

Chapter 10: Single Entry System

EXERCISE 1 [PAGE 355]

Exercise 1 | Q 1 | Page 355

QUESTION

Answer in one sentence only.

What do you mean by Single Entry System?

SOLUTION

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

Exercise 1 | Q 2 | Page 355

QUESTION

Answer in one sentence only.

What is Statement of Affairs?

SOLUTION

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.

Exercise 1 | Q 3 | Page 355

QUESTION

Answer in one sentence only.

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

SOLUTION

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

Exercise 1 | Q 4 | Page 355

QUESTION

Answer in one sentence only.

Which statement is prepared under the Single Entry system to ascertain the capital balances?

SOLUTION

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

Exercise 1 | Q 5 | Page 355

QUESTION

Answer in one sentence only.

How Opening Capital is calculated under Single Entry System?

SOLUTION

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'.

Exercise 1 | Q 6 | Page 355

QUESTION

Answer in one sentence only.

Which type of accounts are maintained under Single Entry System?

SOLUTION

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

Exercise 1 | Q 7 | Page 355

QUESTION

Answer in one sentence only.

Can a Trial Balance be prepared under Single Entry System?

SOLUTION

Trial Balance cannot be prepared under Single Entry System.

Exercise 1 | Q 8 | Page 355

QUESTION

Answer in one sentence only.

Which type of organization generally follows Single Entry System?

SOLUTION

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

EXERCISE 2 [PAGE 355]

Exercise 2 | Q 1 | Page 355

QUESTION

Write a word, term, or phrase which can substitute the following statement.

A statement which is similar to Balance Sheet.

SOLUTION

Statement of affairs

Exercise 2 | Q 2 | Page 355

QUESTION

Write a word, term, or phrase which can substitute the following statement.

System of Accounting normally suitable to small business organization.

SOLUTION

Single Entry System

Exercise 2 | Q 3 | Page 355

QUESTION

Write a word, term, or phrase which can substitute the following statement.

A statement similar to Balance Sheet prepared to find out the amount of opening capital

SOLUTION

Opening statement of affairs

Exercise 2 | Q 4 | Page 355

QUESTION

Write a word, term, or phrase which can substitute the following statement.

An excess of assets over liabilities.

SOLUTION

Capital

Exercise 2 | Q 5 | Page 355

QUESTION

Write a word, term, or phrase which can substitute the following statement.

Excess of closing capital over opening capital of proprietor under Single Entry System.

SOLUTION

Profit

Exercise 2 | Q 6 | Page 355

QUESTION

Write a word, term, or phrase which can substitute the following statement.

Name of method of accounting suitable to firms to having limited transactions.

SOLUTION

Single entry system

Exercise 2 | Q 7 | Page 355

QUESTION

Write a word, term, or phrase which can substitute the following statement.

A System of accounting which is unscientific.

SOLUTION

Single entry system

Exercise 2 | Q 8 | Page 355

QUESTION

Write a word, term, or phrase which can substitute the following statement.

Further capital introduced by the proprietor in the business concern over and above his existing capital.

SOLUTION

Additional capital

EXERCISE 3 [PAGES 355 - 356]

QUESTION

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

The capital balances are ascertained by preparing _____

- Statement of affairs
- Cash Account
- Drawings Accounts
- Debtors Accounts

SOLUTION

The capital balances are ascertained by preparing **Statement of Affairs.**

QUESTION

Select the most appropriate answer the alternatives given below and rewrite the Sentence.

Under Single Entry System Opening Capital = Opening Assets Less _____.

- Closing Assets
- Opening Liabilities
- Opening Assets
- Closing Liabilities

SOLUTION

Under Single Entry System Opening Capital = Opening Assets Less **Opening Liabilities.**

Explanation: Opening Capital is calculated by deducting the total opening liabilities from the total opening assets.

QUESTION

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

Additional Capital introduced during the year is _____ from closing capital in order to find out the correct profit

- Added
- Deducted
- Divided
- Ignored

SOLUTION

Additional Capital introduced during the year is **deducted** from closing capital in order to find out the correct profit.

Exercise 3 | Q 4 | Page 355

QUESTION

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

Single Entry System may be useful for _____.

- Sole traders
- Company
- Government
- None of these

SOLUTION

Single Entry System may be useful for **sole traders**.

Exercise 3 | Q 5 | Page 355

QUESTION

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

In order to find out the correct profit, drawings is _____ from closing capital

- Multiplies
- Divided
- Deducted

- Added

SOLUTION

In order to find out the correct profit, drawings is to **added** closing capital.

Exercise 3 | Q 6 | Page 356

QUESTION

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

The difference between assets and liabilities is called _____.

- Capital
- Drawings
- Income
- Expenses

SOLUTION

The difference between assets and liabilities is called **Capital**.

Exercise 3 | Q 7 | Page 356

QUESTION

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

When Closing Capital is greater than the Opening Capital, the difference is _____.

- Profit
- Loss
- Assets
- Liabilities

SOLUTION

When Closing Capital is greater than the Opening Capital, the difference is **Profit**.

Exercise 3 | Q 8 | Page 356

QUESTION

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

Opening Capital is ₹ 30,000; Closing Capital is ₹ 60,000; Withdrawals are ₹ 5,000; and further capital brought in is ₹ 3,000; Profit is _____.

- ₹ 45,000
- ₹ 35,000
- ₹ 32,000
- ₹ 22,000

SOLUTION

Opening Capital is ₹ 30,000; Closing Capital is ₹ 60,000; Withdrawals are ₹ 5,000 and further capital brought in is ₹ 3,000; .Profit is = **₹ 32,000**

EXERCISE 4 [PAGE 356]

Exercise 4 | Q 1 | Page 356

QUESTION

State True or False with reasons:

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

- True
- False

SOLUTION

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 bookkeeping is the scientific method of books of accounts.

Exercise 4 | Q 2 | Page 356

QUESTION

State True or False with reasons:

Preparation of Trial Balance is not possible under Single Entry System

- True

- False

SOLUTION

This statement is True.

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

Exercise 4 | Q 3 | Page 356

QUESTION

State True or False with reasons:

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

- True
- False

SOLUTION

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.

Exercise 4 | Q 4 | Page 356

QUESTION

State True or False with reasons:

Single Entry System is not useful for large organization.

- True
- False

SOLUTION

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.

QUESTION

State True or False with reasons:

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

- True
- False

SOLUTION

This statement is True.

In the small organization where the 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 the accounting system. Therefore, they prefer the Single Entry System in which only cash and personal accounts are maintained.

EXERCISE 5 [PAGE 356]

QUESTION

Do you agree with the following statement?

Further capital introduced during the year increases profit.

- Agree
- Disagree

SOLUTION

Further capital introduced during the year increases profit.-**Disagree.**

QUESTION

Do you agree with the following statement?

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

- Agree
- Disagree

SOLUTION

Interest on Drawings decreases the amount of profit under Single Entry System.-
Disagree.

Exercise 5 | Q 3 | Page 356

QUESTION

Do you agree with the following statement?

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

- Agree
- Disagree

SOLUTION

Real and Nominal accounts are not maintained under Single Entry System.-**Disagree.**

Exercise 5 | Q 4 | Page 356

QUESTION

Do you agree with the following statement?

Single Entry System is based on certain rules and principles

- Agree
- Disagree

SOLUTION

Single Entry System is based on certain rules and principles.-**Disagree.**

Exercise 5 | Q 5 | Page 356

QUESTION

Do you agree with the following statement?

Statement of Profit is just like Profit and Loss Account.

- Agree
- Disagree

SOLUTION

Statement of Profit is just like Profit and Loss Account.-**Disagree.**

EXERCISE 6 [PAGE 356]

Exercise 6 | Q 1 | Page 356

QUESTION

Fill in the blank:

Statement of Affairs is just like a _____.

SOLUTION

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

Exercise 6 | Q 2 | Page 356

QUESTION

Fill in the blank:

Statement of Affairs is just like a _____

SOLUTION

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

Exercise 6 | Q 3 | Page 356

QUESTION

Fill in the blank:

In order to find out the correct profit, drawings are _____ to the closing capital.

SOLUTION

In order to find out the correct profit, drawings are **added** to the closing capital.

Exercise 6 | Q 4 | Page 356

QUESTION

Fill in the blank:

In _____ Book Keeping System, in every business transaction we find two effects.

SOLUTION

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

Exercise 6 | Q 5 | Page 356

QUESTION

Fill in the blank:

The difference between Assets and Liabilities is called _____.

SOLUTION

The difference between Assets and Liabilities is called **capital**.

Exercise 6 | Q 6 | Page 356

QUESTION

Fill in the blank:

Single Entry System is more popular for _____.

SOLUTION

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

Exercise 6 | Q 7 | Page 356

QUESTION

Fill in the blank:

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

SOLUTION

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

Exercise 6 | Q 8 | Page 356

QUESTION

Fill in the blank:

Single Entity System is suitable for _____ business.

SOLUTION

Single Entity System is suitable for **small** business.

EXERCISE 7 [PAGE 357]

Exercise 7 | Q 1 | Page 357

QUESTION

Find the odd one :

- Interest on Drawings
- Outstanding Expenses
- Undervaluation of Assets
- Prepaid Expenses

SOLUTION

Outstanding Expenses

Exercise 7 | Q 2 | Page 357

QUESTION

Find the odd one :

- Interest on Capital
- Interest on Loan
- Overvaluation of Liabilities
- Depreciation on Assets

SOLUTION

Overvaluation of Liabilities

Exercise 7 | Q 3 | Page 357

QUESTION

Find the odd one :

- Creditors
- Bills Payable
- Bank Overdraft
- Stock in Trade

SOLUTION

Stock in Trade