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SINGLE ENTRY – INCOMPLETE RECORDS

CONTENTS

- OVERVIEW OF THE CHAPTER
- TOPICS AND SUB-TOPICS TO BE COVERED
- DEFINITIONS
- CONCEPTS CLARITY
- CONCEPTUAL UNDERSTANDING PROBLEMS
- COMPLEX PROBLEMS
- PRACTICE PROBLEMS
- PRACTICAL APPROACH
- KEY PRINCIPLES
- SUMMARY

OVERVIEW OF THE CHAPTER

Unorganised business

(Proprietorship and Partnership

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Dont follow strict rules and double entry book keeping system for accounting financial transactions

↓

Records are incomplete

↓

Difficult to find profit and prepare financial statements

↓

Need to find missing information

↓

Use Capital comparison and final accounts method

TOPICS AND SUB-TOPICS TO BE COVERED

- ✓ About single entry system
- ✓ Situations of incomplete records
- ✓ Difference between Single Entry and Double Entry System
- ✓ Ascertainment of Profit and Methods of Preparation of financial statements
    - Capital comparison method
    - Final accounts method

DEFINITIONS

INCOMPLETE RECORDS:

Incomplete records means the necessary information for preparation of financial statements is not available or not sufficient. This is because of not following "Double entry book keeping system" OR the records maintained under DEBS are destroyed.

DOUBLE ENTRY BOOK KEEPING SYSTEM:

As double entry book keeping system, if there is debit means there should be a corresponding credit. The following are the points to be derived from this concept.

- There should be minimum two accounts in every transaction
- The total of debit should be equal to total of credit
- Posting should be done for both debit and credit in appropriate place with correct amount on correct side

STATEMENT OF AFFAIRS:

Small traders and partnership firms, do not maintain their books of accounts as per double entry system. They used to keep a track of cash and credit transactions only. However, at the end of the financial year, these firms also want to know the position of business. For this purpose, **statement of affairs** is prepared at the beginning and at the ends of the period, so as to determine the overall change in the capital, during the financial year.

CONCEPTS CLARITY

ABOUT SINGLE ENTRY SYSTEM:

In case of proprietorship and partnership business, there is no strict rules for preparation and presentation of financial statement. So these businesses follow unorganised accounting methods and end up with incomplete records.

There are different types of single entry:

1. Pure single entry
2. Simple single entry
3. Quasi single entry

- **Pure single entry**

  In this case only personal a/c is maintained. So no information about cash and bank book and subsidiary books.

- **Simple single entry**

  In this case only personal and cash book is maintained. Though cash book is maintained, entries are made only for personal account.

- **Quasi single entry**

  In this case along with personal account and cash book, few subsidiary books also maintained.

SITUATIONS OF INCOMPLETE RECORDS:

1. PROPER BOOKS OF ACCOUNTS ARE NOT MAINTAINED:

In this case books of accounts are maintained but double entry book-keeping system not followed. Sufficient information is not available for preparation of financial statements. In this case final accounts can be prepared by using “Capital comparison method”.

2. PROPER BOOKS OF ACCOUNTS ARE MAINTAINED – BUT BOOKS OF ACCOUNTS ARE DESTROYED.

In this case books of accounts are maintained following double entry book-keeping system but books and other information destroyed due to fire, theft etc. Partial records are available like last year returns, bank pass book, confirmation from debtors, credito₹ In this case accounts are prepared by collecting information from the best available sources.

DIFFERENCE BETWEEN SINGLE ENTRY AND DOUBLE ENTRY SYSTEM:

BASIS FOR COMPARISON	SINGLE ENTRY SYSTEM	DOUBLE ENTRY SYSTEM
Meaning	The system of accounting in which only one sided entry is required to record financial transactions is Single Entry System.	The accounting system, in which every transaction affects two accounts simultaneously is known as the Double Entry System.
Nature	Simple	Complex
Type of recording	Incomplete	Complete
Errors	Hard to identify	Easy to locate
Ledger	Personal and Cash Account	Personal, Real and Nominal Account
Preferable for	Small Enterprises	Big Enterprises
Preparation of Financial Statement	Difficult	Easy
Suitable for tax purposes	No	Yes
Financial position	Cannot be ascertained easily.	Can be ascertained easily.

METHODS OF PREPARATION OF FINANCIAL STATEMENTS AND ASCERTAINMENT OF PROFIT

There are two methods for ascertain of profit and preparation of financial statements .The method will depends on situation of single entry.

CAPITAL COMPARISON METHOD:

We follow this method when proper books of accounts are not maintained. In this situation detailed information about income and expenditure is not available. Hence it is not possible to prepare profit and loss A/c to calculate net profit / loss. Generally, the net profit calculated by the business is finally transferred to Capital A/c in Balance sheet. So, in this case we calculate net profit by using Capital Comparison Method. In this method we compare both opening and closing capitals and also do some adjustments for the transactions that affect the Capital A/c.

The following items will affect the capital balance:

- Fresh capital
- Drawings
- Profit / loss for the period.

The following are the formats to find the profit or loss for the period under capital comparison method for different types of businesses.

PROPRIETORSHIP:

Generally we follow the below format to arrive closing capital from opening capital.

Opening capital	xxx
+ Fresh capital introduced	xxx
- Drawings	(xxx)
+ Net Profit	xxx
- Net Loss	(xxx)
Closing capital	xxx

So in the above closing capital the current year profit or loss is included. To arrive net profit or loss for the current year, we need to do reverse working as explained below.

Closing capital	xxx
(+) Drawings	xxx
(-) Fresh capital introduced	(xxx)
(-) Opening capital	(xxx)
Profit / loss (balancing figure)	xxx

NOTE:

If opening and closing capital is not given then you will prepare statement of affairs with the available information and find opening and closing capital and then find profit for the year.

Conceptual Understanding Problem (CP):-

Closing capital is ₹ 250,000; Additional capital is ₹ 50,000; Drawings is ₹ 30,000; Opening capital is ₹ 40,000. Calculate Net profit/loss over the year.

Solution:

Net profit is ₹1, 90,000

PARTNERSHIP FIRM:

Generally we follow the below format to arrive closing capital from opening capital.

Opening Capital	XXX
(+) Additional Capital	XXX
(+) Interest on Capital	XXX
(+) Salary/ Remuneration	XXX
(-) Drawings	(XXX)
(-) Interest on Drawings	(XXX)
(+) Profit	XXX
(-) Loss	(XXX)

Closing Capital	XXX

So in the above closing capital the current year profit or loss is included. To arrive net profit or loss for the current year, we need to do reverse working as explained below.

Closing Capital	XXX
- Additional Capital	XXX
- Interest on Capital	XXX
- Salary/ Remuneration	XXX
+ Drawings	(XXX)
+ Interest on Drawings	(XXX)
- Opening Capital	(XXX)
Profit/Loss	XXX

NOTE:

In all the above items we should take the total value of all the partne₹

Conceptual Understanding Problem (CP):-

X and Y started a firm on 1.4.2016 with capital of ₹ 300,000 and ₹ 500,000 respectively, on 1.6.2016 Y introduced additional capital of ₹ 100,000. Firm has given salary of ₹ 10,000 and ₹ 8,000 to X and Y respectively. Interest on X's capital is ₹ 6,000 and on Y's capital is ₹ 14,000. Commission to X is ₹ 5,000. X and Y withdrew ₹ 50,000 and ₹ 150,000 respectively. Interest on X's drawings is ₹ 2,000 and on Y's drawings is ₹ 6,000. Closing capital of X is ₹ 650,000 and Y is ₹ 10, 80,000.

Calculate Net profit of the firm before appropriation.

Solution:

Particulars	X	Y	Total
Closing Capital	650,000	1080000	1,730,000
- Additional Capital		100000	100,000
- Interest on Capital	6000	14000	20,000
- Salary/ Remuneration	10000	8000	18,000

- Commission	5000		5,000
+ Drawings	50000	150000	200,000
+ Interest on Drawings	2000	6000	8,000
- Opening Capital	300000	500000	800,000
Profit/Loss			**995,000**

FINAL ACCOUNTS METHOD:

We follow final accounts method when proper books of accounts are maintained –but books of accounts are destroyed.

In this case the incomplete records are updated by seeking information and trial balance is prepared, from which the financial statements are drawn up.

In this method, we will be provided with the following details:

i. Opening balance of a few assets & liabilities
ii. A few transactions of cash book
iii. A few transactions of pass book
iv. Closing balance of a few assets and liabilities
v. Current year transaction relating to a few assets & liabilities
vi. Errors / omission occurred during the year

In this method based on information available we should open necessary ledgers to find required details.

The following are the main items we may require to calculate.

- Cash sales
- Credit sales
- Cash purchase
- Credit purchase
- Opening or closing cash balance
- Opening or closing debtors
- Opening or closing creditors
- Fixed assets

CALCULATION OF CASH SALES:

Cash sales can be find from cash book on receipts side.

CALCULATION OF CREDIT SALES:

The following are the situations to calculate credit sales

Situation 1: Total sales and cash sales is given:

Credit sales = Total sales – cash sales

Situation 2: Total sales not given but closing debtor balance is given:

In this case we can prepare debtors ledger and post all the transactions connecting with debtors and finally find the balancing figure in debtor's ledger as credit sales.

at the time of credit sales. → Debtor A/c Dr. To Sales A/c.

Sales returns	Sales Returns A/c Dr. To Debtors.
Cash /Cheque collected	Cash /Bank A/c Dr. To Debtors.
Discount allowed	Cash /Bank A/c Dr. Discount Allowed A/c Dr. To Debtors.
Bills Receivable (B/R)	B/R A/c Dr. To Debtors.
Bad debts.	Bad debts A/c Dr. To Debtors A/c.
Provision for Bad debts.	P&L A/c Dr. To Provision for Bad debts. → it will not be affected by Debtors A/c

Note :- We need to prepare B/k ledger

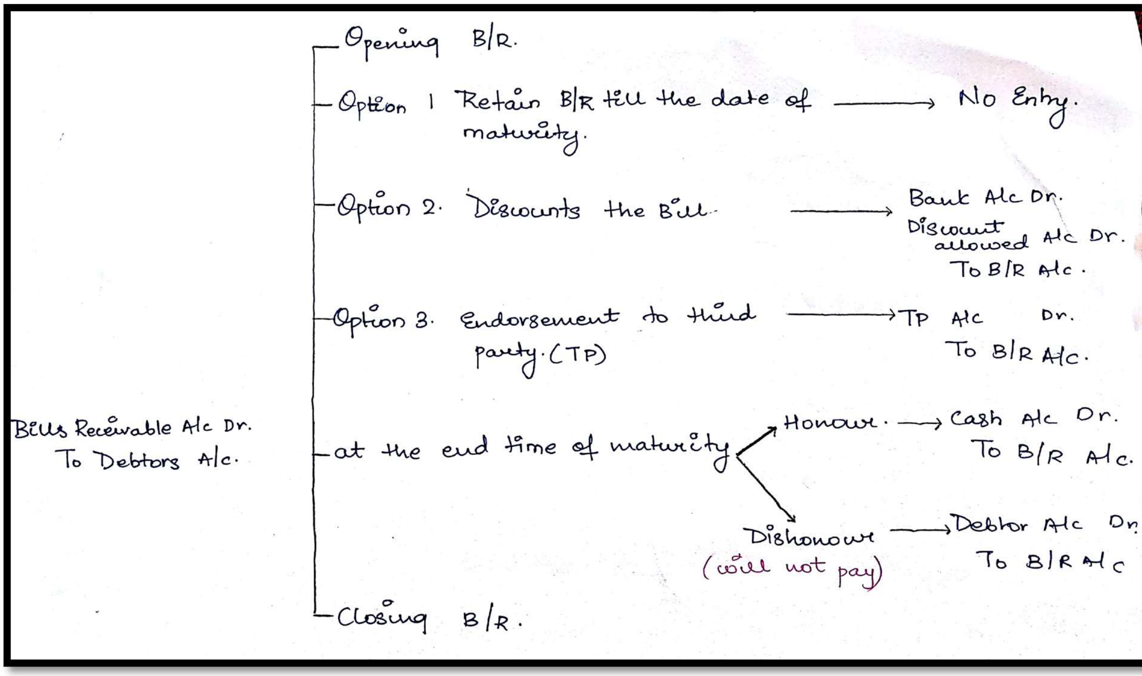
DEBTOR`S LEDGER A/C

Dr Cr

Particulars	₹	Particulars	₹
To Opening balance b/d **To Credit sales** **(Balancing figure)**	XXX XXX	By Cash/bank a/c By Discount allowed a/c By Bills receivable a/c * By Bad debts By closing balance c/d	XXX XXX XXX XXX XXX
	XXX		XXX

Note:* Bills receivable a/c in Debtor's ledger represents total bills receivable received during year.

But sometimes the total bills receivable received during the year will not be given in the problem. In this case we have to additionally open **Bills receivable ledger a/c** and give effect for all the transactions involving bills receivable a/c and finally treat the difference in bills receivable ledger as total bills receivable received during the year.



Bills receivable ledger a/c

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Opening Bills receivable a/c To **Debtors** **(Balancing figure)** **(Total bill received)**	XXX XXX	By Bank a/c – Bill honoured By Discount allowed a/c } Bill discounted By Cash a/c By Debtor a/c - Dishonour By Closing Bills receivable a/c	XXX XXX XXX XXX XXX
	XXX		**XXX**

Situation (3): Total sales and closing debtors not given

In this case the balancing figure in debtor's ledger will be treated as closing debtors hence we can't use debtor's ledger to find credit sales.

We use the below technique to calculate credit sales.

- The relationship among cost, profit and sales is **sales = cost + profit**
- Cost means cost of goods sold
- Cost of goods sold (from Trading a/c) = opening stock + purchase + direct expense – closing stock

So if we find cost of goods sold then we can add profit to find total sales. Finally we can deduct cash sales from total sales to arrive credit sales.

How to apply profit?

Profit will be given as percentage on cost or on sales.

- If Gross Profit **on cost** is given then we have to apply **on cost** only.
- If Gross Profit **on sales** is given then we have to apply **on sales** only.

Case 1:If sales value and GP on cost is given then we have to convert GP on cost into GP on sales.

Illustration to explain this concept.

G.P on sales is 20%, Cost = ₹ 1,000.Calculate total sales?

	Sales	= 100% (Base) (GP on sales given)
(-)	Profit	= (20%)
	Cost	= 80%

When cost is 80%, profit is 20 %.When cost is 100%, Profit on cost = 20/80*100 = 25%

Gross profit = 1000*25% = 250

Sales = Cost + Profit = 1000+250 = 1250

Case 2: If cost value and GP on sales is given then we have to convert GP on sales into GP on cost.

Illustration to explain this concept.

G.P on cost is 25%, sales = ₹ 1,000.Calculate total cost?

	Cost	= 100% (Base) (GP on cost given)
(+)	Profit	= 25%
	Sales	= 125%

When sales is 125%, profit is 25 %.When sales is 100%, Profit on sales = 25/125*100 = 20%

Gross profit = 1000*20% = 200

Cost = sales - Profit = 1000 - 200 = 800

Conceptual Understanding Problem (CP):-

Opening stock - ₹ 1, 00,000, purchases -₹ 2, 00,000, direct expenses - ₹ 50,000, closing stock - ₹ 1, 50,000 and GP on sales – 20%. When cash sales is ₹ 80,000, find credit sales?

Solution:

Cost of goods sold = 1, 00,000 + 2, 00, 000 + 50,000 - 1, 50,000 = 2, 00,000

Gp on cost = 25% (We need to convert Gp on sales into Gp on cost) (Refer procedure explained above).

Sales = cost + Profit

= 2, 00,000 + 2, 00,000*25%

= 2, 00,000 + 50,000 = 2, 50,000

Credit sales = Total sales – cash sales = 2, 50,000 – 80,000 = 1, 70,000

CALCULATION OF CASH PURCHASE

Cash purchase can be find from cash book on payment side.

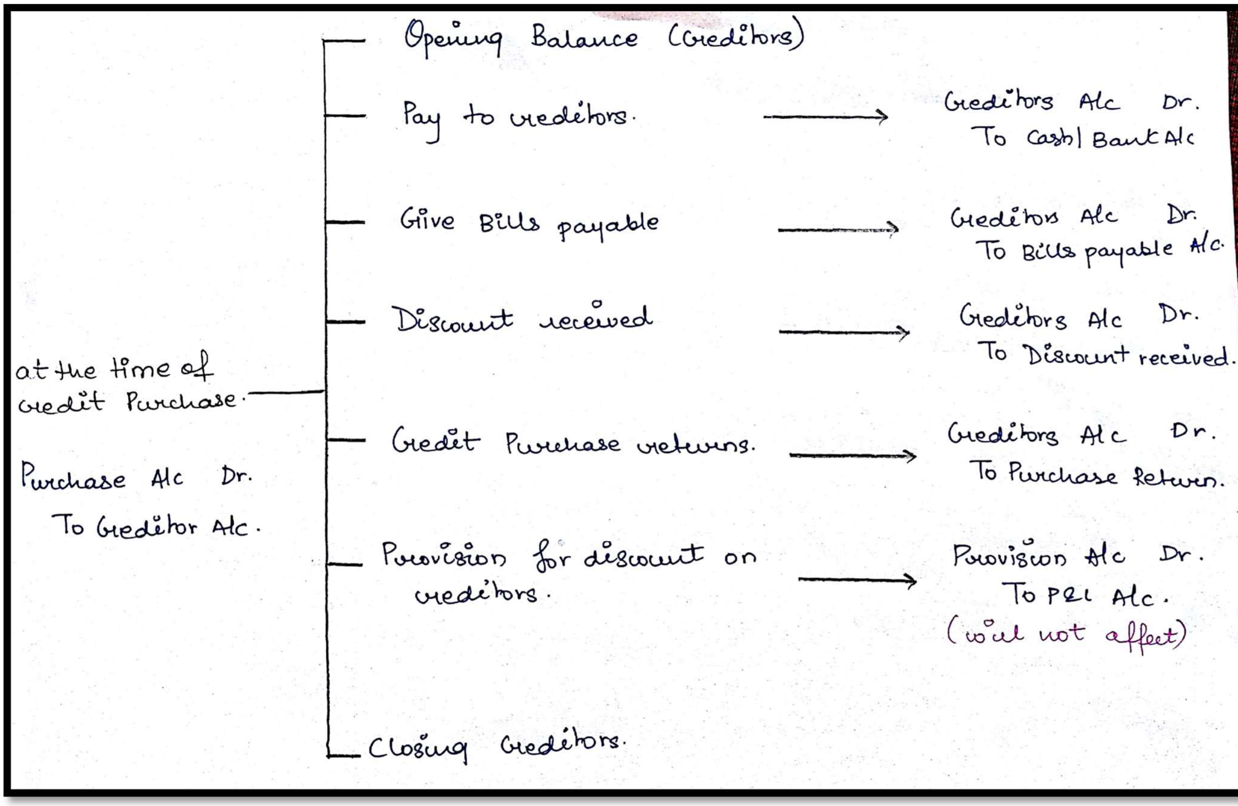
CALCULATION OF CREDIT PURCHASE

Situation 1: Total purchase and cash purchase is given

Credit purchase = Total purchase – Cash purchase

Situation 2: Opening creditors and closing creditors are given

In this case we prepare creditors ledger a/c and post all the transactions relating to creditors a/c



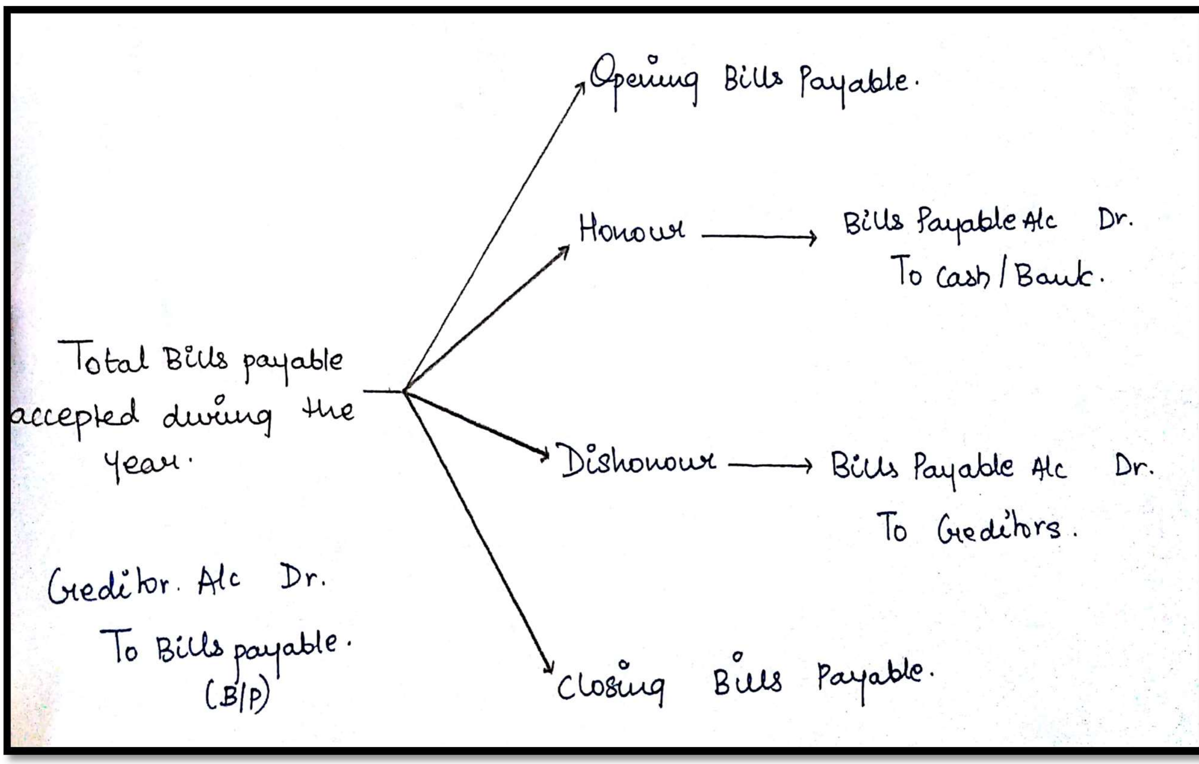
Creditor's a/c

Dr Cr

Particulars	₹	Particulars	₹
To Cash/bank a/	XXX	By Balance b/d	XXX
To Bills payable a/c	XXX	By Credit purchase a/c	XXX
To Discount received a/c	XXX	(Balancing figure P	
To Purchase return	XXX		
To Balance c/d	XXX		
	XXX		XXX

Note:

If total bills payable accepted during a year is not a given then we should prepare "**Bills payable ledger** "and post all the transaction relating to BP and finally the balancing figure should be treated as total bills payable accepted during the year.



Bills payable a/c

Dr. Cr.

Particulars	₹	Particulars	₹
To Cash /bank a/c (Honour) To Creditors a/c (Dishonour) To Balance c/d (Closing balance)	XXX XXX XXX	By Balance b/d (Opening balance) By Creditors a/c **(Total bill payable accepted)** **(Balancing figure)**	XXX XXX
	XXX		**XXX**

Situation (3): Total purchase and closing creditors not given

In this case the balancing figure in Creditor's ledger will be treated as closing creditors hence we can't use creditor's ledger to find credit purchase.

We use the below technique to calculate credit purchase.

- The relationship among cost, profit and sales is **sales = cost + profit**
- Cost means cost of goods sold
- Cost of goods sold (from Trading a/c) = opening stock + purchase + direct expense – closing stock

We use above cost of goods sold formula and calculate total purchase and finally deduct cash purchase from total purchase to arrive credit purchase.

<u>CALCULATION OF OPENING OR CLOSING DEBTORS:</u>

Opening or closing debtors can be find by preparing debtors ledger account.

<u>CALCULATION OF OPENING OR CLOSING CREDITORS:</u>

Opening or closing creditors can be find by preparing creditors ledger account.

<u>CALCULATION OF FIXED ASSETS AND DEPRECIATION:</u>

We can find fixed assets either by way of physical verification or using fixed assets register.

COMPLEX PROBLEMS

1. The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a trading and profit and loss account for the year ended 31st March 2017, and a balance sheet as on that date.

a.

	Balance as on 31st March, 2016, (₹)	Balance sheet as on 31st March 2017, (₹)
Building	3,20,000	3,60,000
Furniture	60,000	68,000
Motor car	80,000	40,000
Inventory	?	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.

	₹		₹
Sales 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 by during the year amount to ₹ 20,000 and bills payable accepted ₹ 16,000
- Some of old furniture, whose written down values 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 motor car @ 20% p.a. depreciation on sales 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 a bad debts and a reserves 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 purchase are to be treated as for cash
- Additional in furniture account took place in the beginning of the year and there was no opening provision for doubtful debts.

Solution:

TRADING AND PROFIT AND LOSS ACCOUNT OF Mr. SHIV KUMAR FOR THE YEAR ENDED 31ST MARCH, 2017

Dr. **Cr.**

PARTICULARS	₹	PARTICULARS	₹
To Openings inventory (balancing figure)	80,000	By Sales (80,000 X 100/20)	4,00,000
To Purchase (1,92,000X100/80)	2,40,000	By Closing inventory	40,000
To Gross profit c/d @ 30% on sales	1,20,000		
	4,40,000		**4,40,000**
To Miscellaneous expenses (80,000-8,000+10,000)	82,000	By Gross profit b/d	1,20,000
To Depreciation		By Miscellaneous receipts	20,000
Building 36,000		By Net loss transferred to capital a/c	25,840
Furniture 7,800 (6,800+1,000)			
Motor car 16,000	59,800		
To Loss on sales of furniture	11,000		
To Bad debts	8,000		
To Provision for doubtful debts	5,040		
	1,65,840		**1,65,840**

BALANCE SHEET OF Mr. SHIVKUMAR AS ON 31ST MARCH,2017

Liabilities	**₹**	**₹**	**Assets**	**₹**	**₹**
Capital as on 1st April 2016		7,16,000	Building	3,20,000	
			Add: addition during	40,000	
Profit and loss a/c	40,000		the year	3,60,000	
Opening balance			Less: provision for		
Less: loss for the year	(25,840)	14,160	depreciation	(36,000)	3,24,000
Sundry creditors		1,12,000			
Bills payable		16,000	Furniture	60,000	
Outstanding salary		10,000	Less: sold during the	(20,000)	
			year	40,000	
			Add: additional during the year	28,000	
			Less: depreciation	(6,800)	61,200
			Motor car (at cost)	80,000	64,000
			Less: depreciation	(16,000)	
			Inventory in trade		40,000
			Sundry debtors	2,52,000	
			Less: provisions for doubtful debts @2%	(5,040)	2,46,960
			Bill receivable		28,000
			Cash in hand and at bank		1,04,000
		8,68,160			**8,68,160**

Working notes:

I. **Sundry debtors account**

PARTICULARS	**₹**	**PARTICULARS**	**₹**
To Balance b/d	1,60,000	By Cash/bank a/c	2,00,000
To Sales a/c (credit)	3,20,000	By Bills receivable a/c	20,000
		By Bad debts a/c	8,000
		By Balance c/d (bal.fg)	2,52,000
	4,80,000		**4,80,000**

Sundry creditors account

PARTICULARS	₹	PARTICULARS	₹
To Cash/bank a/c To Bills payable a/c To Balance c/d (bal.fg)	1,84,000 16,000 1,12,000	By Balance c/d By Purchase a/c	1,20,000 1,92,000
	3,12,000		**3,12,000**

Bills receivable account

PARTICULARS	₹	PARTICULARS	₹
To Balance b/d To Sundry debtors a/c	32,000 20,000	By Cash/bank a/c (bal.fg) By Balance c/d	24,000 28,000
	52,000		**52,000**

Bills payable account

PARTICULARS	₹	PARTICULARS	₹
To Cash / bank a/c (bal.fig) To Balance c/d	28,000 16,000	By Balance c/d By Sundry creditors a/c	28,000 16,000
	44,000		**44,000**

Furniture account

PARTICULARS	₹	PARTICULARS	₹
To Balance b/d To bank a/c (b.f)	60,000 28,000	By Bank/cash a/c By Depreciation a/c (on furniture sold) By Profit and loss a/c (loss on sale)(20,000-1,000-8,000) By Depreciation a/c (68,000X10%) By balance c/d (68,000-6,800)	8,000 1,000 11,000 6,800 61,200
	88,000		**88,000**

Cash/bank account

PARTICULARS	₹	PARTICULARS	₹
To Balance b/d To Miscellaneous receipts a/c To Sundry debtors a/c To Sales a/c To Furniture a/c To Bills receivable a	1,80,000 20,000 2,00,000 80,000 8,000 24,000	By Misc. trade expenses a/c By Purchase a/c By Furniture By Sundry creditor a/c By Bills payable By Building a/c(3,60,000-3,20,000) By Balance c/d	80,000 48,000 28,000 1,84,000 28,000 40,000
	5,12,000		**5,12,000**

Opening balance sheet of Mr. Shiv Kumar as on 31st March, 2016

Liabilities	₹	Assets	₹
Capital (balancing figure) Profit and loss a/c Sundry creditors Bills payable Outstanding salary	7,16,000 40,000 1,20,000 28,000 8,000	Building Furniture Motor car Inventory in trade Sundry debtors Bills receivable Cash in hand and at bank	3,20,000 60,000 80,000 80,000 1,60,000 32,000 1,80,000
	9,12,000		**9,12,000**

PRACTICE PROBLEMS

1. Assets and Liabilities of Mr.Raju as on 31.12.2013 and 31.12.2014 are as follows

ASSETS	31.12.2013 (₹)	31.12.2014 (₹)
Building	100000	-
Furniture	50000	-
Stock	120000	270000
Sundry Debtors	40000	90000
Cash at Bank	70000	85000
Cash in Hand	1200	3200
LIABILTIES		
Loans	100000	80000
Sundry Creditors	40000	70000

Raju decided to depreciate building by 2.5% and furniture by 10%.One life insurance policy of the proprietor matured during the period ₹40000 is retained in the business. Proprietor took @ ₹2000 p.m for meeting family expenses. Prepare statement of affairs and ascertain profit for the year.

2. The books of account of Balaji traders showed the following figures

PARTICULARS	31.03.2014	31.03.2015
Furniture and fixtures	260000	234000
Stock	245000	320000
Debtors	125000	?
Cash and bank balance	110000	?
Creditors	135000	190000
Bills payable	70000	80000
Outstanding salaries	19000	20000

An analysis of cash book revealed the following

Cash sales	1620000
Collection from debtors	1058000
Discount allowed to debtors	20000
Cash purchases	615000
Payment to creditors	973000

Discount received from creditors	32000
Payment from bills payable	430000
Drawings for domestic expenses	120000
Salaries paid	236000
Rent paid	132000
Sundry trade expenses	81000

Depreciation is provided on furniture and fixtures @ 10% pa on diminishing balance method.Balaji traders maintains steady gross profit of 25% on sales.

You are required to prepare trading and profit and loss account for the year ended 31st March 2015 and balance sheet as on that date.

3. Mr. A runs a retail business .Suddenly he finds on 31.12.2014 that his bank accounts shows a balance of ₹ 1100 only and his cash in hand is only ₹ 150.but he did a good business during the year. He provides you the following information.

a. Balance :

Particulars	31.12.2013	31.12.2014
Sundry debtors	17700	29400
Sundry Creditors	42200	11200
Bank	54200	1100
Cash	5200	150
Rent outstanding for one month	1200	1500
Stock	5700	10000

b. Pass book reveals the following

Particulars	₹
Total deposits	567000
Withdrawals	
Creditors	445000
Legal expenses	17000
Showcase	27000
Proprietor	131100

C. Rent had been increased since September 2014

d. The proprietor deposited all cash sales and collections after meeting shop expenses, payment of rent, electricity and telephone bills and wages. But he made all purchases on credit. Monthly salary ₹ 5600; Electricity and telephone bills paid ₹ 18000 and due ₹ 4200; shop expenses ₹ 500 p.m.

e. He maintained all statements of credit sales from which he ascertained that credit sales were ₹ 450000.Finalize accounts of Mr. A to show his profit. Prepare statement of affairs and reconcile the profit balance.

PRACTICAL APPROACH

KEY PRINCIPLES

- Single entry system is an incomplete form of recording financial transactions.
- It is the system, which does not record two aspects or accounts of all the financial transactions.
- It is the system, which has no fixed set of rules to record the financial transactions of the business.
- Thus, single entry system is not a proper system of recording financial transactions, which fails to present complete information required by the management.
- Single entry system mainly maintains cash book and personal accounts of debtors and creditors.
- Single entry system ignores nominal account and real account except cash account. Hence, it is incomplete form of double entry system, which fails to disclose true profit or loss and financial position of a business organization.

SUMMARY

- Incomplete records – is the term used for any system of bookkeeping which does not use full double entry.
- Generally applies to small business whether incorporated as Sole Proprietorship or Partnership. For them, generally a simple cash book to record receipts and payments may be enough instead of the proper accounting system complete with day books and ledgers
- Using incomplete records cannot give an accurate profit and financial position.
- We need find the missing information to arrive at the year-end profit and loss account and balance sheet.
- The approach to incomplete records questions is to build up the information given so as to complete the necessary double entry. This may involve reconstructing control accounts for:
    - Cash and bank
    - Debtors and creditors

Where stock, sales or purchases is the unknown figure it will be necessary to use information or gross profit percentage so as to construct a trading account in which the unknown figure can be inserted as a balance.

- There are two methods in case of preparation of financial statements from incomplete records
    - Capital comparison method
    - Final accounts method
- The following are the main items we may require to calculate.
    - Cash sales
    - Credit sales
    - Cash purchase
    - Credit purchase
    - Opening or closing cash balance
    - Opening or closing debtors
    - Opening or closing creditors
    - Fixed assets
- This chapter purely based on our basic knowledge in accounts.