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- a) He had withdrawn Rs. 200 every month for personal use.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
			Plant & Machinery	1,50,000	1,60,000
Capital	2,71,000	2,86,000	Stock	40,000	45,000
(Balancing Figure)			Debtors	65,000	60,000
Creditors			Cash & Bank	25,000	31,000
	9,000	10,000			
			-		
	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
Less:- Opening Capital		2,88,400 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 =	<u>Rs. 500</u>

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
		Land & Building	30,000
Ramesh – Loan A/c	10,000	Stock	20,000
		Debtors	15,000
Capital		Cash	8,000
Naresh	50,000	Capital - Dinesh	2,000
Ramesh	40,000		
	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:-

- i) Plant is to be depreciated by 10% p.a.
- ii) A Reserve for Bad Debts is to be raised at 2.5%;
- iii) Interest on Partners' Capital is to be allowed at 5% p.a.
- iv) 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>12,50</u> 0
		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 <u>Debts@2.5%</u>	<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	

Statement of Affairs

As at 31st March 2019

Liabilities Amount Assets Amount		Liabilities	Amount	Assets	Amount
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	1,44,625		1,44,625
Sunary Creditors	25,000		
Sunday Craditors	25.000		
+ Interest on Loan	600		
Loan Ramesh	10,000		
	5,005		
-Op.overdrawn Capital 2 000	3 805		
Share of Profit 5805			
Dinesh			
-Drawings <u>5,000</u>	45,707		
50,707	45 707		
Profit <u>8,707</u>		Cash	15,000
Share of			
On capital 2,000			,. ,
+ Interest		625	24.375
Ramesh 40 000		For Bad Debts @ 2 5%	
-Diawings <u>7,300</u>	37,313	Less: Reserve	
67,013	50 512	Debtors 25.000	
Profit $\underline{14,513}$		Stock	30,000
+Share of			
Capital 2,500		-Depreciation <u>4,750</u>	45,250
+ Interest on		Plant 50,000	
Naresh 50,000			,
Capital		Land & Building	30,000

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 = Rs. 5,000*10%*6/12 = 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*6% = Rs. 600
- 4) Interest on Capital Naresh = Rs. 50,000*5% = Rs. 2,500 Ramesh = Rs. 40,000*5% = 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 form 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	n the Book	s of Anwar,			
	Trading	g Profit an	d Loss Acco	unt		
Dr. For the year ended 31 st December, 2019 Cr.						
Particulars	Details	Amount	Particulars	Details	Amount	
To Opening			By Sales			
Stock		5,300	Cash	17,900		
To Purchase-			Credit	85,900	1,03,000	
Credit		62,450	By Closing			
To Gross			Stock		21,700	
Profit c/d		57,750				
		1,25,500			1,25,500	
To Rent		5,800	By Gross			
To General			Profit b/d		57,750	
Expenses		3,500	By			
To Salaries		10,250	Discount			
To Discount			Received		1,080	
Allowed		800				
То						
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				
		1,58,800			1,58,800	

Working :

i) Computation of Credit Sales:

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

i) Computation of Credit Purchase:

Dr.		Sun	dry Credit	cors Ac	count		Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
2019	То			2019	By Balance		
	Cash A/c –				b/d		6,400
	Payments		46,000		By		
	To Discount				Purchase		
	Received		1,050		A/c		62,450
	To Bills				-Credit		
	Payable A/c		10,000		Purchase		
	- Accepted				(Balancing)		
	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 * 10/100 = Rs. 1,200

iv) Calculation of provision for Doubtful Debts Amount of Provisions on Doubtful Debts =35,000*5/100 = 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)20,000Purchase (inclusive of Cash Purchase Rs. 2,500)12,000Bad Debt Written Off750Business Expenses1,050Nanimadhav used groceries worth Rs. 1,500 and took 13,000 inCash for personal use. On 31st December, 2019 his Sundry Debtorswere Rs. 1,250 and Sundry Creditors Rs. 1,500.Stock in hand on31st 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 31 st December, 2019 Cr								
Particulars	Amount							
To Purchase-			By Sales					
Cash	2,500		Cash	8,000				
Credit	<u>9,500</u>		Credit	12,000	20,000			
	12,000		By Closing					
Less:			Stock		1,500			
Drawings of								
Goods	<u>1,500</u>	10,500						
To Gross								
Profit c/d		11,000						
		21,500			21,500			
To Business			By Gross		11,000			
Expenses		1,050	Profit b/d					
То								
Depreciation		150						
To Bad								
Debts		750						
To Capital								
Account								
- Net Profit								
transferred		9,050						
		11,000			11,000			

For the year ended 51° December, 2019								
Liabilities	Details	Amount	Assets	Details	Amount			
Capital	10,000		Furniture &					
Add: Net			Fixture	1,500				
Profit	9,050		Less:					
	19,050		Depreciation					
Less:			@ 10%	<u>150</u>	1,350			
Drawings of								
Cash	<u>13,000</u>							
Less:	6,050		Sundry					
Drawings of			Debtors		1,250			
Goods	<u>1,500</u>	4,550						
Sundry			Cash in					
Creditors		1,500	Hand		1,950			
		6,050			6,050			

Balance Sheet

For the year ended 31st December, 2019

Working :

i) Calculation of Collection from Debtors:

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

ii) Calculation of Payment to Creditors:

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

iii) Calculation of Closing Cash Balance:

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

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