

# UNIT 1

## ACCOUNTS FROM INCOMPLETE RECORDS



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### Points to recall

The following points are to be recalled before learning accounts from incomplete records:

- ◇ Double entry system and its principles
- ◇ Types of accounts and rules of accounting
- ◇ Final accounts
- ◇ Treatment of adjustments such as bad debts, provision for bad and doubtful debts, depreciation, etc., in final accounts under double entry system.



### Learning objectives

- To enable the students to
- ◇ Understand the features and limitations of incomplete records
  - ◇ Prepare statement of affairs and calculate profit or loss from incomplete records
  - ◇ Prepare final accounts from incomplete records

### Key terms to know

- ◇ Incomplete records
- ◇ Statement of affairs
- ◇ Total debtors account
- ◇ Total creditors account



## 1.1 Introduction



### Student activity 1.1

Visit nearby petty shops. Observe for an hour. Do they record sale immediately after it takes place? Find out from the seller about how does he / she keep a track of the sales, expenses and profit.

Maintenance of accounting records as per double entry system is compulsory for certain organisations. For example, in India, companies must maintain accounting records under double entry system as per Section 128(1) of the Indian Companies Act, 2013. Such organisations must maintain accounts only under double entry system. Other organisations may or may not strictly follow the double entry system. Organisations in which double entry system is not strictly followed, accounting records may be maintained as per the requirements and desires of the proprietors and accountants. As the accounting records are not prepared in its entirety as under double entry system, these records are called incomplete records.

## 1.2 Meaning of incomplete records

When accounting records are not strictly maintained according to double entry system, these records are called incomplete accounting records. Generally, cash account and the personal accounts of customers and creditors are maintained fully and other accounts are maintained based on necessity.

Under this, some transactions are recorded fully, that is, for some transactions both the debit and credit aspects are entered. For example, both the aspects are entered for cash received from customers and cash paid to creditors. Some transactions are partially recorded, that is, only one aspect is entered. For example, expenses paid may be entered only in cash account. Some transactions are not recorded at all, that is, both the debit and credit aspects are not entered. For example, depreciation on fixed assets. Hence, these are usually called incomplete records.

It is an incomplete and unscientific way of book keeping. It was called single entry system of book keeping.

## 1.3 Features of incomplete records

Following are the features of incomplete records:

- (i) **Nature:** It is an unscientific and unsystematic way of recording transactions. Accounting principles and accounting standards are not followed properly.
- (ii) **Type of accounts maintained:** In general, only cash and personal accounts are maintained fully. Real accounts and nominal accounts are not maintained properly. Some transactions are completely omitted.
- (iii) **Lack of uniformity:** There is no uniformity in recording the transactions among different organisations. Different organisations record their transactions according to their needs and conveniences.



- (iv) **Financial statements may not represent true and fair view:** Due to the incomplete information and inaccurate records of accounts, the profit or loss calculated from these records cannot be relied upon. It may not represent true profitability. Assets and liabilities may not represent a true and fair view of financial position.
- (v) **Suitability:** Only the business concerns which have no legal obligation to maintain books of accounts under double entry system may maintain incomplete records. Hence, it may be maintained by small sized sole traders and partnership firms.
- (vi) **Mixing up of personal and business transactions:** Generally, personal transactions of the owners are mixed up with the business transactions. For example, purchase of goods for own use may be mixed up along with business purchases.

## 1.4 Limitations of incomplete records

Following are the limitations of incomplete records:

- (i) **Lack of proper maintenance of records:** It is an unscientific and unsystematic way of maintaining records. Real and nominal accounts are not maintained properly.
- (ii) **Difficulty in preparing trial balance:** As accounts are not maintained for all items, the accounting records are incomplete. Hence, it is difficult to prepare trial balance to check the arithmetical accuracy of the accounts.
- (iii) **Difficulty in ascertaining true profitability of the business:** Profit is found out based on available information and estimates. Hence, it is difficult to ascertain true profit as the trading and profit and loss account cannot be prepared with accuracy.
- (iv) **Difficulty in ascertaining financial position:** In general, only the estimated values of assets and liabilities are available from incomplete records. Hence, it is difficult to ascertain true and fair view of state of affairs or financial position as on a particular date.
- (v) **Errors and frauds cannot be detected easily:** As only partial records are available, it may not be possible to have internal checks in maintaining accounts to detect errors and frauds.
- (vi) **Unacceptable to government and other authorities:** As accounts maintained are incomplete, these may not comply with the legal requirements. Hence, government, tax authorities and other legal authorities do not accept accounts prepared from incomplete records.



## 1.5 Differences between double entry system and incomplete records

Basis of distinction	Double entry system	Incomplete records
1. Recording of transactions	Both debit and credit aspects of all the transactions are recorded.	Debit and credit aspects of all the transactions are not recorded completely. For some transactions both aspects are entered, some transactions are partially recorded and some transactions are omitted to be entered.
2. Type of accounts maintained	Personal, real and nominal accounts are maintained fully.	In general, only personal and cash accounts are maintained fully. Real and nominal accounts are not maintained fully.
3. Preparation of trial balance	Trial balance can be prepared to check the arithmetical accuracy of the entries made in the books of accounts.	It is difficult to prepare the trial balance to check arithmetic accuracy of entries made in the books of accounts as the accounts are incomplete.
4. Determination of true profit or loss	Trading and profit and loss account can be prepared to find out the true profit or loss.	Trading and profit and loss account cannot be prepared with accuracy as complete information is not available and hence profit or loss found out may not be accurate.
5. Determination of financial position	Balance sheet can be prepared to know the true financial position.	Balance sheet cannot be prepared with accuracy and true financial position cannot be ascertained, as the assets and liabilities are just estimates and incomplete.
6. Suitability	It is suitable for all types of organisations.	It may be suitable for small sized sole traders and partnership firms.
7. Reliability	It is reliable since it is a scientific system of accounting and is based on certain accounting principles.	It is not reliable since it is unscientific.
8. Acceptability	Accounting records are acceptable to all users including tax authorities and financial institutions.	Accounting records may not be acceptable to all users.

## 1.6 Accounts from incomplete records

Ascertainment of profit or loss and financial position is essential also for organisations which maintain incomplete records. Based on available information in the incomplete records and from memory, profit or loss may be calculated. The difference between the capital at the end and the capital at the beginning may be considered as the profit as the profit is adjusted in capital in such entities. Also, with the available data, the missing figures can be found out and then the final accounts may be prepared.

## 1.7 Ascertaining profit or loss from incomplete records through statement of affairs

Under this method, by comparing the capital (net worth) at the beginning and at the end of a specified period profit or loss is found out. Any increase in capital (net worth) is taken as profit while a decrease in capital is regarded as loss.

Capital at the beginning and at the end can be found out by preparing statement of affairs in the beginning and at the end of an accounting year respectively. A statement of affairs is a statement showing the balances of assets and liabilities on a particular date. This method of ascertaining profit is also called as statement of affairs method or networth method or capital comparison method.

### 1.7.1 Calculation of profit or loss through statement of affairs

The difference between the closing capital and the opening capital is taken as profit or loss of the business. Due adjustments are to be made for any withdrawal of capital from the business and for the additional capital introduced in the business.

Take the closing capital as the base. Drawings made during the year should be added with the closing capital. This is because drawings would have reduced the closing capital. Additional capital introduced during the year should be subtracted. This is because the additional capital introduced would have increased the closing capital. This will give the adjusted closing capital.

$$\text{Adjusted closing capital} = \text{Closing capital} + \text{Drawings} - \text{Additional capital}$$

By comparing adjusted closing capital with the opening capital the profit or loss can be ascertained. If the difference is a positive figure it is profit and if it is negative it is loss.

$$\text{Closing Capital} + \text{Drawings} - \text{Additional Capital} - \text{Opening Capital} = \text{Profit/ Loss}$$

### Tutorial note

$$\text{Opening capital} + \text{Additional capital} + \text{Profit/ - Loss} - \text{Drawings} = \text{Closing capital}$$

$$\text{Profit/Loss} = \text{Closing capital} + \text{Drawings} - \text{Additional capital} - \text{Opening capital}$$

### 1.7.2 Steps to be followed to find out the profit or loss by preparing statement of affairs

Following are the steps to be followed to find out the profit or loss when a statement of affairs is prepared:

1. Ascertain the opening capital by preparing a statement of affairs at the beginning of the year by taking the opening balances of assets and liabilities.
2. Ascertain the closing capital by preparing a statement of affairs at the end of the accounting period after making all adjustments such as depreciation, bad debts, outstanding and prepaid expenses, outstanding income, interest on capital, interest on drawings, etc.
3. Add the amount of drawings (both in cash and/in kind) to the closing capital.
4. Deduct the amount of additional capital introduced, to get adjusted closing capital.
5. Ascertain profit or loss by subtracting opening capital from the adjusted closing capital.
  - (a) If adjusted closing capital is more than the opening capital, it denotes profit
  - (b) If adjusted closing capital is lesser than the opening capital, it denotes loss

Following format is used to find out the profit or loss:

#### Statement of profit or loss for the year ended .....

Particulars	₹
Capital at the end of the year	XXX
Add: Drawings during the year	XXX
	XXX
Less: Additional capital introduced during the year	XXX
Adjusted closing capital	XXX
Less: Opening Capital	XXX
Profit or loss for the year	XXX

#### Illustration 1

From the following particulars ascertain profit or loss:

	₹
Capital at the beginning of the year (1 <sup>st</sup> April, 2016)	2,00,000
Capital at the end of the year (31 <sup>st</sup> March, 2017)	3,50,000
Additional capital introduced during the year	70,000
Drawings during the year	40,000

### Solution

#### Statement of profit or loss for the year ended 31<sup>st</sup> March, 2017

Particulars	₹
Closing capital (as on 31.3.2017)	3,50,000
Add: Drawings during the year	40,000
	3,90,000
Less: Additional capital introduced during the year	70,000
Adjusted closing capital	3,20,000
Less: Opening capital (as on 1.4.2016)	2,00,000
Profit made during the year	1,20,000

### Illustration 2

From the following particulars ascertain profit or loss:

	₹
Capital as on 1 <sup>st</sup> April 2018	1,60,000
Capital as on 31 <sup>st</sup> March, 2019	1,50,000
Additional capital introduced during the year	25,000
Drawings made during the year	30,000

### Solution

#### Statement of profit or loss for the year ended 31<sup>st</sup> March, 2019

Particulars	₹
Closing capital (as on 31.3.2019)	1,50,000
Add: Drawings during the year	30,000
	1,80,000
Less: Additional capital introduced during the year	25,000
Adjusted closing capital	1,55,000
Less: Opening capital (as on 1.4.2018)	1,60,000
Loss incurred during the year	(-) 5,000

### Illustration 3

From the following details, calculate the missing figure.

	₹
Closing capital as on 31.3.2019	1,90,000
Additional capital introduced during the year	50,000
Drawings during the year	30,000
Opening capital on 1.4.2018	?
Loss for the year ending 31.3.2019	40,000

### Solution

#### Statement of profit or loss for the year ended 31<sup>st</sup> March, 2019

Particulars	₹
Closing capital (as on 31.3.2019)	1,90,000
Add: Drawings during the year	30,000
	2,20,000
Less: Additional capital introduced during the year	50,000
Adjusted closing capital	1,70,000
Less: Opening capital (as on 1.4.2018) (balancing figure)	<b>2,10,000</b>
Loss for the year ending 31.3.2019	(-) 40,000

### Illustration 4

From the following details, calculate the capital as on 31<sup>st</sup> December 2018:

	₹
Capital as on 1st January, 2018	27,500
Goods taken for the personal use of the proprietor	5,000
Additional capital introduced during the year	2,500
Profit for the year	10,000

### Solution

#### Statement of profit or loss for the year ended 31<sup>st</sup> December, 2018

Particulars	₹
Closing capital (as on 31.12.2018) (balancing figure)	<b>35,000</b>
Add: Drawings during the year (goods taken for personal use)	5,000
	40,000
Less: Additional capital introduced during the year	2,500
Adjusted closing capital	37,500
Less: Opening capital (as on 1.1.2018)	27,500
Profit made during the year	10,000

### Illustration 5

From the following details, calculate the missing figure:

	₹
Capital as on 1 <sup>st</sup> April, 2017	2,50,000
Capital as on 31 <sup>st</sup> March, 2018	2,75,000
Additional capital introduced during the year	30,000
Profit for the year	15,000
Drawings during the year	?

## Solution

### Statement of profit or loss for the year ended 31<sup>st</sup> March, 2018

Particulars	₹
Closing capital (as on 31.3.2018)	2,75,000
Add: Drawings during the year (balancing figure)	<b>20,000</b>
	2,95,000
Less: Additional capital introduced during the year	30,000
Adjusted closing capital	2,65,000
Less: Opening capital (as on 1.4.2017)	2,50,000
Profit made during the year	15,000



Drawings made during the year ₹ 20,000 can also be found out by preparing the capital account.

Dr.				Capital Account				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
2018				2017							
Mar. 31	To Drawings A/c (balancing figure)		20,000	Apr. 1	By Balance b/d		2,50,000				
					By Cash A/c		30,000				
31	To Balance c/d		<b>2,75,000</b>	2018							
				Mar. 31	By Profit		15,000				
			2,95,000								2,95,000

### 1.7.3 Statement of affairs

A statement of affairs is a statement showing the balances of assets and liabilities on a particular date. The balances of assets are shown on the right side and the balances of liabilities on the left side. It is prepared from incomplete records to find out the capital of a business unit on a particular date. This statement resembles a balance sheet. The difference between the total of assets and total of liabilities is taken as capital.

$$\text{Capital} = \text{Assets} - \text{Liabilities}$$

Although the statement of affairs is a list of assets and liabilities, it is not called balance sheet because the values of all assets and liabilities shown in the statement of affairs are not fully based on the ledger balances. Some items are taken from accounts maintained, some items from relevant documents and some balances are mere estimates based on memory.

### 1.7.4 Format of statement of affairs

In the books of -----  
Statement of affairs as on -----

Liabilities	₹	Assets	₹
Sundry creditors	xxx	Cash in hand	xxx
Bills payable	xxx	Cash at bank	xxx
Outstanding expenses	xxx	Sundry debtors	xxx
Bank overdraft	xxx	Bills receivable	xxx
Capital (Balancing figure)	xxx	Stock-in-trade	xxx
		Prepaid expenses	xxx
		Fixed assets	xxx
	xxx		xxx

#### Illustration 6

Following are the balances of Shanthi as on 31<sup>st</sup> December 2018.

Particulars	₹	Particulars	₹
Bills receivable	6,000	Sundry creditors	25,000
Bills payable	4,000	Stock	45,000
Machinery	60,000	Debtors	70,000
Furniture	10,000	Cash	4,000

Prepare a statement of affairs as on 31<sup>st</sup> December 2018 and calculate capital as at that date.

#### Solution

In the books of Shanthi  
Statement of affairs as on 31<sup>st</sup> December, 2018

Liabilities	₹	Assets	₹
Sundry creditors	25,000	Cash	4,000
Bills payable	4,000	Stock	45,000
Capital (balancing figure)	<b>1,66,000</b>	Debtors	70,000
		Bills receivable	6,000
		Machinery	60,000
		Furniture	10,000
	1,95,000		1,95,000

### 1.7.5 Differences between Statement of affairs and Balance sheet

Basis of distinction	Statement of affairs	Balance sheet
1. Objective	Statement of affairs is generally prepared to find out the capital of the business.	Balance sheet is prepared to ascertain the financial position of the business.
2. Accounting system	Statement of affairs is prepared when double entry system is not strictly followed.	Balance sheet is prepared when accounts are maintained under double entry system.
3. Basis of preparation	It is not fully based on ledger balances. Wherever possible ledger balances are taken. Some items are taken from some source documents and some items are mere estimates.	It is prepared exclusively on the basis of ledger balances.
4. Reliability	It is not reliable as it is based on incomplete records.	It is reliable as it is prepared under double entry system.
5. Missing items	It is difficult to trace the items omitted as complete records are not maintained.	Since both the aspects of all transactions are duly recorded, items omitted can be traced easily.

#### Illustration 7

On 1<sup>st</sup> April 2017, Ganesh started his business with a capital of ₹ 75,000. He did not maintain proper book of accounts. Following particulars are available from his books as on 31.03.2018.

Particulars	₹	Particulars	₹
Cash	5,000	Debtors	16,000
Stock of goods	18,000	Creditors	9,000
Bills receivable	7,000	Cash at bank	24,000
Furniture	3,000	Bills payable	6,000
Land and buildings	30,000		

During the year he withdrew ₹ 15,000 for his personal use. He introduced further capital of ₹ 20,000 during the year. Calculate his profit or loss.

#### Solution

##### Statement of affairs of Ganesh as on 31<sup>st</sup> March, 2018

Liabilities	₹	Assets	₹
Creditors	9,000	Cash	5,000
Bills payable	6,000	Cash at bank	24,000
Capital (balancing figure)	<b>88,000</b>	Stock of goods	18,000
		Debtors	16,000
		Bills receivable	7,000
		Land and buildings	30,000
		Furniture	3,000
	1,03,000		1,03,000

### Tutorial note

For finding out the closing capital, Statement of affairs as on 31<sup>st</sup> March, 2018 is prepared.

#### Statement of profit or loss for the year ending 31<sup>st</sup> March, 2018

Particulars	₹
Closing capital as on 31.03.2018	88,000
Add: Drawings during the year	15,000
	1,03,000
Less: Additional capital introduced during the year	20,000
Adjusted closing capital	83,000
Less: Opening capital as on 01.04.2017	75,000
Profit made during the year ending 31.03.2018	8,000

### Illustration 8

David does not keep proper books of accounts. Following details are given from his records.

Particulars	1.4.2018 ₹	31.3.2019 ₹
Cash	43,000	29,000
Stock of goods	1,20,000	1,30,000
Sundry debtors	84,000	1,10,000
Sundry creditors	1,05,000	1,02,000
Loan	25,000	20,000
Business premises	2,50,000	2,50,000
Furniture	33,000	45,000

During the year he introduced further capital of ₹ 45,000 and withdrew ₹ 2,500 per month from the business for his personal use. Prepare statement of profit or loss with the above information.

### Solution

#### In the books of David

#### Calculation of opening capital

#### Statement of affairs as on 1<sup>st</sup> April, 2018

Liabilities	₹	Assets	₹
Sundry creditors	1,05,000	Cash	43,000
Loan	25,000	Stock of goods	1,20,000
Capital (balancing figure)	4,00,000	Sundry debtors	84,000
		Business premises	2,50,000
		Furniture	33,000
	5,30,000		5,30,000

## Calculation of closing capital

### Statement of affairs as on 31st March, 2019

Liabilities	₹	Assets	₹
Sundry creditors	1,02,000	Cash	29,000
Loan	20,000	Stock of goods	1,30,000
		Sundry debtors	1,10,000
Capital (balancing figure)	<b>4,42,000</b>	Business premises	2,50,000
		Furniture	45,000
	<b>5,64,000</b>		<b>5,64,000</b>

### Statement of profit or loss for the year ending 31<sup>st</sup> March, 2019

Particulars	₹
Closing capital as on 31.3.2019	4,42,000
Add: Drawings during the year (2,500 x 12)	30,000
	4,72,000
Less: Additional capital introduced during the year	45,000
Adjusted closing capital	4,27,000
Less: Opening capital as on 1.4.2018	4,00,000
Profit made during the year ending 31.3.2019	<b>27,000</b>



#### Student activity 1.2

**Think:** An additional capital of ₹ 45,000 has been introduced during the year. Observe the details given in the question. Think of any two reasons for the need for additional capital.

### Illustration 9

Ahmed does not keep proper books of accounts. Find the profit or loss made by him for the year ending 31<sup>st</sup> March, 2018.

Particulars	1.4.2017 ₹	31.3.2018 ₹
Bank balance	14,000 (Cr.)	18,000 (Dr.)
Cash in hand	800	1,500
Stock	12,000	16,000
Debtors	34,000	30,000
Plant	80,000	80,000
Furniture	40,000	40,000
Creditors	60,000	72,000

Ahmed had withdrawn ₹ 40,000 for his personal use. He had introduced ₹ 16,000 as capital for expansion of his business. A provision of 5% on debtors is to be made. Plant is to be depreciated at 10%.

**Solution****In the books of Ahmed****Calculation of opening capital****Statement of affairs as on 31<sup>st</sup> March, 2017**

Liabilities	₹	Assets	₹
Bank overdraft	14,000	Cash in hand	800
Creditors	60,000	Stock	12,000
Capital (balancing figure)	<b>92,800</b>	Debtors	34,000
		Plant	80,000
		Furniture	40,000
	<b>1,66,800</b>		<b>1,66,800</b>

**Calculation of closing capital****Statement of affairs as on 31<sup>st</sup> March, 2018**

Liabilities	₹	Assets	₹	₹
Creditors	72,000	Bank balance		18,000
Capital (balancing figure)	<b>1,04,000</b>	Cash in hand		1,500
		Stock		16,000
		Debtors	30,000	
		Less: Provision for doubtful debts @ 5%	1,500	28,500
		Plant	80,000	
		Less: Depreciation	8,000	72,000
		Furniture		40,000
	<b>1,76,000</b>			<b>1,76,000</b>

**Statement of profit or loss for the year ending 31<sup>st</sup> March, 2018**

Particulars	₹
Closing capital as on 31.3.2018	1,04,000
Add: Drawings during the year	40,000
	1,44,000
Less: Additional capital introduced during the year	16,000
Adjusted closing capital	1,28,000
Less: Opening capital as on 31.3.2017	92,800
Profit for the year ending 31.3.2018	<b>35,200</b>

## 1.8 Preparation of final accounts from incomplete records

When books of accounts are incomplete, information regarding revenues, expenses assets and liabilities is not known fully. Hence, it becomes difficult to prepare trading and profit and loss account and balance sheet. But with the available data, the missing figures can be found out and then the final accounts can be prepared.

### 1.8.1 Steps to be followed to prepare final accounts from incomplete records

Following are the steps to be followed to prepare final accounts from incomplete records:

1. Opening statement of affairs is to be prepared, to ascertain the opening capital.
2. Missing figures must be found out with the available data.

This can be done by preparing memorandum accounts or by making necessary adjustments to the existing figures. For example,

- (a) It may become necessary to prepare a cash book to find out the missing items such as cash purchases, cash sales, etc.
- (b) By preparing total debtors account and total creditors account, credit sales and credit purchases can be ascertained respectively.
- (c) Bills receivable account and bills payable account are to be prepared to find out the balances of bills receivable received and bills payable accepted respectively.

3. The final step is to prepare trading and profit and loss account and balance sheet.

Formats of important accounts, that is, total debtors account, bills receivable account, total creditors account and bills payable account are given below:

#### (i) Format of total debtors account

Dr.		Total debtors account		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d (opening balance)	xxx	By Cash A/c (received)	xxx		
To Sales A/c (credit sales)	xxx	By Bank A/c (cheques received)	xxx		
To Bank A/c (cheque dishonoured)	xxx	By Discount allowed A/c	xxx		
To Bills receivable A/c (bills dishonoured)	xxx	By Sales returns A/c	xxx		
		By Bad debts A/c	xxx		
		By Bills receivable A/c (bills received)	xxx		
		By Balance c/d (closing balance)	xxx		
	xxx		xxx		

### Illustration 10

Find out credit sales from the following information:

	₹
Debtors on 1 <sup>st</sup> January 2018	40,000
Cash received from debtors	1,00,000
Discount allowed	5,000
Sales returns	2,000
Debtors on 31st December 2018	60,000

### Solution

Dr.		Total debtors account	Cr.	
Particulars	₹	Particulars	₹	
To Balance b/d	40,000	By Cash A/c (received)	1,00,000	
To Sales A/c (credit)	1,27,000	By Discount allowed A/c	5,000	
(balancing figure)		By Sales returns A/c	2,000	
		By Balance c/d	60,000	
	1,67,000		1,67,000	

### Illustration 11

From the following details find out total sales made during the year.

	₹
Debtors on 1 <sup>st</sup> April 2018	50,000
Cash received from debtors during the year	1,50,000
Returns inward	15,000
Bad debts	5,000
Debtors on 31 <sup>st</sup> March 2019	70,000
Cash Sales	1,40,000

Dr.		Total debtors account	Cr.	
Particulars	₹	Particulars	₹	
To Balance b/d	50,000	By Cash A/c	1,50,000	
To Sales A/c (credit)	1,90,000	By Returns inward A/c	15,000	
(balancing figure)		By Bad debts A/c	5,000	
		By Balance c/d	70,000	
	2,40,000		2,40,000	

$$\begin{aligned}
 \text{Total Sales} &= \text{Cash Sales} + \text{Credit Sales} \\
 &= ₹ 1,40,000 + ₹ 1,90,000 \\
 &= ₹ 3,30,000
 \end{aligned}$$

## (ii) Format of bills receivable account

Dr.	Bills receivable account		Cr.
Particulars	₹	Particulars	₹
To Balance b/d (opening balance)	xxx	By Cash / Bank A/c (Bills receivable honoured)	xxx
To Sundry debtors A/c (Bills receivable received during the year)	xxx	By Sundry debtors A/c (Bills receivable dishonoured)	xxx
		By Balance c/d (closing balance)	xxx
	xxx		xxx

## Illustration 12

From the following particulars, prepare bills receivable account and compute the bills received from the debtors.

Particulars	₹
Opening bills receivable	20,000
Closing bills receivable	30,000
Cash received for bills receivable	60,000
Bills receivable dishonoured	5,000

## Solution

Dr.	Bills receivable account		Cr.
Particulars	₹	Particulars	₹
To Balance b/d	20,000	By Cash A/c	60,000
To Debtors A/c (Bills received during the year – balancing figure)	75,000	By Debtors A/c (Bills receivable dishonoured)	5,000
		By Balance c/d	30,000
	95,000		95,000

### Illustration 13

From the following particulars, calculate total sales.

Particulars	₹
Debtors on 1 <sup>st</sup> April 2017	1,50,000
Bills receivable on 1 <sup>st</sup> April 2017	40,000
Cash received from debtors	3,90,000
Cash received for bills receivable	90,000
Bills receivable dishonoured	10,000
Sales return	40,000
Bills receivable on 31 <sup>st</sup> March, 2018	30,000
Sundry debtors on 31 <sup>st</sup> March, 2018	1,30,000
Cash sales	2,00,000

### Solution

Bills receivable account			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Balance b/d	40,000	By Cash A/c	90,000
To Debtors A/c*	90,000	By Debtors A/c	10,000
(Bills received during the year – balancing figure)		(Bills receivable dishonoured)	
		By Balance c/d	30,000
	1,30,000		1,30,000

Total debtors account			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Balance b/d	1,50,000	By Cash A/c	3,90,000
To Bills receivable A/c (dishonoured)	10,000	By Sales returns A/c	40,000
To Sales A/c (credit)	4,90,000	By Bills receivable A/c*	90,000
(balancing figure)		(bills received)	
		By Balance c/d	1,30,000
	6,50,000		6,50,000

Total Sales = Cash Sales + Credit Sales = ₹ 2,00,000 + ₹ 4,90,000 = ₹ 6,90,000.

### (iii) Format of total creditors account

Dr.		Total creditors account		Cr.	
Particulars	₹	Particulars	₹		
To Cash A/c (paid)	xxx	By Balance b/d	xxx		
To Bank A/c (cheques paid)	xxx	(opening balance)			
To Bills payable A/c		By Purchases A/c	xxx		
(bills accepted)	xxx	(credit purchases)			
To Discount received A/c	xxx	By Bank A/c	xxx		
To Purchase returns A/c	xxx	(cheques dishonoured)			
To Balance c/d	xxx	By Bills payable A/c	xxx		
(closing balance)		(dishonoured )			
	xxx		xxx		

### Illustration 14

From the following details, calculate credit purchases.

Particulars	₹
Creditors on 1st April, 2018	50,000
Returns outward	6,000
Cash paid to creditors	1,60,000
Creditors on 31st March, 2019	70,000

### Solution

Dr.		Total creditors account		Cr.	
Particulars	₹	Particulars	₹		
To Cash A/c (paid)	1,60,000	By Balance b/d	50,000		
To Returns outward A/c	6,000	By Purchases A/c (Credit)	1,86,000		
To Balance c/d	70,000	(balancing figure)			
	2,36,000		2,36,000		

#### (iv) Format of bills payable account

Dr.		Bills payable account		Cr.	
Particulars	₹	Particulars	₹		
To Cash / Bank A/c (bills payable paid)	xxx	By Balance b/d (opening balance)	xxx		
To Sundry creditors A/c (bills payable dishonoured)	xxx	By Sundry creditors A/c (bills accepted)	xxx		
To Balance c/d (closing balance)	xxx				
	xxx				xxx

#### Illustration 15

From the following particulars calculate total purchases.

Particulars	₹
Sundry creditors on 1 <sup>st</sup> April, 2017	75,000
Bills payable on 1 <sup>st</sup> April, 2017	60,000
Paid cash to creditors	3,70,000
Paid for bills payable	1,00,000
Purchases returns	15,000
Cash purchases	3,20,000
Creditors on 31 <sup>st</sup> March, 2018	50,000
Bills payable on 31 <sup>st</sup> March, 2018	80,000

#### Solution

Dr.		Bills payable account		Cr.	
Particulars	₹	Particulars	₹		
To Cash A/c (bills paid)	1,00,000	By Balance b/d	60,000		
To Balance c/d	80,000	By Sundry creditors A/c (Bills accepted - balancing figure)	1,20,000		
	1,80,000				1,80,000

Dr.	Total creditors account		Cr.
Particulars	₹	Particulars	₹
To Cash A/c (paid)	3,70,000	By Balance b/d	75,000
To Purchases return A/c	15,000	By Purchases A/c (credit)	<b>4,80,000</b>
To Bills payable A/c (bills accepted)	1,20,000	(balancing figure)	
To Balance c/d	50,000		
	<u>5,55,000</u>		<u>5,55,000</u>

Total purchases = Cash purchases + Credit purchases  
= ₹ 3,20,000 + ₹ 4,80,000 = ₹ 8,00,000

### Illustration 16

From the following details you are required to calculate credit sales and credit purchases by preparing total debtors account, total creditors account, bills receivable account and bills payable account.

Particulars	Opening ₹	Closing ₹
Debtors	60,000	55,000
Bills receivable	5,000	1,000
Creditors	25,000	28,000
Bills payable	2,000	3,000
<b>Other information:</b>		
Cash received from debtors		1,30,000
Discount allowed to customers		5,500
Cash paid to creditors		70,000
Discount allowed by suppliers		3,500
Payments against bill payable		7,000
Cash received for bills receivable		14,000
Bills receivable dishonoured		1,200
Bad debts		3,500

## Solution

Dr.		Bills receivable account		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	5,000	By Cash A/c	14,000		
To Debtors A/c	11,200	By Debtors A/c	1,200		
(Bills received - balancing figure )		(bills receivable dishonoured) By Balance c/d	1,000		
	16,200		16,200		

Dr.		Total debtors account		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	60,000	By Cash A/c (received)	1,30,000		
To Bills receivable A/c (dishonoured)	1,200	By Discount allowed A/c	5,500		
To Sales A/c (credit)	1,44,000	By Bad debts A/c	3,500		
(balancing figure)		By Bills receivable A/c	11,200		
		(bills received) By Balance c/d	55,000		
	2,05,200		2,05,200		

Dr.		Bills payable account		Cr.	
Particulars	₹	Particulars	₹		
To Cash A/c (bills paid)	7,000	By Balance b/d	2,000		
To Balance c/d	3,000	By Sundry creditors A/c (bills accepted – balancing figure)	8,000		
	10,000		10,000		

Dr.	Total creditors account		Cr.
Particulars	₹	Particulars	₹
To Cash A/c (paid )	70,000	By Balance b/d	25,000
To Discount received A/c	3,500	By Purchases A/c (credit)	<b>84,500</b>
To Bills payable A/c (bills accepted)	8,000	(balancing figure)	
To balance c/d	28,000		
	1,09,500		1,09,500

### Illustration 17

From the following details of Abdul who maintains incomplete records, prepare Trading and Profit and Loss account for the year ended 31<sup>st</sup> March, 2018 and a Balance Sheet as on the date.

Particulars	1.4.2017 ₹	31.3.2018 ₹
Stock	1,00,000	50,000
Sundry debtors	2,50,000	3,50,000
Cash	25,000	40,000
Furniture	10,000	10,000
Sundry creditors	1,50,000	1,75,000

Other details:

	₹		₹
Drawings	40,000	Cash received from debtors	5,35,000
Discount received	20,000	Sundry expenses	30,000
Discount allowed	25,000	Capital as on 1.4.2017	2,35,000
Cash paid to creditors	4,50,000		

### Solution

Dr.	Total debtors account		Cr.
Particulars	₹	Particulars	₹
To Balance b/d	2,50,000	By Cash A/c (received)	5,35,000
To Sales A/c (credit) (balancing figure)	<b>6,60,000</b>	By Discount allowed A/c	25,000
		By Balance c/d	3,50,000
	9,10,000		9,10,000



Dr.		Total creditors account		Cr.	
Particulars	₹	Particulars	₹		
To Cash A/c (paid)	4,50,000	By Balance b/d	1,50,000		
To Discount received A/c	20,000	By Purchases A/c (credit)	4,95,000		
To Balance c/d	1,75,000	(balancing figure)			
	6,45,000		6,45,000		

#### In the books of Abdul

Dr.		Trading and Profit and loss account for the year ended 31st March, 2018		Cr.	
Particulars	₹	Particulars	₹		
To Opening stock	1,00,000	By Sales	6,60,000		
To Purchases	4,95,000	By Closing stock	50,000		
To Gross profit c/d	1,15,000				
	7,10,000		7,10,000		
To Discount allowed	25,000	By Gross profit b/d	1,15,000		
To Sundry expenses	30,000	By Discount received	20,000		
To Net profit (transferred to capital account)	80,000				
	1,35,000		1,35,000		

#### Balance Sheet as on 31st March, 2018

Liabilities	₹	₹	Assets	₹
Sundry creditors		1,75,000	Cash	40,000
Capital	2,35,000		Furniture	10,000
Add: Net profit	80,000		Stock	50,000
	3,15,000		Debtors	3,50,000
Less: Drawings	40,000	2,75,000		
		4,50,000		4,50,000



### Illustration 18

Bharathi does not maintain her books of accounts under double entry system. From the following details prepare trading and profit and loss account for the year ending 31<sup>st</sup> March, 2019 and a balance sheet as on that date.

Cash Book			
Dr.			Cr.
Receipts	₹	Payments	₹
To balance b/d	32,000	By Purchases A/c	56,000
To Sales A/c	1,60,000	By Creditors A/c	80,000
To Debtors A/c	1,20,000	By General expenses A/c	24,000
		By Wages A/c	10,000
		By Balance c/d	1,42,000
	3,12,000		3,12,000

Other information:

Particulars	1.4.2018 ₹	31.3.2019 ₹
Stock of goods	40,000	60,000
Debtors	38,000	?
Creditors	58,000	52,000
Machinery	1,70,000	1,70,000

- Additional information:
- (i) Credit purchases ₹ 74,000
  - (ii) Credit sales 1,40,000
  - (iii) Opening capital 2,22,000
  - (iv) Depreciate machinery by 10% p.a.

### Solution

In the books of Bharathi			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Balance b/d	38,000	By Cash A/c (received)	1,20,000
To Sales A/c (credit)	1,40,000	By Balance c/d (balancing figure)	58,000
	1,78,000		1,78,000
To Balance b/d	58,000		

**Dr. Trading and Profit and Loss Account for the year ended 31st March, 2019 Cr.**

Particulars	₹	Particulars	₹
To Opening stock	40,000	By Sales	
To Purchases		Cash	1,60,000
Cash	56,000	Credit	<u>1,40,000</u>
Credit	<u>74,000</u>	By Closing stock	60,000
To Wages	10,000		
To Gross profit c/d	<b>1,80,000</b>		
	<u>3,60,000</u>		<u>3,60,000</u>
To General expenses	24,000	By Gross profit b/d	1,80,000
To Depreciation on machinery	17,000		
To Net profit transferred to capital a/c	<b>1,39,000</b>		
	<u>1,80,000</u>		<u>1,80,000</u>

**Balance Sheet as on 31st March, 2019**

Liabilities	₹	₹	Assets	₹	₹
Capital	2,22,000		Cash		1,42,000
Add: Net profit	1,39,000	3,61,000	Stock of goods		60,000
Creditors		52,000	Debtors		58,000
			Machinery	1,70,000	
			Less: Depreciation	17,000	1,53,000
		<u>4,13,000</u>			<u>4,13,000</u>

**Illustration 19**

Arjun carries on grocery business and does not keep his books on double entry basis. The following particulars have been extracted from his books:

Particulars	1-4-2018 ₹	31-3-2019 ₹
Plant and machinery	20,000	20,000
Stock	9,000	16,000
Sundry debtors	2,000	5,300
Sundry creditors	5,000	4,000
Cash at bank	4,000	6,000

Other information for the year ending 31-3-2019 showed the following:

	₹
Advertising	4,700
Carriage inwards	8,000
Cash paid to creditors	64,000
Drawings	2,000

Total sales during the year were ₹ 85,000. Purchases returns during the year were ₹ 2,000 and sales returns were ₹ 1,000. Depreciate plant and machinery by 5%. Provide ₹ 300 for doubtful debts. Prepare trading and profit and loss account for the year ending 31st March, 2019 and a balance sheet as on the date.

### Solution

#### In the books of Arjun Statement of affairs as on 1<sup>st</sup> April, 2018

Liabilities	₹	Assets	₹
Creditors	5,000	Cash at bank	4,000
Opening capital	30,000	Stock	9,000
(balancing figure)		Sundry debtors	2,000
		Plant and machinery	20,000
	35,000		35,000

#### Dr. Total creditors account Cr.

Particulars	₹	Particulars	₹
To Cash A/c (paid)	64,000	By Balance b/d	5,000
To Purchases returns	2,000	By Purchases A/c (credit)	65,000
To Balance c/d	4,000	(balancing figure)	
	70,000		70,000

#### Dr. Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2019 Cr.

Particulars	₹	Particulars	₹
To Opening stock	9,000	By Sales	85,000
To Purchases		Less Returns	<u>1,000</u>
Credit	65,000	By Closing stock	16,000
Less Returns	<u>2,000</u>		
To Carriage inwards	8,000		
To Gross profit c/d	20,000		
	1,00,000		1,00,000
To Advertising	4,700	By Gross Profit b/d	20,000
To Depreciation on machinery	1,000		
To Provision for doubtful debts	300		
To Net profit transferred to capital a/c	14,000		
	20,000		20,000

### Balance Sheet as on 31<sup>st</sup> March, 2019

Liabilities	₹	₹	Assets	₹	₹
Capital	30,000		Cash at bank		6,000
Add: Net profit	14,000		Stock		16,000
	44,000		Sundry debtors	5,300	
Less: Drawings	2,000	42,000	Less: Provision	300	5,000
Sundry creditors		4,000	Plant and Machinery	20,000	
			Less: Depreciation	1,000	19,000
		46,000			46,000

### Illustration 20

Pandian does not keep his books under double entry system. From the following information prepare trading and profit and loss account and balance sheet as on 31-12-2018.

	1-1-2018 ₹	31-12-2018 ₹
Furniture	30,000	30,000
Cash in hand	10,000	17,000
Debtors	40,000	60,000
Stock	28,000	11,000
Bills receivable	12,000	35,100
Bank loan	25,000	25,000
Creditors	15,000	16,000

	₹		₹
Cash sales	11,200	Credit sales	88,800
Cash purchases	4,250	Credit purchases	35,750
Carriage on purchases	3,000	Carriage on sales	700
Commission received	600	Interest on bank loan	2,500
Drawings	8,000	Additional capital	14,000
Salaries	8,900	Office rent	2,400

Adjustments:

Write off depreciation of 5% on furniture. Create a provision of 1% on debtors for doubtful debts.

## Solution

### In the books of Pandian Statement of affairs as on 1<sup>st</sup> January, 2018

Liabilities	₹	Assets	₹
Creditors	15,000	Cash in hand	10,000
Bank loan	25,000	Stock	28,000
Opening capital (balancing figure)	<b>80,000</b>	Debtors	40,000
		Bills receivable	12,000
		Furniture	30,000
	<b>1,20,000</b>		<b>1,20,000</b>

### Dr. Trading and Profit and Loss Account for the year ended 31<sup>st</sup> December, 2018 Cr.

Particulars	₹	Particulars	₹
To Opening stock	28,000	By Sales	
To Purchases		Cash	11,200
Cash	4,250	Credit	<u>88,800</u>
Credit	<u>35,750</u>	By Closing stock	11,000
To Carriage on purchases	3,000		
To Gross profit c/d	<b>40,000</b>		
	<b>1,11,000</b>		<b>1,11,000</b>
To Salaries	8,900	By Gross Profit b/d	40,000
To Carriage on sales	700	By Commission received	600
To Office rent	2,400		
To Interest on bank loan	2,500		
To Depreciation on furniture	1,500		
To Provision for doubtful debts	600		
To Net profit transferred to capital a/c	<b>24,000</b>		
	<b>40,600</b>		<b>40,600</b>

### Balance Sheet as on 31<sup>st</sup> December, 2018

Liabilities	₹	₹	Assets	₹	₹
Capital	80,000		Cash in hand		17,000
Add: Net profit	24,000		Stock		11,000
	1,04,000		Debtors	60,000	
Add: Additional capital	14,000		Less: Provision for doubtful debts	600	59,400
	1,18,000		Bills receivable		35,100
Less: Drawings	8,000	1,10,000	Furniture	30,000	
Bank loan		25,000	Less: Depreciation	1,500	28,500
Creditors		16,000			
		<b>1,51,000</b>			<b>1,51,000</b>



### Points to remember

- ❖ When accounting records are not strictly maintained according to double entry system they are called incomplete accounting records.
- ❖ In general, only cash and personal accounts are maintained fully.
- ❖ Any increase in capital is taken as profit while a decrease is regarded as loss.
- ❖  $\text{Closing Capital} + \text{Drawings} - \text{Additional Capital} - \text{Opening Capital} = \text{Profit/ Loss}$
- ❖ A statement of affairs is prepared to find out capital on a particular day by showing the balances of assets on the right side and the balances of liabilities on the left side.
- ❖ From the information available from incomplete records, and from other documents, the missing figures can be found out and then the final accounts can be prepared.

### Self-examination questions

#### I Multiple choice questions

Choose the correct answer



1. Incomplete records are generally maintained by
  - (a) A company
  - (b) Government
  - (c) Small sized sole trader business
  - (d) Multinational enterprises
2. Statement of affairs is a
  - (a) Statement of income and expenditure
  - (b) Statement of assets and liabilities
  - (c) Summary of cash transactions
  - (d) Summary of credit transactions
3. Opening statement of affairs is usually prepared to find out the
  - (a) Capital in the beginning of the year
  - (b) Capital at the end of the year
  - (c) Profit made during the year
  - (d) Loss occurred during the year
4. The excess of assets over liabilities is
  - (a) Loss
  - (b) Cash
  - (c) Capital
  - (d) Profit
5. Which of the following items relating to bills payable is transferred to total creditors account?
  - (a) Opening balance of bills payable
  - (b) Closing balance of bills payable
  - (c) Bills payable accepted during the year
  - (d) Cash paid for bills payable
6. The amount of credit sales can be computed from
  - (a) Total debtors account
  - (b) Total creditors account
  - (c) Bills receivable account
  - (d) Bills payable account



7. Which one of the following statements is not true in relation to incomplete records?
- It is an unscientific method of recording transactions
  - Records are maintained only for cash and personal accounts
  - It is suitable for all types of organisations
  - Tax authorities do not accept
8. What is the amount of capital of the proprietor, if his assets are ₹ 85,000 and liabilities are ₹ 21,000?
- ₹ 85,000
  - ₹ 1,06,000
  - ₹ 21,000
  - ₹ 64,000
9. When capital in the beginning is ₹ 10,000, drawings during the year is ₹ 6,000, profit made during the year is ₹ 2,000 and the additional capital introduced is ₹ 3,000, find out the amount of capital at the end.
- ₹ 9,000
  - ₹ 11,000
  - ₹ 21,000
  - ₹ 3,000
10. Opening balance of debtors: ₹ 30,000, cash received: ₹ 1,00,000, credit sales: ₹ 90,000; closing balance of debtors is
- ₹ 30,000
  - ₹ 1,30,000
  - ₹ 40,000
  - ₹ 20,000

#### Answers

1. (c)	2. (b)	3. (a)	4. (c)	5. (c)	6. (a)	7. (c)	8. (d)	9. (a)	10. (d)
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## II Very short answer questions

- What is meant by incomplete records?
- State the accounts generally maintained by small sized sole trader when double entry accounting system is not followed.
- What is a statement of affairs?

## III Short answer questions

- What are the features of incomplete records?
- What are the limitations of incomplete records?
- State the differences between double entry system and incomplete records.
- State the procedure for calculating profit or loss through statement of affairs.
- Differentiate between statement of affairs and balance sheet.
- How is the amount of credit sale ascertained from incomplete records?

## IV Exercises

- From the following particulars ascertain profit or loss:

Particulars	₹
Capital at the beginning of the year (1 <sup>st</sup> April, 2018)	5,00,000
Capital at the end of the year (31 <sup>st</sup> March, 2019)	8,50,000
Additional capital introduced during the year	1,20,000
Drawings during the year	70,000

(Answer: Profit: ₹ 3,00,000)

2. From the following particulars ascertain profit or loss

Particulars	₹
Capital as on 1 <sup>st</sup> January 2018	2,20,000
Capital as on 31 <sup>st</sup> December 2018	1,80,000
Additional capital introduced during the year	40,000
Drawings made during the year	50,000

(Answer: Loss: ₹ 30,000)

3. From the following details, calculate the missing figure.

Particulars	₹
Closing capital as on 31.3.2018	80,000
Additional capital introduced during the year	30,000
Drawings during the year	15,000
Opening capital on 01.4.2017	?
Loss for the year ending 31.3.2018	25,000

(Answer: Opening capital: ₹ 90,000)

4. From the following details, calculate the capital as on 31<sup>st</sup> December 2018.

Particulars	₹
Capital as on 1st January, 2018	1,00,000
Goods withdrawn for personal use by the owner	30,000
Additional capital introduced during the year	15,000
Profit for the year	60,000

(Answer: Closing capital: ₹ 1,45,000)

5. From the following details, calculate the missing figure:

Particulars	₹
Capital as on 1 <sup>st</sup> April, 2018	40,000
Capital as on 31 <sup>st</sup> March, 2019	50,000
Additional capital introduced during the year	7,000
Profit for the year	8,000
Drawings during the year	?

(Answer: Drawings: ₹ 5,000)

6. Following are the balances in the books of Thomas as on 31<sup>st</sup> March 2019.

Particulars	₹	Particulars	₹
Sundry creditors	6,00,000	Bills payable	1,20,000
Furniture	80,000	Cash in hand	20,000
Land and building	3,00,000	Bills receivable	60,000
Sundry Debtors	3,20,000	Stock	2,20,000

Prepare a statement of affairs as on 31<sup>st</sup> March 2019 and calculate capital as at that date.

(Answer: Capital: ₹ 2,80,000)

7. On 1<sup>st</sup> April 2018 Subha started her business with a capital of ₹ 1,20,000. She did not maintain proper book of accounts. Following particulars are available from her books as on 31.3.2019.

Particulars	₹	Particulars	₹
Bank overdraft	50,000	Stock-in-trade	1,60,000
Debtors	1,80,000	Creditors	90,000
Bills receivable	70,000	Bills payable	2,40,000
Computer	30,000	Cash in hand	60,000
Machinery	3,00,000		

During the year she withdrew ₹ 30,000 for her personal use. She introduced further capital of ₹ 40,000 during the year. Calculate her profit or loss.

**(Answer: Closing capital: ₹ 4,20,000; Profit: ₹ 2,90,000)**

8. Raju does not keep proper books of accounts. Following details are taken from his records.

Particulars	1.1.2018 ₹	31.12.2018 ₹
Cash at bank	80,000	90,000
Stock of goods	1,80,000	1,40,000
Debtors	90,000	2,00,000
Sundry creditors	1,30,000	1,95,000
Bank Loan	60,000	60,000
Bills payable	80,000	45,000
Plant and machinery	1,70,000	1,70,000

During the year he introduced further capital of ₹ 50,000 and withdrew ₹ 2,500 per month from the business for his personal use. Prepare statement of profit or loss with the above information.

**(Answer: Opening capital: ₹ 2,50,000; Closing capital: ₹ 3,00,000; Profit: ₹ 30,000)**

9. Ananth does not keep his books under double entry system. Find the profit or loss made by him for the year ending 31st March, 2019.

Particulars	31.3.2018 ₹	31.3.2019 ₹
Cash at Bank	5,000 (Dr.)	60,000 (Cr.)
Cash in hand	3,000	4,500
Stock of goods	35,000	45,000
Sundry Debtors	1,00,000	90,000
Plant and Machinery	80,000	80,000
Land and Buildings	1,40,000	1,40,000
Sundry Creditors	1,70,000	1,30,000

Ananth had withdrawn ₹ 60,000 for his personal use. He had introduced ₹ 17,000 as capital for expansion of his business. Create a provision of 5% on debtors. Plant and machinery is to be depreciated at 10%.

**(Answer: Opening capital: ₹ 1,93,000; Closing capital: ₹ 1,57,000; Profit: ₹ 7,000)**

10. Find out credit sales from the following information:

Particulars	₹
Debtors on 1 <sup>st</sup> April, 2018	1,00,000
Cash received from debtors	2,30,000
Discount allowed	5,000
Returns inward	25,000
Debtors on 31 <sup>st</sup> March 2019	1,20,000

(Answer: Credit sales: ₹ 2,80,000)

11. From the following details find out total sales made during the year.

Particulars	₹
Debtors on 1 <sup>st</sup> January 2018	1,30,000
Cash received from debtors during the year	4,20,000
Sales returns	35,000
Bad debts	15,000
Debtors on 31 <sup>st</sup> December 2018	2,00,000
Cash Sales	4,60,000

(Answer: Credit sales: ₹ 5,40,000; Total sales: ₹ 10,00,000)

12. From the following particulars, prepare bills receivable amount and compute the bills received from the debtors.

Particulars	₹
Bills receivable at the beginning of the year	1,40,000
Bills receivable at the end of the year	2,00,000
Cash received for bills receivable	3,90,000
Bills receivable dishonoured	30,000

(Answer: B/R received: ₹ 4,80,000)

13. From the following particulars, calculate total sales.

Particulars	₹	Particulars	₹
Debtors on 1 <sup>st</sup> April 2018	2,50,000	Bills receivable dishonoured	15,000
Bills receivable on 1 <sup>st</sup> April 2018	60,000	Returns inward	50,000
Cash received from debtors	7,25,000	Bills receivable on 31 <sup>st</sup> March, 2019	90,000
Cash received for bills receivable	1,60,000	Sundry debtors on 31 <sup>st</sup> March, 2019	2,40,000
Bad debts	30,000	Cash sales	3,15,000

(Answer: B/R received: ₹ 2,05,000; Credit sales: ₹ 9,85,000; Total sales: ₹ 13,00,000)

14. From the following details, calculate credit purchases.

Particulars	₹
Opening creditors	1,70,000
Purchase returns	20,000
Cash paid to creditors	4,50,000
Closing creditors	1,90,000

(Answer: Credit purchases: ₹ 4,90,000)

15. From the following particulars calculate total purchases.

Particulars	₹	Particulars	₹
Sundry creditors on 1 <sup>st</sup> January, 2018	30,000	Purchases returns	15,000
Bills payable on 1 <sup>st</sup> January, 2018	25,000	Cash purchases	2,25,000
Paid cash to creditors	1,20,000	Creditors on 31 <sup>st</sup> December, 2018	25,000
Paid for bills payable	30,000	Bills payable on 31 <sup>st</sup> December, 2018	20,000

(Answer: B/P accepted: ₹ 25,000; Credit purchases: ₹ 1,55,000; Total purchases: ₹ 3,80,000)

16. From the following details you are required to calculate credit sales and credit purchases by preparing total debtors account, total creditors account, bills receivable account and bills payable account.

Particulars	₹	Particulars	₹
<b>Balances as on 1<sup>st</sup> April 2018</b>		<b>Balances as on 31<sup>st</sup> March 2019</b>	
Sundry debtors	2,40,000	Sundry debtors	2,20,000
Bills receivable	30,000	Sundry creditors	1,50,000
Sundry creditors	1,20,000	Bills receivable	8,000
Bills payable	10,000	Bills payable	20,000
<b>Other information:</b>	<b>₹</b>		<b>₹</b>
Cash received from debtors	6,00,000	Payments against bill payable	30,000
Discount allowed to customers	25,000	Cash received for bills receivable	60,000
Cash paid to creditors	3,20,000	Bills receivable dishonoured	4,000
Discount allowed by suppliers	10,000	Bad debts	16,000

(Answer: B/R received: ₹ 42,000; Credit sales: ₹ 6,59,000;  
B/P accepted: ₹ 40,000; Credit purchases: ₹ 4,00,000)

17. From the following details of Rakesh, prepare Trading and Profit and Loss account for the year ended 31<sup>st</sup> March, 2019 and a Balance Sheet as on that date.

Particulars	31.3.2018 ₹	31.3.2019 ₹
Stock of goods	2,20,000	1,60,000
Debtors	5,30,000	6,40,000
Cash at bank	60,000	10,000
Machinery	80,000	80,000
Sundry creditors	3,70,000	4,20,000

Other details:

Particulars	₹	Particulars	₹
Rent paid	1,20,000	Cash received from debtors	12,50,000
Discount received	35,000	Drawings	1,00,000
Discount allowed	25,000	Cash sales	20,000
Cash paid to creditors	11,00,000	Capital as on 1.4.2018	5,20,000

(Answer: Credit sales: ₹ 13,85,000; Credit purchases: ₹ 11,85,000;

Gross profit: ₹ 1,60,000; Net profit: ₹ 50,000; Balance sheet total: ₹ 8,90,000)

18. Mary does not keep her books under double entry system. From the following details prepare trading and profit and loss account for the year ending 31<sup>st</sup> March, 2019 and a balance sheet as on that date.

Dr.	Cash Book		Cr.
Particulars	₹	Particulars	₹
To Balance b/d	1,20,000	By Purchases	1,50,000
To Sales	3,60,000	By Creditors	2,50,000
To Debtors	3,40,000	By Wages	70,000
		By Sundry expenses	1,27,000
		By Balance c/d	2,23,000
	8,20,000		8,20,000

Other information:

Particulars	1.4.2018	31.3.2019
Stock of goods	1,10,000	1,80,000
Sundry Debtors	1,30,000	?
Sundry Creditors	1,60,000	90,000
Furniture and fittings	80,000	80,000

Additional information:

₹

Credit purchases 1,80,000

Credit sales 2,90,000

Opening capital 2,80,000

Depreciate furniture and fittings by 10% p.a.

(Answer: Closing debtors: ₹ 80,000; Gross profit: ₹ 3,20,000;

Net profit: ₹ 1,85,000; Balance sheet total: ₹ 5,55,000)

19. Arun carries on hardware business and does not keep his books on double entry basis. The following particulars have been extracted from his books:.

Particulars	31.12.2017 ₹	31.12.2018 ₹
Land and building	2,40,000	2,40,000
Stock-in-trade	1,20,000	1,70,000
Debtors	40,000	51,500
Creditors	50,000	45,000
Cash at bank	30,000	53,000

Other information for the year ending 31.12.2018 showed the following:

	₹
Wages	65,000
Carriage outwards	7,500
Sundry expense	28,000
Cash paid to creditors	6,00,000
Drawings	10,000

Total sales during the year were ₹ 7,70,000. Purchases returns during the year were ₹ 30,000 and sales returns were ₹ 25,000. Depreciate land and buildings by 5%. Provide ₹ 1,500 for doubtful debts. Prepare trading and profit and loss account for the year ending 31<sup>st</sup> December, 2018 and a balance sheet as on that date.

**(Answer: Opening capital: ₹ 3,80,000; Credit purchases: ₹ 6,25,000;  
Gross profit: ₹ 1,35,000; Net profit: ₹ 86,000; Balance sheet total: ₹ 5,01,000)**

20. Selvam does not keep his books under double entry system. From the following information prepare trading and Profit and loss A/c and Balance Sheet as on 31-12-2018

Particulars	1-1-2018 ₹	31-12-2018 ₹
Machinery	60,000	60,000
Cash at bank	25,000	33,000
Sundry debtors	70,000	1,00,000
Stock	45,000	22,000
Bills receivable	20,000	38,000
Bank loan	45,000	45,000
Sundry creditors	25,000	21,000

	₹		₹
Cash sales	20,000	Credit sales	1,80,000
Cash purchases	8,000	Credit purchases	52,000
Wages	6,000	Salaries	23,500
Advertisement	7,000	Interest on bank loan	4,500
Drawings	60,000	Additional capital	21,000

Adjustments:

Write off depreciation of 10% on machinery. Create a reserve of 1% on debtors for doubtful debts.

**(Answer: Opening capital: ₹ 1,50,000;  
Gross profit: ₹ 1,11,000; Net profit: ₹ 69,000; Balance sheet total: ₹ 2,46,000)**



### Student activity 1.3

#### Fill in the missing information

Closing capital ₹	Drawings ₹	Additional capital ₹	Opening capital ₹	Profit / Loss ₹
1,00,000	40,000	20,000	90,000	?
?	30,000	40,000	80,000	20,000
70,000	?	30,000	40,000	10,000
60,000	20,000	?	50,000	- 10,000
2,00,000	30,000	10,000	?	1,20,000

#### CASE STUDY

Deepa is a sole trader. She does not maintain full set of accounting records. She maintains cash book and personal accounts. She has an assistant who maintains the books of accounts. On the last day of the accounting period, her assistant left the job. On checking the physical cash balance with the cash book, Deepa realised that some cash was missing. She provides you with the following information. Calculate the missing cash.

- 1) All sales were made on cash basis. There was no income other than sales.
- 2) She had ₹ 25,000 cash in hand at the beginning of the year and ₹ 12,000 at the end of the year.
- 3) Sales made during the year were ₹ 80,000.
- 4) She had taken some of the money for her personal use but does not have record of the same.
- 5) Capital at the beginning of the year was ₹ 25,000 and at the end of the year was ₹ 32,000
- 6) Profit for the year was ₹ 35,000
- 7) Purchases and other expenses were ₹ 55,000

#### To explore further

Is it possible to calculate gross profit when sales data are available but stock records are not kept in detail?

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