

10. SINGLE ENTRY SYSTEM

Q. 1. Answer in one sentence only.

1) What do you mean by Single Entry System?

Ans. The system in which cash book and personal accounts of debtors and creditors are maintained and assets and expense/incomes accounts are not maintained is known as Single Entry System.

2) What is Statement of Affairs?

Ans. A statement of assets and liabilities in which amount of capital is found out by taking difference between total assets and total liabilities is known as statement of affairs.

3) Which types of accounts are normally not kept under the Single Entry System?

Ans. Real and Nominal types of accounts are normally not kept under the single entry system.

4) Which statement is prepared under the single entry system to ascertain the capital balances?

Ans. Statement of affairs is prepared under the single entry system to ascertain the capital balances.

5) How opening capital is calculated under Single Entry System?

Ans. In a statement of affairs, when the total of the assets side is greater than the total of liabilities side, then difference of amount is known as 'Opening Capital'.

6) What types of accounts are maintained under Single Entry System?

Ans. Under Single Entry System, cash book and personal accounts of debtors and creditors are maintained.

7) Can a Trial Balance be prepared under Single Entry System?

Ans. Trial Balance cannot be prepared under Single Entry System.

8) Which type of organization generally follows Single Entry System?

Ans. A small business organization with limited number of transactions and very few assets and liabilities, generally follows Single Entry System.

Q. 2. Write word, term or phrase which can substitute each of the following statements:

Statement	Ans.
(1) A statement which is similar to Balance Sheet.	Statement of affairs
(2) System of accounting normally suitable to small business organization.	Single Entry System
(3) A statement similar to Balance Sheet prepared to find out the amount of opening capital.	Opening statement of affairs
(4) An excess of assets over liabilities.	Capital
(5) Excess of closing capital over opening capital of proprietor under Single Entry System.	Profit
(6) Name of method of accounting suitable to firms to having limited transactions.	Single entry system
(7) A System of accounting which is unscientific.	Single Entry System
(8) Further capital introduced by the proprietor in the business concern over and above his existing capital.	Additional capital

Q. 3. Select the most appropriate answer from the alternatives given below and rewrite the sentence.

- 1) The capital balances are ascertained by preparing **Statement of Affairs**.
- 2) Under Single Entry System, Opening Capital = Opening Assets less Opening **Liabilities**.
- 3) Additional Capital introduced during the year is **deducted** from closing capital in order to find out the correct profit.
- 4) Single Entry System may be useful for **sole traders**.
- 5) In order to find out the correct profit, drawings is to **added** closing capital.
- 6) The difference between assets and liabilities is called **Capital**.
- 7) When Closing Capital is greater than the Opening Capital, the difference is **Profit**.
- 8) Opening Capital is Rs. 30, 000; Closing Capital is Rs. 60,000; Withdrawals are Rs. 5,000 and further capital brought in is Rs. 3, 000; .Profit is = **Rs. 32, 000**.

Q.4. state True or False with reasons.

1) Double Entry System of Book-keeping is scientific method of books of accounts.

Ans. This statement is True.

In Double Entry System, for every monetary transaction, at least two effects are to be passed and every type of accounts are to be considered for preparing books of accounts. Therefore, Double Entry System of book keeping is scientific method of books of accounts.

2) Preparation of Trial Balance is not possible under Single Entry System.

Ans. This statement is True.

In the Trial Balance we require ledger balance of every account from business transactions which is not possible in the Single Entry System. Therefore, preparation of Trial Balance is not possible under single Entry system.

3) Statement of Affairs and Balance Sheet are one and the same.

Ans. This statement is True.

A statement of affairs is a statement of assets and liabilities. In a statement of affairs, right hand side is used for recording assets and left side is used for recording liabilities. Therefore, we can say that statement of affairs and balance sheet are one and the same.

4) Single Entry System is not useful for large organization.

Ans. This statement is True.

In a Single Entry System, cash book and personal accounts of debtors and creditors are maintained and real and nominal accounts are not maintained. In a large organization it is necessary to maintain every type of accounts. Therefore Single Entry System is not useful for large organization.

5) Only Cash and Personal accounts are maintained under Single Entry System.

Ans. This statement is True.

In the small organization where number of business transactions are limited and they have very few assets and liabilities and also they do not want to bear the expenses for accounting system. Therefore, they prefer Single Entry System in which only cash and personal accounts are maintained.

Q. 5. Do you agree with the following statements.

1) Further capital introduced during the year increases profit.

Ans. Disagree.

2) Interest on Drawings decreases the amount of profit under Single Entry System.

Ans. Disagree.

3) Real and Nominal accounts are not maintained under Single Entry System.

Ans. Disagree.

4) Single Entry System is based on certain rules and principles.

Ans. Disagree.

5) Statement of Profit is just like Profit and Loss Account.

Ans. Disagree.

Q. 6. Fill in the Blanks.

1) Statement of Affairs is just like a **balance sheet**.

2) Under Single Entry System, Profit = Closing Capital Less **opening capital**.

3) In order to find out the correct profit, drawings are **added** to the closing

capital.

4) In double entry Book Keeping System, in every business transaction we find two effects.

5) The difference between Assets and Liabilities is called capital.

6) Single Entry System is more popular for small/sole traders.

7) Additional Capital introduced during the year is deducted from Closing Capital in order to find out the correct profit.

8) Single Entity System is suitable for small business.

Q. 7. Find the odd one.

1) Interest on Drawings, Outstanding Expenses Overvaluation of Assets Prepaid Expenses.

Ans. Outstanding Expenses

2) Interest on Capital, Interest on Loan, Overvaluation of Liabilities, Depreciation on Assets.

Ans. Overvaluation of Liabilities.

3) Creditors, Bills Payable, Bank Overdraft, Stock in Trade.

Ans. Stock in Trade.