

Single Entry System

Advantages of Single Entry System

- (i) Since this system is very simple, anyone can maintain it without any adequate knowledge of accounting.
- (ii) Limited accounts are to be opened under this system since the transactions relating to personal accounts are recognised only not the Real and Nominal Accounts.
- (iii) Since the number of books is limited, expenses related to the keeping of records are also very nominal.
- (iv) In the case of accounting for an event, i.e., household, social and festival etc., it is very helpful.

Disadvantages of Single Entry System

- (i) Arithmetical accuracy of the books of accounts is not possible since the Trial Balance cannot be prepared under this system.
- (ii) It is also not possible to ascertain the correct amount of profit or loss of the firm, i.e., results from operation, since the nominal accounts are missing under this system.
- (iii) Similarly, Balance Sheet cannot be prepared since the real accounts are not recognised. Therefore, the real financial position cannot be known at the end of the accounting period.
- (iv) As arithmetical accuracy is not possible, possibility of commuting fraud or manipulation is greater in comparison with Double Entry System.
- (v) Any statistical information relating to the business or the comparison between the two firms or the interim accounts etc. which help the management to take decision or to formulate policy in future is not available under this system.
- (vi) Outsiders (e.g. Income-tax authorities, Bank etc.) do not rely on system.

Difference between Single Entry System and Double Entry System

The following points are to be carefully noted –

Single Entry System	Double Entry System
<ol style="list-style-type: none"> 1. Under this system only Personal accounts are taken into consideration. Real and Nominal accounts are ignored except cash account 2. Under this method, Cash Book, Debtors and Creditors' ledgers are maintained ignoring the effect of personal transactions. Personal transaction are consolidated with business transaction. 3. Detection of errors and arithmetical accuracy are not possible since trial balance is not prepared. 4. Under this system final account i.e., Trading and Profit and Loss Account and Balance Sheet cannot be prepared. 5. This system is not based on scientific basis and as such this method is not accepted by some authorities, e.g. Income–tax Department. 6. This system is not based on fixed principles 	<ol style="list-style-type: none"> 1. Under this system, Personal, Real and Nominal accounts are taken into consideration. 2. Under this system Debtors and Creditors ledger, cash Book and General Ledgers are maintained for a complete transaction. 3. Detection of errors and arithmetical accuracy is possible since trial balance is prepared. 4. Under this system final account of the firm can be prepared easily. 5. Since this method is based on scientific basis it is accepted by all. 6. This system is based on certain fixed principles and as such is reliable. 7. Financial position can be known accurately at the end of the period thus financial ratios can easily be computed.

and as such it is not at all reliable.

7. Financial position cannot be known accurately at the end of the period and financial ratios (which are very significant) cannot be computed.

How to prepare a Statement of Profit or Loss

The following steps should be carefully considered while preparing a Statement of Profit or Loss:

Step 1. Ascertain the opening capital (if not given) by preparing an opening Statement of Affairs ;

Step 2. Ascertain the Closing capital by preparing a closing Statement of Affairs ;

Step 3. Deduct the opening capital from the closing capital;

Step 4. Deduct the amount further capital, if any and add the amount of drawing, if any.

Step 5. Other adjustments, if any, are to be adjusted accordingly.

CAPITAL COMPARISON METHOD

Q.1. The closing capital of Mr. A on 31.3.2022 was 150,000. On 1.4.2021 his capital was Rs.60,000. During the year he had drawn Rs.40,000 for his personal use. He introduced Rs.25,000 as additional capital in February, 2022. Find out his net profit for the year.

Ans. Net Profit – Rs.105,000

Q.2. On 1st April, 2021, Amit started business with a capital of Rs.140,000. On 1st October, 2021, he introduced additional capital of Rs.80,000. On 7th of every month, he withdraws Rs.10,000 for his household expenses. 31st March, 2022 his Assets and Liabilities were Rs.400,000 and Rs.140,000 respectively. Ascertain the profit earned by Amit during the year ended 31st March, 2022.

Ans. Net Profit – Rs.160,000

Q.3. Ram keeps his books in single entry system. On 1.1.2022 his position was as under –
Sundry creditors Rs.20,000; cash in hand Rs.300; cash at bank Rs.10,500; sundry debtors Rs.40,000; stock Rs.10,000; plant Rs.20,000.

On 31.12.2022 the position was as indicated below –

Sundry creditors Rs.35,000; cash in hand Rs.500; cash at bank Rs.22,000; sundry debtors Rs.49,000; stock Rs.12,000; plant Rs.45,000.

Ram drew Rs.500 at the end of every month. He introduced Rs.25,000 by way of additional capital. Depreciate plant at 10% and raises a reserve of 2.5% against sundry debtors.

You are required to prepare a Statement of Profit and Loss account for the year and Statement of Affairs at the year ending.

Ans. Opening Capital – Rs.60,800; Closing Capital – Rs.93,500; Profit – Rs.9,225 & Closing Capital after adjustments – Rs.89,025

Q.4. V.P. Keeps his books in Single Entry System. On 1.1.22 his position was as follows:

Sundry Creditors Rs. 30,000; Cash in hand Rs. 450; Cash at Bank Rs. 15,750; Sundry Debtors Rs. 60,000; Stock Rs. 15,000; Plant Rs. 30,000.

On 31.12.22 the position was as indicated below:

Sundry Creditors Rs. 52,500; Cash in hand 750; Cash at bank Rs. 33,000; Sundry Debtors Rs. 73,500; Stock Rs. 18,000; Plant Rs. 67,500.

V.P. drew Rs.750 at the end of every month. He introduced Rs. 37,500 by way of additional capital Depreciate Plant at 10% and raise a reserve of 2½ % against Sundry Debtors.

You are required to prepare a Statement of Profit and Loss for the year and a Statement of Affairs at the year ending.

Ans. Net Profit – Rs.13,837

Q.5. X is a small cloth merchant who has not kept full double entry records. His position as on 1st January, 2021 stood as follows –

Cash in hand Rs.760; Balance at Bank Rs.6,950; Stock Rs.12,600; Sundry Debtors Rs.4,500; Furniture Rs.2,000; and, Sundry Creditors Rs.4,310.

His position at the end of 2021 was as follows –

Cash in hand Rs.470; Balance at bank as per Bank Pass Book Rs.5,930; Stock Rs.16,700; Sundry debtors Rs.6,320; Furniture Rs.2,000; Motorbike Rs.4,000; and, Sundry Creditors Rs.5,300.

During the year he had withdrawn Rs.400 per month for his personal expenses and purchased a new Motorbike for his business use for Rs.4,000. A cheque of Rs.1,000 issued on 29.12.2021 was presented for payment on 12.01.2022.

Prepare a statement showing his trading result for the year ended 31st December, 2021 and a Balance Sheet as on 31.12.2021 after –

(a) Providing 10% depreciation on furniture and 20% depreciation on Mobile (b) writing off Rs.320 as actual bad debts; and (c) making a 5% provision for likely bad debts.

Ans. Opening Capital – Rs.22,500; Closing Capital – Rs.29,120; Profit – Rs.9,800 & Closing Capital after adjustments – Rs.27,500

Q.6. Mr. Z owns a general store in Delhi and does not maintain his accounts on Double Entry System. His assets and liabilities on 1st April, 2019 were –

Bills payable Rs.2,000, Creditors Rs.3,310, Stock and Debtors Rs.18,600. Bank and Cash balance Rs.6,710 and machine Rs.15,000.

His position as on 31st March, 2020 was as follows –

Machine Rs.15,000, Debtors Rs.9,320, Motor-cycle Rs.12,000, Cash in hand Rs.3,000, Bank Balance as per bank statement Rs.5,930, Stock Rs.13,400 and Creditors Rs.8,700.

During the year he had withdrawn Rs.4,500 for Household requirements and a Motor-cycle was purchased for business use. A cheque of Rs.700 issued in March, 2020 was not presented upto 31st March, 2020.

Ascertain the amount of profit of the trader for the year ending 31st March, 2020 after making following adjustments –

- (a) Write off Rs.400 as bad debts and provide 5% reserve for doubtful debts.
- (b) Provide 8% depreciation on Machine and 10% on Motor-cycle.

Ans. Opening Capital – Rs.35,000; Closing Capital – Rs.49,250; Profit – Rs. 15,504 & Closing Capital after adjustments – Rs.47,204

Conversion Method

Q.10. Shri Raj Furnishes you with the following information relating to his business –

(a) Assets & Liabilities as on	1.1.2022	31.12.2022
	Rs.	Rs.
Furniture (w.d.v.)	6,000	6,350
Stock at cost	8,000	7,000
Sundry debtors	16,000	?
Sundry creditors	11,000	15,000
Prepaid Expenses	600	700
Unpaid expenses	2,000	1,800
Cash in hand and at bank	1,200	625

(b) Receipts and payments during 2022 -

1. Collections from debtors, after allowing discount of Rs.1,500 amounted to Rs.58,500.
 2. Collections on discounting of bills of exchange, after deduction of discount of Rs.125 by the bank totaled to Rs.6,125.
 3. Creditors of Rs.40,000 were paid Rs.39,200 in full settlement of their dues. Payment for freight inwards Rs.3,000.
 4. Amounts withdrawn for personal use Rs.7,000. Payment for office furniture Rs.1,000.
 5. Investment carrying annual interest of 4% were purchased at Rs.96 on 1st July, 2022 and payment made therefor.
 6. Expenses including salaries paid Rs.14,500. Miscellaneous receipts Rs.500
- (c) Bills of exchange drawn on and accepted by customers during the year amounted to Rs.10,000 of these, bills of exchange of Rs. 2,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs.400 was dishonored.
- (d) Goods costing Rs. 900 were used as advertising materials.
- (e) Goods are invariably sold to show a gross profit of 33 and 1/3% on sales.
- (f) Difference in cash book. If any, is to be treated as further drawing or introduction by Shri Rashid. Provided at 2.5 % for doubtful debts on closing debtors.

Raj asks you to prepare trading and profit and loss A/c for the year ended 31st December 2022 and the balance sheet as on the date.

Ans. Opening Capital – Rs.18,800; Credit Purchases – Rs.45,600; Credit Sales – Rs.73,050; Closing Debtors – Rs.19450; Total Drawings – Rs.7,904; Closing BR – Rs.1750; Expenses to P/L a/c – Rs.14,200; GP -Rs.24,350; NP – Rs.7,791 & Total of Closing B/S – Rs.35,487

Q.11. Sri Kapoor has a trading business for which the following procedures are followed:

- (1) All collection are deposited with bank each day.
- (2) All payments except petty expenses are made by cheque.
- (3) To meet petty expenses a cheque for Rs. 1,500 is withdrawn from the bank on the first day of each month.

The following figures are variable from Sri Kapoor's record:

	1.1.1981	31.12.1981
	Rs.	Rs.
Cash in hand	150	300
Balance in Bank	30,000	21,000

Debtors	1,00,000	1,25,000
Creditors	90,000	1,00,000

Payments made to Creditors during the year Rs. 1,20,000.

Personal drawings of bank of Rs. 6,000.

Sri Kapoor sells goods at a profit of 25% on sales.

Prepare profit and Loss Account for the year ended 31.12.1981 and a Balance Sheet as on that date from the above information.

Ans. Calculation of Sales

	Rs.
Opening Stock	15,000
Add: Purchases	<u>1,30,000</u>
	1,45,000
Less: Closing Stock	<u>25,000</u>
Cost of Goods sold	1,20,000
Add: Profit	
@ 25% on Sales, or	
33 ¹ / ₃ % on cost	<u>40,000</u>
∴ Sales	<u>1,60,000</u>

Dr.	Total Debtors Account		Cr.
To Balance b/d	1,00,000	By Bank A/c	1,35,000
To Sales A/c	<u>1,60,000</u>	By Balance c/d	<u>1,25,500</u>
	2,60,000		2,60,000

Dr.	Total Creditor Account		Cr.
To Bank A/c	1,20,000	By Balance b/d	90,000
To Balance c/d (bal. fig.)	<u>1,00,000</u>	By Purchase (bal. fig.)	<u>1,30,000</u>
	2,20,000		2,20,000

Cash and Bank A/c

	Cash	Bank		Cash	Bank
	Rs.	Rs.		Rs.	Rs.
To Balance b/d	150	30,000	By Cash A/c Exp.		18,000
To Debtors A/c	—	1,35,000	By Creditors A/c	—	1,20,000
To Bank A/c	18,000	—	By Sundry Exp. A/c	17,850	—
			By Drawings A/c	—	6,000
			By Balance c/d	<u>300</u>	<u>21,000</u>
	<u>18,150</u>	<u>18,150</u>		18,150	18,150

Profit and Loss A/c

for the year ended 31st Dec. 1981

	Rs.		Rs.
To Sundry Exp.	17,850	By Trading A/c	
To Capital A/c		— Gross Profit transferred	40,000
—Net Profit transferred	<u>22,150</u>	(calculated as above)	
	40,000		<u>40,000</u>

Balance Sheet
as at 31st Dec. 1981

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital (opening Assets- Opening Liabilities)	55,150		Stock-in-Trade		25,000
Add: Net Profit	<u>22,150</u>		Sundry Debtors	1,25,000	
	77,300		Cash at Bank	450	
Less: Drawing	<u>6,000</u>	71,300	Cash in hand	300	
19,700			Less: Depreciation	<u>175</u>	
Sundry Creditors		3,800	6,825		
		25,800			25,800

Q.12. Shri Rashid Furnishes you with the following information relating to his business :

(a) Assets & Liabilities as on

	1.1.2022	31.12.2022
	Rs.	Rs.
Furniture (w.d.v.)	6,000	6,350
Stock at cost	8,000	7,000
Sundry debtors	16,000	?
Sundry creditors	11,000	15,000
Prepaid Expenses	600	700
Unpaid expenses	2,000	1,800
Cash in hand and at bank	1,200	625

(b) Receipts and payments during 2022 :

7. Collections from debtors, after allowing discount of Rs. 1,500 amounted to Rs. 58,500.
8. Collections on discounting of bills of exchange, after deduction of discount of Rs. 125 by the bank totaled to Rs. 6,125.
9. Creditors of Rs. 40,000 were paid Rs. 39,200 in full settlement of their dues. Payment for freight inwards Rs. 3,000.
10. Amounts withdrawn for personal use Rs. 7,000. Payment for office furniture Rs. 1,000.
11. Investment carrying annual interest of 4% were purchased at Rs. 96 on 1st July, 2022 and payment made therefor.
12. Expenses including salaries paid Rs. 14,500. Miscellaneous receipts Rs. 500

(c) Bills of exchange drawn on and accepted by customers during the year amounted to Rs. 10,000 of these, bills of exchange of Rs. 2,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs. 400 was dishonored.

(d) Goods costing Rs. 900 were used as advertising materials.

(e) Goods are invariably sold to show a gross profit of 33 and 1/3% on sales.

(f) Difference in cash book. If any, is to be treated as further drawing or introduction by Shri Rashid .

Provided at 2.5 % for doubtful debts on closing debtors.

Rashid asks you to prepare trading and profit and loss A/c for the year ended 31st December 2022 and the balance sheet as on the date.

Ans.

Trading and Profit and Loss Account of Shri Rashid

for the year ended 31st Dec., 2022

Particular	Rs.	Rs.	Particular	Rs.	Rs.
To Opening Stock		8,000	By Sales		73,050
To Purchases	45,600		By Closing Stock		7,000
Less: For advertising	900	44,700			
To Freight inwards		3,000			
To Gross profit c/d		<u>24,350</u>			
		<u>80,050</u>			<u>80,050</u>
To Sundry expenses		14,200	By Gross Profit b/d		24,350
To Advertisement		900	By Interest on Investments		2
To Discount allowed					
Debtors	1,500		By Discount received		800
Bills receivable	125	1,625	By Miscellaneous income		500
To Depreciation on furniture		650			
To Provision for doubtful debts		486			
To Net Profit		<u>7,791</u>			
		<u>25,652</u>			<u>25,652</u>

Balance Sheet as at 31st Dec. 2022

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital:			Furnitures (w.d.v.)	6,000	
Opening Balance	18,800		Additions during the year	<u>1,000</u>	
Less: Drawings	<u>7,904</u>			7,000	
	10,896		Less: Depreciation	650	6,350
Add: Net Profit	7,791	18,687	Investment		96
Sundry creditors		15,000	Interest accrued		2
Outstanding expenses		1,800	Closing stock		7,000
			Sundry debtors	19,450	
			Less: Provision for		
			Doubtful debts	<u>486</u>	18,964
			Bills receivable		1,750
			Cash in hand and at bank		625
			Prepaid expenses		<u>700</u>
		<u>35,487</u>			<u>35,487</u>

Working Notes:

(i) Calculation of Capital as at 1st January 2022

Balance Sheet as at 1st Jan. 2022

Liabilities	Rs.	Assets	Rs.
Capital (Balance figure)	18,800	Furniture (w.d.v.)	6,000
Creditors	11,000	Stock at cost	8,000
Outstanding expenses	2,000	Sundry debtors	16,000
		Cash in hand and at bank	1,200
		Prepaid expenses	<u>600</u>
	<u>31,800</u>		<u>31,800</u>

(ii) Calculation of Purchases made during the year

Sundry Creditors A/c

Particulars	Rs.	Particulars	Rs.
To Cash and bank A/c	39,200	By Balance b/d	11,000
To Discount received A/c	800	By Sundry debtors A/c	400
To Bills receivable A/c	2,000	By Purchases A/c	45,600
To Balance c/d	<u>15,000</u>	(Balance figure)	
	57,000		<u>57,000</u>

(iii) Calculation of Sales made during the year

Opening Stock			Rs. 8,000
Purchases	45,000		
Less: For advertising	<u>900</u>		44,700
Freight inwards			<u>3,000</u>
			55,700
Less: Closing Stock			<u>7,000</u>
Cost of goods sold			48,700
Add: Gross profit (@ 50% on cost)			<u>24,700</u>
			<u>73,050</u>

(iv) Calculation of Debtors on 31.12.2001

Sundry Debtors A/c

Particulars	Rs.	Particulars	Rs.
To Balance b/d	16,000	By Cash and bank A/c	58,500
To Sales A/c	73,050	By Discount allowed A/c	1,500
To Sundry creditors A/c (bill dishonoured)	<u>400</u>	By Bills receivable A/c	10,000
	89,450	By Balance c/d (Balancing figure)	<u>19,450</u>
			89,450

Cash and Bank A/c

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,200	By Freight inwards A/c	3,000
To Sundry debtors A/c	58,500	By Furniture A/c	1,000
To Bills receivable A/c	6,125	By Investment A/c	96
To Miscellaneous income A/c	500	By Expenses A/c	14,500
		By Creditors A/c	39,200
		By Drawings A/c	7,904
		[Rs. 7,000 + Rs. 904 (Additional drawings)]	
		By Balance c/d	<u>625</u>
	<u>89,450</u>		89,450

Expenses A/c

To Prepared expenses A/c (beg.)	600	By Outstanding expenses A/c (beg.)	2,000
To Bank A/c	14,500	By Profit and loss A/c (b.f.)	14,200
To Outstanding exp. A/c (end)	<u>1,800</u>	By Prepaid expenses A/c (end)	<u>700</u>
	16,900		16,900

Bills Receivable A/c

Particulars	Rs.	Particulars	Rs.

To Debtors A/c	10,000	By Creditor A/c	2,000
		By Bank A/c	6,125
		By Discount on bills receivable A/c	125
	<u>10,000</u>	By Balance c/d (Balance figure)	<u>1,750</u>
			10,000

Notes: As regards investment, it has been assumed that investment purchased for Rs. 96 was of the face value Rs.100.