

Accounts from incomplete records

Illustration:. 1 Radhey Shyam, who keeps his books on single entry, tells you that his capital on 31-03-2015 was Rs. 28,700 and his capital on 1-4-2014 was Rs. 19,200. He further informs you that during the year he withdrew for his household purposes Rs. 8,420. He sold his investments of Rs. 10,000 at 2% premium and brought that money into the business. You are required to calculate Profit or Loss for the year 2015.

Solution: Statement of Profit or Loss for the year ended on 31st March 2015

Particular	Details	Amount
Closing Capital	28,700	
Add:- Drawing during the year	8,420	
Less:- Additional Capital introduced during the year	37,120	
	10,200	
Adjusted Capital at the end		26,920
Less:- Opening Capital		19,200
Profit or Loss for the year		7,720

Note:

$$\text{Additional Capital} = 10,000 + 10,000 \times \frac{2}{100} = 10,200$$

Illustration 2: Mr. Anand started a business with a capital of Rs. 4,50,000. At the end of the year his position was:

Amount (Rs.)

Cash in Hand 15,000

Cash at Bank 75,000

Sundry Debtors 1,10,000

Stock 2,30,000

Furniture 55,000

Building 1,75,000

Sundry creditors at this date totaled Rs 80,000. During the year he introduced a fresh Capital of Rs. 1,80,000 and withdrew for household expenses Rs. 90,000. You are required to calculate profit or loss during the year.

Solution: Statement of Affairs as at

Liabilities	Amount	Assets	Amount
Sundry Creditors	80,000	Cash in Hand	15,000
Capital Fund (Bal. Figure)	5,80,000	Cash at Bank	75,000
		Sundry Debtors	1,10,000
		Stock	2,30,000
		Furniture	55,000
		Building	1,75,000
	6,60,000		6,60,000

Particular	Details	Amount
Closing Capital	5,80,000	
Add:- Drawing during the year	90,000	
	6,70,000	
Less:- Additional Capital introduced during the year	1,80,000	
Adjusted Capital at the end		4,90,000

Less:- Opening Capital		4,50,000
Profit or Loss for the year		40,000

Illustration 3: Mr. Subhash keeps his books by ‘Single Entry Method’. His position on 31st Marsh, 2014 was as follows:

Cash in hand Rs. 500, Cash at Bank Rs. 6,000, Stock Rs. 5,000, Debtors, Rs. 3,300, Furniture Rs. 1,200, and Creditors Rs. 4,000. During the year he introduced Rs. 4,000 as further capital in the Business, and withdrew Rs.3,000 for his personal use.

On 31st Marsh, 2015 his position was as follows:

Cash in hand Rs. 500, Cash at Bank Rs. 5,000, Stock Rs. 6,000, Debtors Rs. 4,600, Furniture Rs. 1,500 and Creditors Rs. 6,000.

Prepare necessary statements showing the Profit or Loss earned by Mr. Subhash during the year and a Balance Sheet as at 31st December, 2013 after making the following adjustments:

Depreciate Furniture and Machine at 10% (on closing balance), write off bad debts Rs. 200 and provide 5% for doubtful debts.

EXERCISE

Q.No.1 Aman started a business on 1st April, 2014 with a Capital of Rs. 4,50,000. During the year he withdrew Rs. 80,000 for household expenses and introduced Rs. 14,000 as fresh Capital. His position of Assets and Liabilities as at 31st March, 2015 stood as follows:

	Amount (Rs.)
Cash in Hand	37,000
Bills receivable	50,000
Sundry Debtors	8,00,000
Stock	40,000
Creditors	3,00,000

Bill Payable	6,000
---------------------	-------

You are required to prepare statement of profit or loss for the year ended 31st March 2015

Q. No. 2: Ms. Anita started firm with a capital of Rs. 4, 00,000 on 1st July 2014. She borrowed from her friends a sum of Rs. 1, 00,000 @ 10% per annum (interest paid) for business and brought a further amount to capital Rs. 75,000. On March 31, 2015, her position was:

	Amount (Rs.)
Cash in Hand	30,000
Stock	4,70,000
Sundry Debtors	3,50,000
Sundry Creditors	3,00,000

She withdrew Rs. 8,000 per month during the year. Calculate profit or loss for the year 2014-15 and show your workings clearly.

QNo. 3: Following incomplete information is available from records maintained by Mr. Ram During the year Mr. Ram introduced in the business the amount realised on sale of Rs. 15,000 investments at the premium of 5%. Personal expenses of Mr. Ram paid from business account amounted to Rs. 1500 per month. Prepare a statement to calculate profit (or Loss) during the year.

	1st Apr 2014	31st March 2015
Cash in Hand	1,500	2,500
Cash in Bank	7,500	9,000
Sundry Debtors	10,000	13,000
Stock	9,000	5,000
Furniture	20,000	20,000
Sundry Creditors	13,000	8,000
Bank Loan	10,000	14,000