

**CBSE Test Paper 02**  
**Ch-11 Accounts Incomplete Records**

1. What do you understand by single entry system of accounting?
2. Name the accounting principle followed both in single entry and double-entry system.
3. In both, single entry system and double entry system, accounting records are maintained due to a common objective. State the objective.
4. Opening capital Rs 60,000, drawings Rs 5,000, capital added during the year Rs 10,000, closing capital Rs 90,000. Calculate profit or loss.
5. Mayank does not keep proper records of his business, he gives you the following information

Items	Amt (Rs)
Opening capital	1,00,000
Closing capital	1,25,000
Drawing added during the year	30,000
Capital added during the year	37,50

Calculate the profit or loss for the year.

6. Discuss the statement of affairs method of ascertaining profit or loss under single entry system.
7. Manu started business with a capital of Rs.4,00,000 on 1st October, 2005. He borrowed from his friend a sum of Rs.1,00,000. He brought further Rs.75,000 as capital on 31st March 2006, his position was:  
Cash : Rs.30,000; Stock: Rs.4,70,000; Debtors: Rs.3,50,000 and Creditors: Rs.3,00,00. He withdrew Rs.8,000 per month during this period. Calculate profit or loss for the period.
8. How can the profit or loss of a trader be ascertained with the help of a statement of affairs?
9. Karori Mai does not keep his books properly. Following information is available from

his books

Items	1st January, 2013(Rs.)	31st December 2013(Rs.)
Sundry creditors	45,000	93,000
Loan from Wife	66,000	57,000
Sundry debtors	22,500	-----
Land and building	89,600	90,000
Cash in hand	7,500	8,700
Bank overdraft	25,000	-----
Furniture	1,300	1,300
Stock	34,000	25,000

During the year, Karori Mai sold his private car for Rs 50,000 and invested this amount into business. He withdrew from the business Rs 1,500 per month upto 31st July, 2013 and thereafter Rs 4,500 per month as drawings.

You are required to prepare a statement of profit or loss and a statement of affairs as at 31st December, 2013.

10. The following information is supplied to you by a shopkeeper

Items	1st April, 2012(Rs)	31st March, 2013(Rs)
Cash	600	700
Sundry debtors	6,800	6,400
Stock	5,900	8,700
Furniture	1,500	1,350
Sundry creditors	2,000	1,800
Bills Payable	1,500	1,100

During the year, the shopkeeper withdrew Rs 250 per month for domestic purpose. He also borrowed from a friend at 9% a sum of Rs 2,000 on 1st October, 2012. He has not yet paid the interest. A provision of 5% on debtors for doubtful debts is to be made. Ascertain the profit or loss made by him during the period.



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**Answer**

1. An accounting method in which transactions are recorded as a single entry, rather than as both a debit and a credit as in double-entry bookkeeping. When using single-entry bookkeeping, taxable income is just the difference between cash expenses and cash receipts over the relevant time period.
2. Money measurement concept is used in both the systems as all monetary transactions are recorded and non-monetary transactions are ignored.
3. To ascertain the net profit or loss of the business for a particular period accounts are prepared by both the systems.
4. Profit for the year = Rs 90,000 + Rs 5,000 - Rs 10,000 - Rs 60,000 = Rs 25,000

5. **Statement showing calculation of Profit or Loss**

Particulars	Amount (Rs)
Closing Capital	1,25,000
Add: Drawings	30,000
	1,55,000
Less: Additional Capital	3,750
	1,51,250
Less: Opening Capital	1,00,000
<b>Net Profit</b>	<b>51,250</b> =====

6. A trader may keep his accounting records under the single entry system due to lack of resources or expertise. However he would be equally eager to calculate his profit or loss from his business in comparison to a trader who keeps proper records under double-entry system. In this post we will see how can this trader find out his profit or loss for a period (using the Statement of Affairs Method). It is well understood that due to absence of proper records under the single entry system of accounting, it is not

possible to prepare a Profit and Loss Account to ascertain the amount of profit or loss. So we will have to employ some other method to calculate profit or loss here. I will show you how its done. Just read on to find out. Also if you are conversant with the Hindi language, you can watch our video on the topic here. There are two approaches to calculate profit or loss under the single entry system: Balance Sheet Approach – Statement of Affairs Method; and The Transaction Approach – Conversion Method

7.

### STATEMENT OF AFFAIRS

AS AT MARCH 31,2006

Liabilities	Rs.
Creditors	3,00,000
Loan	1,00,000
Capital (Balancing Figure)	4,50,000
	<u>8,50,000</u>
Assets	
Cash	30,000
Stock	4,70,000
Debtors	3,50,000
	<u>8,50,000</u>

### STATEMENT OF PROFIT

Particulars	Rs.	Rs.
Closing Capital		4,50,000
Add : Drawings (8,000 x 6)		48,000
		4,98,000
Less : Fresh Capital	75,000	

Capital at beginning	<u>4,00,000</u>	4,75,000
Net profit		<b>23,000</b>

8. A statement of affairs is a financial statement similar to the balance sheet. It includes assets and liabilities. Just like the balance sheet, assets are on the right side and liabilities on the left. Even though we call it a statement of affairs, it is really TWO sets of data. One set is from the beginning of the year, and the other prepared at the end. This shows the changes in assets and liabilities over the course of the period.

**So we calculate the profit or loss as follow :-**

Particulars	Rs.
Closing Capital	XXXX
Add: Drawings	<u>XXXX</u>
	XXXX
Less: Opening Capital	(xxx)
Less: Additional Capital	<u>(xxx)</u>
Profit or Loss	xxx/(xxx)

## 9. STATEMENT OF PROFIT OR LOSS

**As at Dec 31,2013**

Particulars	Rs.	Rs.
Closing Capital		(25,000)
Add: Drawing(1,500 x 7) + (4,500 x 5)		33,000
		8,000
Less: Opening Capital	(18,900)	
Less: Additional Capital	(50,000)	(68,900)
<b>Loss during the year</b>		<b>60,900</b>



**STATEMENT OF AFFAIRS**  
**as at 1st January 2013**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Creditors	45,000	Debtors	22,500
Loan from Wife	66,000	Land and Building	89,600
Bank overdraft	25,000	Cash	7,500
Capital	18,900	Furniture	1,300
(balancing figure)		Stock	34,000
	1,54,900		1,54,900

**STATEMENT OF AFFAIRS**  
**as at 31st December 2013**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Creditors	93,000	Land and Building	90,000
Loan from Wife	57,000	Cash	8,700
		Furniture	1,300
		Stock	25,000
		Capital	25,000
		(balancing figure)	
	1,50,000		1,50,000

**Notes :**

- Above method is Net Worth Method or statement of affairs method of ascertaining Profit or Loss during the period adopted by the entity preparing accounts as per single entry system.
- At the end of the year Balance of capital is at asset side that means debit balance of the capital account.

- If capital at the end of the year is less than the capital in the beginning the result is loss and vice versa.

10.

**Statement of Affairs  
as at 1st April, 2012**

<b>Liabilities</b>	<b>Amount (Rs)</b>	<b>Assets</b>	<b>Amount (Rs)</b>
Creditors	2,000	Cash	600
Bills payable	1,500	Debtors	6,800
Capital (Balancing figure)	11,300	Stock	5,900
		Furniture	1,500
	<b>14,800</b> =====		<b>14,800</b> =====

**Statement of Affairs  
as at 31st March, 2013**

<b>Liabilities</b>	<b>Amount (Rs)</b>	<b>Assets</b>	<b>Amount (Rs)</b>
Creditors	1,800	Cash	700
Bills Payable	1,100	Debtors (6,400)	
		Less: Provision for Bad & Doubtful debts (340)	6,060
Capital (Balancing figure)	13,910	Stock	8,700
		Furniture	1,350
	<b>16,810</b> =====		<b>16,810</b> =====

**Statement of Profit and Loss**

as on 31st march, 2013

Particulars	Amount (Rs)
Closing Capital	13,910
Less: Opening Capital	(11,300)
Add: Drawings	3,000
Less: Additional Capital	0
<b>Profit before Adjustments</b>	<b>5,610</b>
Less: Provision for bad & doubtful debts	(320)
Less: Interest Outstanding	(180)
<b>Profit after Adjustments</b>	<b>5,110</b>

The statement of affairs method compares transactions at the beginning period to transactions at the ending period to calculate profit and loss. If assets exceed liabilities, this represents a positive capital position for the company, which is a profit. A loss has occurred if liabilities surpass assets when comparing the beginning and ending affairs of the business.