

CBSE Test Paper 04
Ch-11 Accounts Incomplete Records

1. What statement of financial position produced from incomplete accounting record commonly known as?
2. Under single entry system, is it possible to check the arithmetical accuracy of books of accounts?
3. Drawings Rs 15,000, profit for the year Rs 25,000, closing capital Rs 70,000. Calculate the opening capital.
4. What do you understand by statement of affairs?
5. Debtors in the beginning of the year were Rs.30,000, Sales on credit during the year were Rs.75,000, Cash received from the Debtors during the year was Rs.35,000, Returns Inward (regarding credit sales) were Rs.5,000 and Bill Receivable drawn during the year were Rs.25,000. Find the balance of Debtors at the end of the year, assuming that there were Bad Debts during the year of Rs.2,000.
6. What practical difficulties are encountered by a trader due to incompleteness of accounting records?
7. Ram Prashad keeps his books on Single Entry System, and from them and the particulars supplied, the following figures were gathered together on 31st March 2018 Books Debts, Rs.10,000, Cash in hand, Rs.510, Stock in Trade (Estimated) Rs.6,000, Furniture and Fittings, Rs.1,200, Trade Creditors, Rs.4,000, Bank Overdraft, Rs.1,000. Ram Prashad stated that he started business on 1 st April with Cash Rs.6,000 paid into bank but stocks valued at Rs.4,000. During the year he estimated his drawings to be Rs.2,400. You are required to prepare the statement, showing the profit for the year, after writing off 10% for depreciation on furniture and fittings.
8. Mr Manik does not keep proper records of his business. He provided following information

Items	Amt (Rs)
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Owner's equity at the beginning of the year	15,00,000
Bills receivable	60,000
Cash in hand	80,000
Furniture	9,00,000
Building	10,00,000
Creditors	6,00,000
Stock-in-trade	2,00,000
Further capital introduced	3,20,000
Drawings made during the period	80,000

You are required to prepare a statement showing the profit or loss for the year.

9. X, a retailer, has not maintained proper books of account, but it has been possible to obtain the following details:

	Last Year (Rs.)	This Year (Rs.)
Trade Creditors	6,270	5,890
Loan from Naresh	5,000	5,000
Stock	12,350	11,980
Cash in hand	570	650
Shop Fittings	7,250	7,800
Trade Debtors	5,280	4,560
Bank Balance	3,990	4,130

Calculate the net profit for this year and draft the Statement of Affairs at the end of the year after noting that

- Shop Fittings are to be depreciated by Rs.780.
- X has drawn Rs.100 per week for his own use.
- Included in the Trade Debtors is an irrecoverable balance of Rs.270.

iv. Interest at 5% p.a. is due on the loan from Naresh, but has not been paid for the year.

10. Gopal does not keep proper books of account. Following information is given below

Items	1st January, 2013	31st December, 2013
Cash in hand	18,000	12,000
Cash at bank	1,500	2,000
Stock-in-trade	80,000	90,000
Sundry debtors	36,000	60,000
Sundry creditors	60,000	40,000
Loan	10,000	8,000
Office equipments	25,000	30,000
Land and buildings	30,000	20,000
Furniture	10,000	10,000

During the year, he introduced Rs 20,000 and withdrew Rs 12,000 from the business. Prepare the statement of profit or loss on the basis of given information.

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Answer

1. The statement of financial position produced from incomplete accounting record is commonly known as Statement of affairs.
2. No, as arithmetical accuracy of books of accounts is checked by preparing a trial balance and in case of single entry system a trial balance cannot be prepared as it does not record both aspects of a transaction occurred during a said period or due to incomplete system of accounting.

3. Capital A/c

Particulars	Amount	Particulars	Amount
To Drawings	15,000	By Balance b/d (Balancing fig.) (Opening)	60,000
To Balance c/d (Closing balance)	70,000	By Profit/Loss A/c (Profit during year)	25,000
		By Cash/Bank (Addition during the year)	0
	85,000		85,000

4. The Statement of Affair is a statement of firm's assets and liabilities if it follows the Single Entry Book Keeping System.
5. The term "Sundry" usually refers Small or infrequent customers/companies that are not assigned individual ledger accounts but are classified as a group. Sundry debtors are such small entities that owe the company money. In this question the account is to be maintained as follows:-

Sundry Debtors A/c

Particulars	Rs.	Particulars	Rs.
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To Balance b/d	30,000	By Cash A/c (Receive)	35,000
To Credit Sales	75,000	By Return Inward A/c	5,000
		By Bill Receivables A/c	25,000
		By Bad debts A/c	2,000
		By Balance c/d (Bal. Fig.)	38,000
Total	1,05,000	Total	1,05,000

6. The following are the difficulties that are encountered by a trader due to incompleteness of accounting records.

- i. Accuracy of accounts: Arithmetical accuracy of accounts can not be ascertained, since proper records of accounts are not maintained. Consequently, Trial Balance cannot be prepared.
- ii. Encourages fraud: As the arithmetical accuracy cannot be determined; so, this encourages fraud and provides sufficient scope for bluffing and carelessness.
- iii. Difficult to ascertain correct profit or loss: Since all expenses and income are not recorded, true profit or loss cannot be correctly ascertained.
- iv. Difficult to analyse: the true financial position: As profit or loss cannot be ascertained easily, so the Balance Sheet cannot be easily prepared. Hence, the absence of Balance Sheet will not reflect the true financial position of the business.
- v. Difficulty in comparison: Due to the incomplete records and non-availability of previous years' data, comparison is not possible. By the same token, comparisons with other firms are also not possible.
- vi. Unacceptable to tax authorities: It does not reflect the true and acceptable presentation of expenses and revenues. Hence, these are not acceptable by the tax authorities.
- vii. Raising funds: Since analysis of solvency, profitability and liquidity of business cannot be done, it is difficult to raise fund from outside.

7. **STATEMENT OF AFFAIRS OF RAM PRASHAD**

Liabilities	April	March	Assets	April	March

Creditors		4,000	Cash	6,000	510
Bank overdraft		1,000	Book Debts		10,000
Capital	10,000	12,710	Stock	4,000	6,000
			Furniture		1,200
	10,000	17,710		10,000	17,710

STATEMENT SHOWING PROFIT OF LOSS OF RAM PRASHAD

Particulars	Amount (Rs.)
Closing Capital	12,710
Add : Drawings	<u>2,400</u>
Total	15,110
Less : Opening Capital	<u>10,000</u>
Gross Profit	5,110
Less : Depreciation on Furniture = $1,200 \times 10\%$	120
Net Profit	4,990

8.

STATEMENT OF PROFIT OR LOSS

Particulars	Rs.	Rs.
Closing Capital		16,40,000
Add: Drawings		80,000
		17,20,000
Less: Opening Capital	(15,00,000)	
Less: Additional Capital	(3,20,000)	(18,20,000)
Loss during the year		1,00,000

STATEMENT OF AFFAIRS at the end of the year

Liabilities	Rs.	Assets	Rs.
Creditors	6,00,000	Bills Receivable	60,000
Closing Capital	16,40,000	Cash in Hand	80,000
(balancing figure)		Furniture	9,00,000
		Building	10,00,000
		Stock	2,00,000
	22,40,000		22,40,000

It is noted that when the capital at the beginning of the year and at the close of the year is compared and capital at the end is more than the capital in the beginning the result is profit and vice versa.

9. **Incomplete records** refer to a situation in which an organization is not using double-entry bookkeeping. Instead, it is using a more informal **accounting** system, such as a single-entry system, to maintain a reduced amount of information about its financial results. So, as per this, the question is to be solved as follows:-

STATEMENT OF AFFAIRS OF X

Liabilities	Last year	This Year	Assets	Last Year	This Year
T. Creditors	6,270	5,890	Stock	12,350	11,980
Loan from Naresh	5,000	5,000	T. Debtors	5,280	4,560
Capital (Balancing Figure)	18,170	18,230	Shop Fittings	7,250	7,800
			Cash in Hand	570	650
			Bank Balance	3,990	4,130
	29,440	29,120		29,440	29,120

FINAL STATEMENT OF PROFIT OF X

Particulars	Amount (Rs.)
Closing Capital	18,230
Add: Drawings (100×52)	5,200
Total	23,430
Less: Opening Capital	18,170
Gross Profit	5,260
Less: Bad Debts = 270	
Less: Depreciation = 780	
Less: Interest = $5,000 \times 5\% = 250$	1,300
Net Profit	<u>3,960</u>

STATEMENT OF AFFAIRS OF X

Liabilities		Rs.	Assets	Rs.
T. Creditors		5,890	Stock	11,980
Loan from Naresh	= $5,000 + 250$	5,250	T. Debtors = $4,560 - 270$	4,290
Capital	18,170		Shop Fittings = $7,800 - 780$	7,020
Less: Drawings	5,200		Cash in Hand	650
Add: N/P	3,960	16,930	Bank Balance	4,130
		28,070		28,070

10.

Statement of Affairs (as on 1st January, 2013)

Liabilities	Amt(Rs)	Assets	Amt(Rs)
Creditors	60,000	Cash in hand	18,000
Loan	10,000	Cash at Bank	1,500

Capital(Balancing figure)	1,30,500	Stock-in-trade	80,000
		Sundry Debtors	36,000
		Office Equipment	25,000
		Land and Buildings	30,000
		Furniture	10,000
	2,00,500		2,00,500

Statement of Affairs
(as on 31st December 2013)

Liabilities	Amt(Rs)	Assets	Amt(Rs)
Sundry Creditors	40,000	Cash in hand	12,000
Loan	8,000	Cash at Bank	2,000
Capital(Balancing figure)	1,76,000	Stock-in-trade	90,000
		Sundry Debtors	60,000
		Office Equipment	30,000
		Land and Buildings	20,000
		Furniture	10,000
	2,24,000		2,24,000

Statement of Profit or Loss
(for the year ended 31st December, 2013)

Particulars	Amt(Rs)
Capital at the end of year i.e, 31st December, 2013	1,76,000
(+) Drawings During the year	12,000
	1,88,000
(-) Additional Capital Introduced During the year	20,000

Adjusted capital at the end	1,68,000
(-) Capital in the beginning on 1st January, 2013	1,30,500
Profit Earned during the year, 2013	37,500

Note :

- Above is Net Worth Method of ascertaining the Profit / Loss in case of single entry system.
- Statement of Profit or Loss is prepared in place of Trading and P/L A/c to ascertain profit for the year.
- When adjusted capital during the year is more than the opening capital, then the difference amount is termed as Profit.