and Profit & Loss Account for the year ended 31st March, 2013 and Balance Sheet as at that date. He provides you the following information:

Statement of Affairs as at 31st March, 2012

Liabilities		Assets	
Bank Overdraft	4,270	Furniture	96,000
Outstanding Expenses		Computer	24,300
Salaries 8,000		Mobile Phone	8,000
Rent 6,000	14,000	Stock	89,500
Bills Payable	22,500	Trade Debtors	55,000
Trade Creditors	52,500	Bills Receivable	15,000
		Unexpired Insurance	2,400
Capital (balancing figure)	1,97,430	Stock of Stationery	200
		Cash in Hand	300
Total	2,90,700	Total	2,90,700

He informs you that there has been no addition to or sale of Furniture, Computer and Mobile Phone during the accounting year 2012-13. The other assets and liabilities on 31st March, 2013 are as follows:

Particulars	
Stock	95,400
Trade Debtors	65,000
Bills Receivable	20,000
Unexpired Insurance	2,500
Stock of Stationery	250
Cash at Bank	18,000
Cash at Hand	7,230
Salaries Outstanding	8,300
Rent Outstanding	6,000
Bills Payable	26,500
Trade Creditors	76,000

He also provides you the following summary of his cash transactions:

Liabilities		Assets	
Cash Sales	5,09,800	Trade Creditors	3,06,000
Trade Debtors	1,51,900	Bills Payable	80,000
Bills Receivable	65,000	Salaries	99,000
		Rent	72,000
		Insurance Premium	10,000
		Stationery	1,500
		Mobile Phone Expenses	9,000
		Drawings	1,20,000

It is found prudent to depreciate Furniture @ 5%, Computer @ 10% and Mobile Phone @ 25%. A provision for bad debts @ 5% on Trade Debtors is also considered desirable.

The details of Assets and Liabilities of Mr. 'A' as on 31-3-2012 and 31-3-2013 are as follows:

Particulars	31.3.2012`	31.3.2013`
Assets :		
Furniture	50,000	
Building	1,00,000	
Stock	1,00,000	2,50,000
Sundry Debtors	60,000	1,10,000
Cash in hand	11,200	13,200
Cash at Bank	60,000	75,000
Liabilities:		
Loans	90,000	70,000
Sundry Creditors	50,000	80,000

Mr. 'A' decided to provide depreciation on building by 2.5% and furniture by 10% for the period ended on 31-3-2013. Mr. 'A' purchased jewellery for `24,000 for his daughter in December 2012. He sold his car on 30-3-2013 and the amount of `40,000 is retained in the business.

You are required to :

- [i] Prepare statement of affairs as on 31-3-2012 and 31-3-2013.
- [ii] Calculate the profit received by A' during the year ended 31-3-2013.

Illustration 15 :

The following is the Balance Sheet of M/s. Care Traders as on 1-4-2014:

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

A fire broke out in the premises on 31-3-2015 and destroyed the books of account. The accountant could however provide the following information :

- [1] Sales for the year ended 31-3-2014 was `18,60,000. Sales for current year was 20% higher than 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
 - Debtors : 2 months
 - Creditors: 1 month
 All creditors are paid by cheque and all credit sales are collected in cheque.

[5] Bank Pass Book has the following details (other than payment to creditors & collection from debtors)

Particulars	
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	3,750

[1] Machinery was purchased on 1-10-2014.

[2] Rent was paid for 11 months only and 25% of the advertisement expenses relates to the next year.

[3] Travelling expenses of `7,800 for which cheques were issued but not presented in bank.

[4] Furniture was sold on 1-4-2014 at a loss of `2,900 on book value.

[5] Physical verification as on 31-3-2015 ascertained the stock position at `1,81,000 & petty cash at nil.

[6] There was no change in unsecured loan during the year.

[7] Depreciation is to be provided at 10% on machinery and 20% on furniture.

Prepare Bank Account, Trading and Profit & Loss Account for the year ended 31-3-2015 in the books of M/s. Care Traders & a Balance Sheet as on that date. Make necessary assumptions wherever necessary.
