

Financial Statements from Incomplete Records (Single Entry)

Single Entry system is an approach of recording transactions which does not follow the principles of double entry book keeping system.

The books of accounts are said to be maintained under single entry system when all the transactions are not completely recorded. In other words, in this case some transactions may be completely recorded, some transactions may be partially recorded & some other transactions may be entirely omitted from the Books of Accounts.

Preparation of Final Accounts:-

There are two recognized approaches of preparing the final accounts from such incomplete records:-

- 1) Balance sheet Approach/ Net Worth Approach
- 2) Conversion Approach

Balance Sheet Approach

Under this approach, the balances of Capital / Net Worth are determined by preparing the Statement of Affairs & thereafter, the operating result is determined by comparing the amounts of Capital at two points of time. Hence this approach is known as the Balance Sheet Approach/ Net Worth Approach.

Sums on Single Entry

Q.1 Bribal maintains his books according to the single entry system. His assets & liabilities were as follows:-

	31.12.2018	31.12.2019
Plant & Machinery	1, 50,000	1, 60,000
Debtors	65,000	60,000
Cash & Bank Balances	25,000	31,000
Stock	40,000	45,000
Creditors	9,000	10,000

Additional Information:-

- a) He had withdrawn Rs. 200 every month for personal use.
- b) Depreciation on Plant & Machinery @10% p.a.
- c) Further Bad Debts Rs. 5,000 & Provision for bad debts to be created on debtors @2%.
- d) During the period wage outstanding was Rs.1, 000.

Prepare a statement of Profit & Loss for the year ended 31st December 2019.

Solution :-

In the Books of Bribal

Statement of Affairs

As at 01.01.2019 & 31.12.2019

Liabilities	01.01.19	31.12.19	Assets	01.01.19	31.12.19
Capital (Balancing Figure)	2,71,000	2,86,000	Plant & Machinery	1,50,000	1,60,000
Creditors	9,000	10,000	Stock	40,000	45,000
			Debtors	65,000	60,000
			Cash & Bank	25,000	31,000
	2,80,000	2,96,000		2,80,000	2,96,000

Statement of Profits & Loss

For the year ended 31.12.19

Particulars	Amount	Amount
Closing Capital		2,86,000
Add:- Drawing @ 200 per month		2,400
		2,88,400
Less:- Opening Capital		2,71,000
Trading Profit / Gross profit		17,400
Less :- Depreciation on Plant & Machinery @ 10%	15,500	
Further Bad Debt	5,000	
Provision for Bad Debts	1,100	
Outstanding Wages	1,000	
		22,600
Net Loss		5,200

Workings:-

1) Calculation of Provision for Bad Debts:-

Amount of Provision for Bad Debts to be created = (60,000- 5,000)*2%
= Rs. 1,100

2) Calculation of Depreciation on Plant & Machinery @ 10%

Amount of Depreciation

On Rs. 1,50,000 for 1year = Rs. 1,50,000*10% = Rs. 15,000

On Rs. 10,000 for 6 months = Rs. 10,000*10%*6/12 = Rs. 500

Rs. 15,500

Q.2) Naresh , Ramesh & Dinesh are partners in a firm sharing Profits & Losses in the ratio of 5:3:2 respectively. They keep their books on single entry system. On 31st March 2018, the following statement of Affairs are extracted from their Books:

Liabilities	Amount	Assets	Amount
Creditors	20,000	Plant	45,000
Ramesh – Loan A/c	10,000	Land & Building	30,000
Capital		Stock	20,000
Naresh----	50,000	Debtors	15,000
Ramesh----	40,000	Cash	8,000
		Capital - Dinesh	2,000
	1,20,000		1,20,000

On 31st March 2019, the Assets & Liabilities were as follows:-

Plant Rs. 50,000; Land & Building Rs. 30,000; Stock Rs. 30,000; Debtors Rs.25,000; Creditors Rs.25,000; Cash Rs. 15,000.

You are required to prepare a Profit & Loss statement for the year ended 31st March 2019 & a statement of Affairs as at that date after taking into consideration the following additional information:-

- Plant is to be depreciated by 10% p.a.
- A Reserve for Bad Debts is to be raised at 2.5%;
- Interest on Partners' Capital is to be allowed at 5% p.a.
- During 2018-19, Naresh & Ramesh withdrew from Business Rs. 7,500 & Rs. 5,000 respectively.

In the Books of Naresh , Ramesh & Dinesh
Statement of Profits & Loss
For the year ended: 31st March 2019

Particulars	Details(Rs.)	Amount (Rs.)
Closing Capital		1,15,000
Add:- Drawings		
Naresh	7,500	
Ramesh	<u>5,000</u>	<u>12,500</u>
		1,27,500
Less:- Opening Capital		<u>88,000</u>
Trading Profit		39,500
Less:- Depreciation on Plant	4,750	
Interest on Loan @6%	600	
Reserve for Bad Debts@2.5%	<u>625</u>	<u>5,975</u>
Net Profit		33,525
Less – Interest on Capital		
Naresh	2,500	
Ramesh	<u>2,000</u>	<u>4,500</u>
Divisible Profit		
Share of Divisible Profit:		<u>29,025</u>
Naresh Rs. 29,025*5/10		
Ramesh Rs. 29,025*3/10	14,513	

Dinesh Rs. 29,025*2/10	8,707 5,805	
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Statement of Affairs

As at 31st March 2019

Liabilities	Amount	Assets	Amount
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Capital Naresh 50,000 + Interest on Capital 2,500 +Share of Profit <u>14,513</u> 67,013 -Drawings <u>7,500</u>	59,513	Land & Building Plant 50,000 -Depreciation <u>4,750</u>	30,000 45,250
Ramesh____40,000 + Interest On capital 2,000 Share of Profit <u>8,707</u> 50,707 -Drawings <u>5,000</u>	45,707	Stock Debtors 25,000 Less:- Reserve For Bad Debts @ 2.5% <u>625</u>	30,000 24,375
<u>Dinesh</u> Share of Profit 5805 -Op.overdrawn Capital 2,000	3,805	Cash	15,000
Loan Ramesh + Interest on Loan	10,000 600		
Sundry Creditors	25,000		
	1,44,625		1,44,625

Workings:-

1) Calculation of depreciation on plant

On Rs. 45,000 for 1 year = Rs. 45,000*10% = Rs. 4,500

On Rs. 5,000 for 6 months = $\text{Rs. } 5,000 \times 10\% \times 6/12 = \text{Rs. } 250$

2) Calculation of Reserves for Bad Debts:-

Amount of Reserve for Bad Debts = 2.5% on Rs. 25,000 = Rs. 625

3) Calculation of Interest on Ramesh Loan

Interest on Loan = $10,000 \times 6\% = \text{Rs. } 600$

4) Interest on Capital

Naresh = $\text{Rs. } 50,000 \times 5\% = \text{Rs. } 2,500$

Ramesh = $\text{Rs. } 40,000 \times 5\% = \text{Rs. } 2,000$

Q.3) Anwar is a retail merchant keeps his books in single entry system. From the particulars given below you are requested to prepare a Trading and Profit and Loss Account for the year ended 31st December 2019.

(a) Assets and Liabilities	01.01.19	31.12.19
	Rs.	Rs.
Stock of Goods	5,300	21,700
Sundry Debtors	18,000	35,500
Sundry Creditors	6,400	11,800
Furniture	12,000	12,000

(b) Cash Transaction : Receipts from Debtors- Rs. 52,600; Cash Sale- Rs. 17,900; Rent paid- Rs. 5,800; General Expenses paid- Rs. 3,500; Payment of Salaries- Rs. 10,250; Payment to Creditors- Rs. 46,000; Cash drawn for personal use Rs. 6,500.

(b) Other Information : Discount to Customers- Rs. 800; Discount received from suppliers- Rs. 1,050; Bills received during the year- Rs. 15,000; Bills accepted during the year- Rs. 10,000; Depreciate Furniture at 10% p.a. create a provision for doubtful debt at 5 % on Sundry Debtors [C.U. B.Com 2002]

Solution:

**In the Books of Anwar,
Trading Profit and Loss Account**

Dr. For the year ended 31st December, 2019 Cr.

Particulars	Details	Amount	Particulars	Details	Amount
To Opening Stock		5,300	By Sales Cash	17,900	
To Purchase-Credit		62,450	Credit	<u>85,900</u>	1,03,000
To Gross Profit c/d		57,750	By Closing Stock		21,700
		<u>1,25,500</u>			<u>1,25,500</u>
To Rent		5,800	By Gross Profit b/d		57,750
To General Expenses		3,500	By Discount Received		1,080
To Salaries		10,250			
To Discount Allowed		800			
To Depreciation on Furniture (10% on Rs. 12000)		1,200			
To Provision for Doubtful Debts (5% on Rs. 35,500)		1,775			
To Capital Account - Net Profit transferred		35,475			
		<u>1,58,800</u>			<u>1,58,800</u>

Working :**i) Computation of Credit Sales:**

Dr.				Sundry Debtors Account				Cr.			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount				
2019	To Balance b/d		18,000	2019	By Bank/Cash Collection		52,600				
	To Sales A/c (Balancing)		85,900		By Discount Allowed A/c		800				
					By Bills Receivable A/c		15,000				
					By Balance C/d		35,500				
							1,03,900				
	To Balance b/d		1,03,900								
			35,500								

i) Computation of Credit Purchase:

Dr.				Sundry Creditors Account				Cr.			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount				
2019	To Cash A/c – Payments		46,000	2019	By Balance b/d		6,400				
	To Discount Received		1,050		By Purchase A/c -Credit Purchase (Balancing)		62,450				
	To Bills Payable A/c - Accepted		10,000								
	To Balance c/d		11,800				68,850				
			68,850								
					By Balance b/d		11,800				

iii) Calculation of Depreciation on Furniture:

Amount of Depreciation on Furniture = 10% on Rs. 12,000
= $12,000 \times 10/100 = \text{Rs. } 1,200$

iv) Calculation of provision for Doubtful Debts

Amount of Provisions on Doubtful Debts
= $35,000 \times 5/100 = \text{Rs. } 1,750$

Q.4) Nanimadhav started a grocery business on 1st January 2019 with a capital of Rs. 10,000. He spent Rs. 1,500 on Furniture and Fixture in Cash. He maintains his books on single entry.

Following figures are extracted from his books:

	Rs.
Sales (inclusive of Cash Sales Rs. 8,000)	20,000
Purchase (inclusive of Cash Purchase Rs. 2,500)	12,000
Bad Debt Written Off	750
Business Expenses	1,050

Nanimadhav used groceries worth Rs. 1,500 and took 13,000 in Cash for personal use. On 31st December, 2019 his Sundry Debtors were Rs. 1,250 and Sundry Creditors Rs. 1,500. Stock in hand on 31st December, 2019 was Rs. 1,500.

Prepare a Trading and Profit and Loss Account for the year ended 31st December, 2019 and a Balance Sheet as on the date after writing 10% depreciation on furniture and fixture.

[CU. B.Com (H) 2001]

Solution:

**In the Books of Nanimadhav,
Trading Profit and Loss Account**

Dr. For the year ended 31st December, 2019 Cr.

Particulars	Details	Amount	Particulars	Details	Amount
To Purchase- Cash	2,500		By Sales Cash	8,000	
Credit	<u>9,500</u>		Credit	<u>12,000</u>	20,000
	12,000		By Closing Stock		1,500
Less: Drawings of Goods	<u>1,500</u>	10,500			
To Gross Profit c/d		11,000			
		21,500			21,500
To Business Expenses		1,050	By Gross Profit b/d		11,000
To Depreciation		150			
To Bad Debts		750			
To Capital Account					
- Net Profit transferred		9,050			
		11,000			11,000

Balance Sheet

For the year ended 31st December, 2019

Liabilities	Details	Amount	Assets	Details	Amount
Capital	10,000		Furniture & Fixture	1,500	
Add: Net Profit	<u>9,050</u>		Less: Depreciation @ 10%	<u>150</u>	1,350
	19,050				
Less: Drawings of Cash	<u>13,000</u>				
Less: Drawings of Goods	6,050		Sundry Debtors		1,250
	<u>1,500</u>	4,550			
Sundry Creditors		1,500	Cash in Hand		1,950
		6,050			6,050

Working :

i) Calculation of Collection from Debtors:

Dr.				Cr.			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
2019	To Sales Credit		18,000	2019	By Cash Collection (Balancing)		10,000
			85,900		By Bad Debts A/c -Written Off		750
			1,03,900		By Balance C/d		1,250
			35,500				
			<u>12,000</u>				<u>12,000</u>
	To Balance b/d		1,250				

ii) Calculation of Payment to Creditors:

Dr.				Sundry Creditors Account				Cr.			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount				
2019	To			2019	By						
	Cash A/c				Purchase						
	- Payment		8,500		A/c		9,500				
	(Balancing)				-Credit						
	To Balance		1,500								
	c/d		9,500				9,500				
					By Balance						
					b/d		1,500				

iii) Calculation of Closing Cash Balance:

Dr.		Cash Account						Cr.	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount		
2019	To Capital A/c		10,000		By Furniture & Fixture A/c		1,500		
	-Grocery Business started				-Purchase				
	To Sales A/c		8,000		By Purchase A/c		2,500		
	-Cash Sales				- Cash				
	To Sundry Debtors				Purchase				
	-Collection				By Business Expenses		1,050		
					By Sundry Creditors A/c		8,000		
					-Cash Paid				

					By Drawings A/c		13,000
					-Cash Withdrawn		
					By Balance C/d		1,950
					[Balancing]		
			28,000				28,000
	To Balance b/d		1,950				