

# Accounts from Incomplete Records

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## 1. Introduction

Normally to prepare accounts, in Trading units / Business units they are given two effect for all economical (monetary) transactions. By this, all accounts are prepared in a business by Double Entry accounting method. Some small traders like hawkers, sole traders, small shopkeepers or small retailers do not keep the accounts completely as per double entry accounting system, because their utility of keeping the books of accounts is very limited. Like what is the profit or loss ? How much cash balance is there at the end of the day or month ? What amount is due from the others ? What amount is due to the others ? etc. They are not given double entry effect (two effect) for every economical transactions. For some transactions they are given only one effect in the books as per their requirements.

So, small traders keep the accounts or books with incomplete records. These accounts being in incomplete form, are known as Accounts from Incomplete Records. It is also known as single entry system.

## 2. Meaning of Single Entry System

Small traders do not maintain complete accounts as in double entry system. Instead of this they keep only cash book and ledger and record transactions relating to cash and personal accounts only. In this system double effect may not be given to each transaction of business. As per requirement of the business only one effect is given to some transactions, hence it is known as single entry system. In fact, single entry system is not an independent method of keeping books of accounts.

## 3. Characteristics of Single Entry System

(1) **Principles of Double Entry System** : In a single entry system when a businessman has given two effects to any transaction, then he followed the principle of double entry system. e.g. Goods or Assets comes in, it is debited and if it goes out, it is credited.

(2) **Small Retailers** : Normally only sole trader, small shopkeepers and small retailers keep their books as per this system.

(3) **Mixture of Single Entry and Double Entry** : In this method, all transactions are not recorded with single effect. Some transactions are recorded with one effect where others are recorded with double effect.

(4) **Books as per requirement** : Traders keep a few books of accounts like cash book and ledger as per their requirement.

(5) **There is no uniformity** : In this method, there is no uniformity in methods or systems for preparation of an account by traders. Some keep only cash book while the others prepare subsidiary books also.

(6) **Incomplete records** : In this method, there is no complete record of every transactions by a trader. Some transactions are recorded incompletely. This means only one effect has given to the accounts.

(7) **Entry for internal transactions** : In this method, there is no effect (or entry) for internal transaction of business. e.g. depreciation on assets, interest on capital etc.

#### 4. Uses of Single Entry System

(1) **Limited Object** : This method is very useful for small traders like hawkers, small retailers or small shopkeepers because the utility to prepare the accounts is limited.

(2) **Less Expensive and Less Time** : In this method all accounts are not prepared as per double accounting method. So accounts are prepared with less expense and less time.

(3) **Limited Books** : Small traders keep the books as per their business requirement. Normally they prepare only personal accounts but they do not prepare real accounts and income and expenditure accounts. So, it requires limited books.

#### 5. Limitations of Single Entry System

(1) **Trial Balance can not be Prepared** : As dual effect of all the transactions is not recorded by the businessmen, trial balance can not be prepared. Hence, it is not possible to check the arithmetical accuracy of the accounts.

(2) **Profit or Loss can not be Ascertained** : As income and expense accounts are not prepared, it is not possible to know the profit or loss at the end of the year like double entry system.

(3) **Final Accounts can not be Prepared** : In this method as assets accounts are not kept and trial balance is also not prepared, it is not possible to prepare final accounts. It is also not possible to know the true and fair financial position of the business.

(4) **Difficulty in Making Decisions** : Due to inadequate information, difficulties arise in making decisions like determining purchase price of the business, taking a loan, taking an insurance etc.

(5) **Possibilities of Errors, Fraud or Manipulation in Accounts** : There is no control in this method like in the double entry system. So, there are more possibilities of errors, fraud or manipulation in accounts.

(6) **Lack of Acquisition of Accurate Information about the Trading Operations** : It is not possible to get the accurate information about the trading operations because complete records are not kept for all transactions. Hence, it creates problems in trading operation.

(7) **Reliability** : This method is incomplete; so it is not reliable. Hence, accounts by this method are not considered reliable by banks, insurance companies, departments of government or taxation department.

## 6. Difference Between Single Entry System and Double Entry System

No.	Point of Difference	Single Entry	Double Entry
(1)	Effect of Transaction	Every transaction does not have two effects.	Every transactions have too effects.
(2)	Ledger Accounts	Normally, personal accounts are maintained in the ledger.	All accounts are maintained in the ledger.
(3)	Trial Balance	Trial balance can not be prepared.	Trial balance can be prepared.
(4)	Profit or Loss	As profit and loss account is not prepared, true profit or loss can not be known.	By preparing profit and loss account correct profit or loss can be ascertained.
(5)	True and fair view concept	As the Balance sheet can not be prepared carefully, true and fair view of economical condition of a business can not be found.	Balance sheet can be prepared carefully, so true and fair view of economical condition of a business can be found.
(6)	Who prepares ?	Small businessmen, hawkers, street vendors etc. prepare accounts under this system.	Businessmen, firms, companies etc. prepare accounts under this system.
(7)	Information	As this system is incomplete, necessary information is not available.	This system being complete, necessary information is available.
(8)	Control	It is not possible to keep control over activities of business in this method.	Under this system, it is possible to keep control over various activities of business.
(9)	Decision Making	Due to insufficient record of information, important decisions cannot be made.	Due to sufficient record of information, important decisions can be made.
(10)	Reliability	This system is not reliable because it's incomplete. Banks, Insurance, companies, government authorities or taxation department do not consider this accounting method valid.	This system is reliable because it's complete. Banks, insurance companies, government authorities or taxation department consider this accounting method valid.

## 7. Calculation of Profit or Loss Under Single Entry System of Accounting

When accounts are prepared under single entry system, to find profit or loss, the two methods mentioned hereafter are used :

(1) Statement of affairs or Capital Comparison Method

(2) Conversion of single entry into double entry.

We are expected to study only first method. i.e. 'Statement of affairs method' as per syllabus. Hence, the discussion regarding how to find profit or loss is explained hereafter.

**Statement of Affairs Method (Capital Comparison Method) :** As per this method, to find out profit or loss in any trading or business unit, opening capital and closing capital are compared at the year end. If closing capital is more, the difference is treated as profit and if closing capital is less, the difference is treated as loss.

If the amount of opening capital is not given, opening statement of affairs is prepared to find out the same. Similarly, if closing capital is not given, closing statement of affairs is prepared. Therefore, this method is also called 'Statement of affairs' method.

#### 8. What is Statement of Affairs ?

This statement is like balance sheet, on left side liabilities and payables are shown and assets and receivables are shown on the right side.

After having deduction of all debts (excluding capital) from the total of assets side, the arised difference is known as capital.

By showing opening balances of assets, receivables and liabilities in opening statement of affairs, the arised difference is known as opening capital. Similarly by showing closing balances of assets, receivables and liabilities in closing statement of affairs, the arised difference is known as closing capital.

#### 9. Difference Between Statement of Affairs and Balance Sheet

Statement of affairs and balance sheets are the statements that present the economic condition of a business on a specific date. But there are certain differences between the two; mentioned as under :

No.	Point of Difference	Statement of Affairs	Balance Sheet
(1)	Amount	This statement is prepared by balances and estimated values from incomplete records as per single entry system.	This statement is prepared an account of complete records and from the amount of systematic records of double entry system.
(2)	Trial Balance	Trial balance can't be prepared in single entry system. Hence arithmetical accuracy can't be verified.	Before preparing this statement, arithmetical accuracy can be verified by preparing trial balance.
(3)	Financial Picture of Business	A clear picture of the actual financial position of business can not be ascertained from this statement.	This statement shows true and fair view of financial position of business.



No.	Point of Difference	Statement of Affairs	Balance Sheet
(4)	Reliability	The particulars and amounts shown in this statement are not reliable.	The information and amount shown in this statement, are reliable.
(5)	Informations or Particulars	In this statement, the information about the financial position of business may not be complete.	In this statement, the information or particulars are complete.

#### 10. Specimen of Statement of Affairs

The specimen of statement of affairs is as under :

##### Statement of Affairs of Shri ..... as on .....

Liabilities	Amt. (₹)	Assets	Amt. (₹)
<b>Liabilities other than capital :</b>		Land and building	✓
Bank loan	✓	Machinery	✓
Mortgaged loan	✓	Furniture	✓
Creditors	✓	Debtors	✓
Bill payable	✓	Bills receivable	✓
Bank overdraft	✓	Cash balance	✓
Outstanding expenses	✓	Bank balance	✓
Income received in advance	✓	Prepaid expenses	✓
<b>Capital : Difference amount of total amount of assets side less amount of total liabilities other than capital</b>	✓	Income due	✓
Total ₹	✓✓✓	Total ₹	✓✓✓

#### 11. Ascertainment of Profit or Loss by Capital Comparison Method (Statement of Affairs Method)

Following steps are to be followed for ascertainment of profit or loss and also for the preparation of balance sheet by capital comparison method.

- (1) First of all prepare opening statement of affairs to find out opening capital.
- (2) Prepare closing statement of affairs to find out closing capital.
- (3) Prepare statement showing profit or loss as per specimen given as under to find out net profit or loss with adjustments.
- (4) Prepare balance sheet after considering the adjustments or any rectification / changes.

The statement given on next page as per specimen can be used to find profit or loss :

**Statement Showing Profit or Loss of Shri ..... for the Year Ended .....**

Particulars	Amount (₹)	Amount (₹)
Closing capital	✓	
<b>Add :</b> (1) Cash withdrawn	✓	
(2) Goods withdrawn	✓	
(3) Personal expenses paid from the business e.g., Life insurance premium, income-tax etc.	✓	
	✓	✓
<b>Less :</b> (1) Opening capital	✓	
(2) Additional capital brought during the year	✓	✓
Profit before adjustments		✓
<b>Less :</b> Adjustments :		
(1) Depreciation on assets	✓	
(2) Interest on capital	✓	
(3) Interest on loan	✓	
(4) Bad debts, bad debts reserve or discount reserve	✓	✓
<b>Add :</b> Interest on drawings		✓
<b>Net Profit / Loss</b>		✓✓✓

**The following points may be considered to give effects of adjustments :**

(1) **Depreciation on Assets :** The depreciation on opening balance of the assets is calculated for the whole year. Depreciation on assets purchased or sold during the year is calculated in proportion of time from the given date.

(2) **Interest on Capital :** Interest on opening capital is calculated for the whole year while on additional capital, it is calculated from the date of the capital is brought in the business.

(3) **Interest on Loan :** Interest on loan is calculated on the basis of the duration of the use of loan in business. Interest on partner's loan is taken as per the information given or it is calculated at 6 %, which is compulsory.

(4) **Interest on Drawings :** Interest is calculated as per given information and given period.

(5) **Bad Debts, Bad Debt Reserve (Reserve for Doubtful Debts) or Discount Reserve :** Calculation is made on debtor's closing balances only as per the following steps :

Debtor's (Closing balance)	✓
Less : Bad debts	✓
	✓
Less : Bad debt reserve	✓
	✓
Less : Discount reserve	✓
Net balance (amount)	✓

Now, let us see some illustrations of Statement of Affairs Method (Capital Comparison Method).

**Illustration 1 :** Shri Sanjay Vakil maintains his books of accounts as per single entry system. His assets and liabilities were as under :

Particulars	Dt. 1-4-15 Amount (₹)	Dt. 31-3-16 Amount (₹)
Machinery	42,000	51,000
Land and building	48,000	48,000
Furniture	6000	6000
Stock	21,000	24,000
Investments	3000	—
Debtors	18,000	21,600
Creditors	12,000	21,000
Bills receivable	3000	5000
Bills payables	9000	12,000
Cash and bank balance	12,000	14,000

During the year, his cash drawings was ₹ 7000 and goods withdrawn was ₹ 1800. He brought in ₹ 4000 as an additional capital. Prepare a statement showing his profit or loss for the year ended 31-3-2016.

Above mentioned information is obtained either from books or from the other sources.

**Answer :** In this example opening capital is not given. So, by preparing opening (Date : 1-4-2015) statement of affairs opening capital is found out. Similarly closing capital is not given. So, by preparing closing (Date : 31-3-2016) statement of affairs closing capital is found out. Then after, we prepare statement showing profit or loss. This problem is easy, because there is no adjustments.

**[A] Statement of Affairs as on Date : 1-4-2015**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	12,000	Machinery	42,000
Bills payables	9000	Land and building	48,000
		Furniture	6000
Opening capital	1,32,000	Stock	21,000
(Amount of difference)		Investments	3000
(1,53,000 – 21,000)		Debtors	18,000
		Bills receivables	3000
		Cash and bank balance	12,000
	<b>1,53,000</b>		<b>1,53,000</b>

**[B] Statement of Affairs as on Date : 31-3-2016**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	21,000	Machinery	51,000
Bills payables	12,000	Land and building	48,000
		Furniture	6000
Closing capital	1,36,600	Stock	24,000
(Amount of difference)		Investments	—
(1,69,600 – 33,000)		Debtors	21,600
		Bills receivables	5000
		Cash and bank balance	14,000
	<b>1,69,600</b>		<b>1,69,600</b>

**[C] Statement Showing Profit or Loss for the Year Ending on 31-3-2016 of Shri Sanjay Vakil**

Particulars	Amount (₹)	Amount (₹)
Closing capital (as per statement B)		1,36,600
<b>Add :</b> Cash withdrawn	7000	
Goods withdrawn	1800	8800
		1,45,400
<b>Less :</b> Opening capital (as per statement A)	1,32,000	
Additional capital brought in	4000	1,36,000
Profit before adjustments		9400
<b>Less :</b> Adjustments :		—
<b>Net Profit</b>		<b>9400</b>

**Illustration 2 :** Shri Mahesh Sonara maintains his account as per single entry system. From the following particulars of business, prepare profit and loss account for the year ended 31-3-2016 and a balance sheet as on that date.

**Statement of Affairs as on 1-4-2015**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Opening capital	52,500	Building	31,500
Creditors	10,500	Furniture	6300
Bills payables	5250	Activa Scooter	23,625
Bank overdraft	10,500	Debtors	7875
		Stock	5250
		Cash	4200
	<b>78,750</b>		<b>78,750</b>



Balances of some assets and liabilities as on 31-3-2016 were as under :

Debtors	₹ 11,550	Cash	₹ 5775
Creditors	₹ 5250	Bank overdraft	₹ 20,700
Goods stocks	₹ 12,075	Outstanding expenses	₹ 1050

**Additional Information :**

(1) On 1-10-2015, Shri Maheshbhai brought personal furniture of ₹ 3150 into the business.

(2) A cycle of ₹ 5250 was purchased on 1-7-2015.

(3) Goods worth ₹ 2625 were withdrawn for personal use by Shri Maheshbhai and Life Insurance premium of ₹ 525 was paid from the business.

(4) On 31-3-2016, 12 % government securities having face value of ₹ 5250 were purchased for ₹ 5000.

(5) Interest at 10 % p.a. on capital is to be calculated. Depreciation on building at 6 % p.a. and on Scooter at 12 % p.a. is to be calculated.

(6) 10 % bad debt reserve is to be provided on debtors.

**Answer :** In this illustration opening capital is given. Closing statement of affairs to be prepared to find out closing capital. Then after, statement showing profit or loss is to be prepared. Balance sheet is also to be prepared considering the adjustments.

**[A] Statement of Affairs as on 31-3-2016**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	5250	Building	31,500
Bank overdraft	20,700	Furniture	6300
Outstanding expenses	1050	+ Personal furniture brought in	3150
Closing capital	77,225		9450
(Difference amount)		Activa Scooter	23,625
		Debtors	11,550
		Goods stock	12,075
		Cash	5775
		Cycle	5250
		12 % Govt. securities	5000
	<b>1,04,225</b>		<b>1,04,225</b>

**[B] Statement Showing Profit or Loss for the Year Ended 31-3-2016**

Particulars	Amount (₹)	Amount (₹)
Closing capital (As per statement A)		77,225
<b>Add :</b> Drawings during the year :		
(1) Goods drawings	2625	
(2) Life Insurance premium paid from the business	525	3150
		80,375
<b>Less :</b> Additional capital brought in during the year (Personal furniture)		3150
		77,225
<b>Less :</b> Opening capital		52,500
Gross profit (Before adjustments)		24,725
<b>Less :</b> Adjustments :		
(1) Interest on capital		
On opening capital :		
$52500 \times 10 \% \times \frac{12}{12} = 5250$		
On additional capital :		
$3150 \times 10 \% \times \frac{6}{12} = 157.50$	5407.50	
(2) Depreciation on building (On 31,500 at 6 %)	1890	
(3) Depreciation on scooter (On 23,625 at 12 %)	2835	
(4) Bad debts reserve (On 11,550 at 10 %)	1155	11,287.50
<b>Net profit</b>		<b>13,437.50</b>

**[C] Balance Sheet as on 31-3-2016 of Shri Mahesh Sonara**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Opening capital	52,500	Buildings	31,500
+ Additional capital	3150	— Depreciation	1890
(Personal furniture)	55,650	Activa scooter	23625
+ Interest on capital	5407.50	— Depreciation	2835
+ Net profit	13437.50	Furniture	9450
	74,495	Debtors	11,550
— Drawings	3150	— Bad debts reserve	1155
	71,345	12 % Govt. Secutities	5000
Creditors	5250	Cycle	5250
Bank overdraft	20,700	Goods stock	12,075
Outstanding expenses	1050	Cash	5775
	98,345		98,345

**Illustration 3 :** Shri Harish Chaudhary keeps his books as per single entry system. From the following information you have to find out profit for the year 2015-16 and prepare a balance sheet as on 31-3-2016.

Particulars	Date : 1-4-15 Amount (₹)	Date : 31-3-16 Amount (₹)
Machinery	90,000	1,26,000
Debtors	1,08,000	1,06,800
Creditors	72,000	1,31,400
Cash balance	45,000	60,000
Salary due but not paid	4200	5200
Commission due but not received	600	800

The stock as on 1-4-2015 was valued at ₹ 90,000. During the year 2015-16, the purchases amounted to ₹ 3,60,000 while sales amounted to ₹ 4,05,000. The goods were sold so as to earn a profit of 25 % on cost price.

On 1-1-2016, Harish has brought his private furniture of ₹ 19,200 in the firm.

A machine of ₹ 36,000 has been purchased by cash, during the year on 1-10-2015. A bill receivable of ₹ 10,800 was received from one of the customers during the year, which was discounted for cash for ₹ 10,500, which has been recorded in cash book but posting has not been made in the customer's account.

Harish had taken away goods of ₹ 18,000 for personal use and goods of ₹ 9000 have been given as charity. Harish has withdrawn ₹ 36,000 in cash. He had paid ₹ 1800 for his daughter's school fees and life insurance premium of ₹ 900 of his wife from the business.

Provide for depreciation on machinery at 10 % p.a. and on furniture at 6 % p.a. Provide for bad debt reserve at 5 % on debtors and calculate interest on capital at 8 % p.a.

**Ans. :** In this example, value of opening stock is given but value of closing stock is not given. Hence, first of all stock account is to be prepared just like trading account to find out closing stock. Then after, opening statement of affairs and closing statement of affairs is to be prepared and at the end balance sheet with adjustment is to be prepared.

#### Stock Account for the year 2015-16

Dr		Cr	
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Opening stock	90,000	By Sales	4,05,000
To Purchase	3,60,000	By Goods withdrawn	18,000
To Gross profit (as per note)	81,000	By Goods given as charity	9000
		By Closing stock (balancing figure)	99,000
	<b>5,31,000</b>		<b>5,31,000</b>

**Note :** Gross profit is received at the rate of 25 % on cost price. If cost price is ₹ 100 then profit on that would be ₹ 25. Hence sales price would be ₹ 125. As per following step,

Sales price	Profit
125	25
4,05,000	(?) = 81,000 profit

**[A] Opening (on 1-4-2015) Statement of Affairs**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	72,000	Machinery	90,000
Outstanding salary	4200	Debtors	1,08,000
Opening capital (difference)	2,57,400	Cash balance	45,000
		Commission due but not received	600
		Stock	90,000
	<b>3,33,600</b>		<b>3,33,600</b>

**[B] Closing (on 31-3-2016) Statement of Affairs**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	1,31,400	Machinery	1,26,000
Outstanding salary	5200	Debtors (as per note)	96,000
Closing capital (difference)	2,64,400	(1,06,800 – 10,800)	
		Cash balance	60,000
		Commission due but not received	800
		Furniture	19,200
		Closing stock	99,000
	<b>4,01,000</b>		<b>4,01,000</b>

**Note :** Debtors as on 31-3-2016 were of ₹ 1,06,800 but the posting of bills receivable of ₹ 10,800 received from debtor is not recorded in debtors account. Hence after deducting the same net amount of debtors would be ₹ 96,000. Bills receivable is discounted, so it is not shown in [B] statement of affairs.

**[C] Statement Showing Profit or Loss for the Year Ended 31-3-2016**

Particulars	Amount (₹)	Amount (₹)
Closing capital (As per statement of affairs)		2,64,400
<b>Add :</b> Drawings during the year :		
(1) Goods withdrawn	18,000	
(2) Cash withdrawn	36,000	
(3) Daughter's school fees	1800	
(4) Life insurance premium of his wife	900	56,700
		3,21,100
<b>Less :</b> (1) Opening capital	2,57,400	
(2) Additional capital (Personal furniture)	19,200	2,76,600
Profit before adjustments :		44,500
<b>Less :</b> Adjustment :		
(1) Depreciation on machinery (Note 1)	10,800	
(2) Depreciation on furniture (Note 2)	288	
(3) Interest on capital (Note 3)	20,976	
(4) Bad debts reserve on debtors (96,000 × 5 %)	4800	36,864
<b>Net Profit</b>		<b>7636</b>

**Note 1 : Depreciation on Machinery :**

12 month's depreciation on opening balance of machinery,

$$90,000 \times 10 \% \times \frac{12}{12} = ₹ 9000$$

Depreciation on machine purchased as on 1-10-2015,

$$36,000 \times 10 \% \times \frac{6}{12} = ₹ 1800$$

Total depreciation (9000 + 1800) = ₹ 10,800

**Note 2 : Depreciation on Furniture :**

3 month's depreciation on personal furniture brought in as on 1-1-2016,

$$19,200 \times 6 \% \times \frac{3}{12} = ₹ 288$$

**Note 3 : Interest on Capital :**

12 month's interest on opening balance of capital,

$$2,57,400 \times 8 \% \times \frac{12}{12} = ₹ 20,592$$

3 month's interest on additional capital brought in during the year,

$$19,200 \times 8 \% \times \frac{3}{12} = ₹ 384$$

Total interest on capital (20,592 + 384) = ₹ 20,976

**[D] Balance Sheet as on 31-3-2016 of Shri Harish Chaudhary**

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Opening capital	2,57,400		Machinery	1,26,000	
+ Additional capital	19,200		— Depreciation	10,800	1,15,200
+ Interest on capital	20,976		Furniture	19,200	
	2,97,576		— Depreciation	288	18,912
+ Net profit	7636		Debtors	96,000	
	3,05,212		— Bad debts reserve	4800	91,200
— Drawings	56,700	2,48,512	Closing stock		99,000
Creditors		1,31,400	Cash balance		60,000
Outstanding salary		5200	Commission due but not received		800
		<b>3,85,112</b>			<b>3,85,112</b>



**Exercise**

**1. Select the right option for each question :**

- (1) Normally who uses single entry accounting methods ?
  - (a) Businessmen
  - (b) Small retailers
  - (c) Public companies
  - (d) Government companies
- (2) Which statement is to be prepared to find out opening capital in single entry system ?
  - (a) Trading account
  - (b) Statement of affairs
  - (c) Statement of profit-loss
  - (d) Statement of stock
- (3) Under single entry system –
  - (a) Only one effect for all transactions
  - (b) Two effect (entry) for all transactions
  - (c) No effect for any transaction
  - (d) Only one effect for some transactions and two effects of remaining transaction.
- (4) What should be prepared to find capital in capital comparison method ?
  - (a) Statement of Profit/Loss
  - (b) Statement of affairs
  - (c) Statement of goods for business
  - (d) Balance sheet
- (5) Single entry system is also called .....
  - (a) Accounts from complete records
  - (b) Accounts from incomplete records
  - (c) Double entry accounting system
  - (d) Independent accounting system

**2. Answer the following questions in one or two lines :**

- (1) What is single entry system ?
- (2) How does single entry system differ from double entry system ?
- (3) What is statement of affairs ?
- (4) Which capitals are compared in capital comparison method ?
- (5) Which items are added or which items are deducted from closing capital in statement showing profit or loss ?

**3. Answer the following questions in detail :**

- (1) What is single entry system ? Give the characteristics of single entry system.
- (2) Describe the uses (advantages) of single entry system.
- (3) Discuss the limitations of single entry system in detail.
- (4) Explain the difference between single entry system and double entry system.
- (5) What is statement of affairs ? Give specimen to explain.
- (6) Explain the difference between statement of affairs and balance sheet.
- (7) Discuss in detail how to determine profit or loss in capital comparison method.

4. Smt. Maltiben keeps her books of account as per single entry system. Her assets and liabilities as on 1-4-2015 and 31-3-2016 are as under :

Particulars	Date : 1-4-15 Amount (₹)	Date : 31-3-16 Amount (₹)
Building	84,000	84,000
Machinery	50,400	58,800
Furniture	10,800	10,800
Investments	4000	4000
Stock	25,200	30,400
Debtors	24,000	36,000
Creditors	16,200	33,000
Cash and Bank balance	14,400	22,500
Bills payable	18,000	20,700
Bills receivable	8400	10,700

During the year her cash withdrawal was ₹ 13,200 and goods withdrawal was ₹ 4200. She had brought ₹ 12,000 as additional capital in the business.

Prepare a statement showing profit or loss for the year ended 31-3-2016.

5. Smt. Shubhaben Nanavati keeps her accounts as per single entry system. From the following information find out the profit / loss by capital comparison method :

Particulars	Date : 1-4-15 Amount (₹)	Date : 31-3-16 Amount (₹)
Land - Building	13,000	25,000
Machinery	9000	11,000
Furniture	1500	2500
Investments	2500	3000
Debtors	6250	8250
Bills payable	600	750
Creditors	7500	9000
Bills receivable	1600	1200
Stock	4000	5000
Cash and Bank balance	4000	3000
Loan from bank	5000	5000
Provident fund	2000	2500

During the year, she had brought her personal scooter worth ₹ 11,000 in the business and she had withdrawn ₹ 1750 by cash. Her personal LIC premium of ₹ 3500 and income tax of ₹ 4100 are paid from business, while goods of ₹ 1400 were taken away for from business for her personal use.

6. From the following information, prepare a statement showing profit / loss of Sureshbhai Patel for the year ending 31st March, 2016.

Particulars	Date : 31-3-15 Amount (₹)	Date : 31-3-16 Amount (₹)
Machinery	18,000	18,000
Furniture	3600	3600
Cash balance	6000	4800
Bank balance	8000	10,500
Debtors	64,000	56,000
Stock	38,500	36,000
Bad debts reserve	4500	—
Creditors	52,000	48,000
Outstanding salary	3600	4800

Sureshbhai has withdrawn ₹ 300 every month. He brought ₹ 6000 as additional capital during the year. Provide depreciation on machinery and furniture at 10 %. Provide bad debts reserve on debtors at 5 %

7. Ramesh Priyadarshani keeps his account as per single entry system. The statement of affairs of showing his business condition as on 1-4-2016 is as under :

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	22,000	Building	22,000
Bills payable	8800	Furniture	6600
Opening capital	61,600	Debtors	44,000
		Bills receivable	4400
		Stock	11,000
		Cash and Bank balance	4400
	<b>92,400</b>		<b>92,400</b>

Balance as on 31-3-2017 were as under :

Building	26,400	Furniture	11,000
Debtors	55,000	Creditors	17,600
Bills payable	4400	Stock	8800
Cash and Bank balance	8800	Bills receivable	2200

**Additional Information :**

During the year he had brought his personal furniture worth ₹ 4400 in business and he had withdrawn ₹ 1100 per month. His LIC premium of ₹ 2200 and income tax of ₹ 4400 were paid from the business. Provide 5 % bad debts reserve on debtors. Calculate depreciation on building and furniture of ₹ 2400 and ₹ 1000 respectively.

From the above information, prepare a statement showing profit / loss for the period ending 31-3-2017.

8. Shri Vivek keeps his accounts as per single entry system. His particulars of assets and liabilities are as under :

Particulars	Date : 1-4-15 Amount (₹)	Date : 31-3-16 Amount (₹)
Land - Building	1,40,000	1,40,000
Furniture	30,000	45,000
Computer	—	24,000
Stock	36,000	21,000
Cash balance	11,000	14,000
Bank balance	58,000	32,000
Debtors	23,000	32,000
Creditors	24,000	21,000
Outstanding salary	4500	5400
Prepaid insurance	2100	3000

**Additional Information :**

His cash withdrawals were ₹ 6000 as on 1-7-2015 and ₹ 4000 on 1-10-2015. On 1-9-2015, he brought personal furniture worth ₹ 15,000, personal computer worth ₹ 24,000 and cash of ₹ 21,000 in the business.

Depreciation is to be provided at 10 % p.a. on land - building and furniture and 20 % p.a. on computer. Provide 5 % for doubtful debts on debtors. Interest is to be calculated at 10 % p.a. on capital and at 8 % p.a. on drawings.

From the above information, prepare statement showing profit / loss and a balance sheet as on 31-3-2016 in the books of Vivek.

