



## INTRODUCTION

A Single-entry bookkeeping system or Single-entry accounting system is a method of bookkeeping relying on a one-sided accounting entry to maintain financial information. Most businesses maintain a record of all transactions based on the Double-entry bookkeeping system. However, many small, simple businesses maintain only a Single-entry system that records the “Bare essentials.” In some cases only records of cash, accounts receivable, accounts payable and taxes paid may be maintained. Records of assets, inventory, expenses, revenues and other elements usually considered essential in an accounting system may not be kept, except in memorandum form. Single-entry systems are usually inadequate except where operations are especially simple and the volume of activity is low. This type of accounting system with additional information can typically be compiled into an income statement and balance sheet by a professional accountant.

The single-entry system is really no system at all for keeping accounts. Under this system only such accounts are kept as seem to be absolutely necessary. Usually the accounts that are kept are those relating to cash, credit customers and creditors. One may not find accounts relating to fixed assets, purchases, sales expenses are recorded at all some transaction are recorded only in one of their aspect while for some others both the aspect are recorded goods sold on credit will be recorded only in the account of the customer concerned. Cash received from him will be recorded both in the cash account and in the account of the customer. Purchase of machinery on credit will not be recorded at all till payment is made.

This system of recording transaction is very defective. No trial balance can be taken out and hence accuracy of books cannot be proved. Chances of mischief or fraud remaining undetected are high. Trading and profit and loss account cannot be prepared and hence the proprietor will have no firm idea of profit earned or loss suffered. Balance sheet called statement of affairs here, is prepared in an unsatisfactory manner, the assets and liabilities are not proved from records but are put down by physical inspection and on estimated basis. In spite of all the defects the system is quite popular with small firms which cannot afford to spend money on proper accounting.

## DEFINITION

According to R.N. Carter, “Single-entry cannot be termed as a system, as it is not based on any scientific system, like double-entry system. For this purpose, single-entry is nowadays known as preparation of account from incomplete records”.

### Advantages

1. **Single-entry Systems are used in the Interest of Simplicity:** They are usually less expensive to maintain than double-entry systems because they do not require the services of a trained person.
2. **According to the U.S. Internal Revenue Service:** A single-entry system is based on the income statement (profit or loss statement). It can be a simple and practical system if you are starting a small business. The system records the flow of income and expenses through the use of:
  - (a) A daily summary of cash receipts, and
  - (b) Monthly summaries of cash receipts and disbursements (IRS Publication 583: Starting a Business and Keeping Records, 2007)
3. Additionally, in the Internal Revenue Manual 4.10.3.13.2 (03-01-2003), it is stated. The single-entry system of record keeping does not include equal debits and credits to the balance sheet and income statement accounts. A single-entry accounting system is not self-balancing. Mathematical errors in the account totals are thus common. Reconciliation of the books and records to the return is an important audit step.
4. A single-entry system may consist only of transactions posted in a notebook, daybook, or journal. However, it may include a complete set of journals and a ledger providing accounts for all important items.
5. A single-entry system for a small business might include a business checkbook, check disbursements journal or register, daily/monthly summaries of cash receipts, a depreciation schedule, employee wages records, and ledgers showing debtor and creditor balances.
6. Single-entry system is simple to understand and easy to maintain as it has no fixed set of principles to follow while recording financial transactions.
7. Single-entry system is an economical system of recording financial transactions. It does not require hiring skilled accounting personnel to record financial transactions of the business. Further, it does not require large number of books to record the limited number of financial transactions.
8. Under single-entry system, the amount of profit can be determined easily. The amount of profit or loss of the period can be determined by making comparison between the amounts of closing capital and opening capital.

9. The Single-entry system is simple, easy, and economical system. It is suitable for small businesses because they cannot afford the cost of double-entry system. Besides, small businesses are not required to maintain their books of accounts under double-entry system.

**Disadvantages**

1. Data may not be available to management for effectively planning and controlling the business.
2. Lack of systematic and precise bookkeeping may lead to inefficient administration and reduced control over the affairs of the business.
3. Single-entry records do not provide a check against clerical error, as does a double-entry system. This is one of the most serious defects of single-entry systems.
4. Single-entry records seldom make provision for recording all transactions. In addition, many internal transactions, such as adjusting entries are often not recorded.
5. Because no accounts are provided for many of the items appearing in both the Income Statement and Balance Sheet, omission of important data is possible.
6. In the absence of detailed records of all assets, lax administration of those assets may occur.
7. Theft and other losses are less likely to be detected.
8. The single-entry system is unsystematic and unscientific system of recording financial transactions. It does not have any set of fixed rules and principles for recording and reporting the financial transactions.
9. Single-entry system is incomplete system because it does not record the two aspects or accounts of all the financial transactions of the business. It does not maintain any record of the transactions relating to the nominal account and real account except cash account.
10. Single-entry system is not based on the principles of debit and credit. It fails to provide the arithmetical accuracy of the books of accounts. Trial balance cannot be prepared under this system to check the arithmetical accuracy of books of accounts.
11. Under single-entry system, the true amount of profit or loss cannot be ascertained because it does not maintain the nominal accounts.
12. The single-entry system does not maintain real accounts except cash book. Therefore, it cannot reveal the true financial position of the business.
13. The single-entry system of bookkeeping is incomplete, inaccurate and unscientific. It does not help to check the arithmetical accuracy of the books of accounts. Therefore, there is always a possibility of committing frauds and errors in the books of accounts.
14. The single-entry of bookkeeping has incomplete records of the financial transactions of the business. Hence, the tax office cannot accept the account maintained under this system for the purpose of assessment of tax.

### Difference between Double-entry and Single-entry Systems

Sr. No	Basis of Difference	Double-entry System	Single-entry System
1.	Recording of Transaction	Both aspects of all transactions are recorded in some cases	Both aspects, in some others a single aspect or no aspect is recorded
2.	Opening of Accounts	All personal, real and nominal accounts are opened.	Only personal accounts and cash accounts are opened
3.	Preparation of Trial Balance	Trial Balance can be prepared	Trial Balance cannot be prepared
4.	Ascertaining Profit or Loss	Account profit or loss can be found, through Trading and Profit and Loss A/c	Profit or loss cannot be found normally, in the absence or Trading and Profit and Loss A/c
5.	Revealing Financial Position	Reliable Financial position can be found through Balance Sheet	Balance sheet cannot be prepared. So financial position is difficult to ascertain.
6.	Acceptability	Acceptable for Income tax and other tax purposes, for raising of bank loans etc.	Not acceptable for taxation claims, raising of loans.
7.	Acceptable Evidence	In case of disputes, accounting records can be produced in courts of law.	The accounting records are not acceptable evidence.
8.	Utility	Suitable for any type of business of any size	It can be followed by small business men who can exercise personal control over the business.
9.	Internal Check	Internal check is possible	Internal check is not possible.

The Single-entry System is really no system at all for keeping accounts. Under this system, only such accounts are kept as seem to be absolutely necessary. Usually the accounts that are kept are those relating to cash, credit customers and creditors. One may not find accounts relating to fixed assets, purchases, sales, expenses, incomes, etc., thus one may find that some transactions are not recorded at all, some transactions are recorded only in one of their aspects while, for some others, both the aspects are recorded. Goods sold on credit will be recorded only in the account of the customer concerned. Cash received from him will be recorded both in the Cash Account and in the account of the customer. Purchase of machinery on credit will not be recorded at all till payment is made.

This system of recording transactions is very defective. No trial balance can be taken out and hence, accuracy of books cannot be proved. Chances of mischief of fraud remaining undetected are high. Trading and profit and loss Account cannot be prepared and, hence, the proprietor will have no firm idea of profit earned or loss suffered. Balance sheet, called statement of affairs here, is prepared in an unsatisfactory manner. The assets and liabilities are one proved from records but are put down by physical inspection and on estimated basis. In spite of all the defects, the system is quite popular with small firms which cannot afford to spend money on proper accounting.

### Difference Between Statements of Affairs and Balance Sheet

Statements of Affairs	Balance Sheet
1. It is prepared on the basis of available records.	It is prepared on the basis of ledger balance
2. It is prepared under Single-entry System.	It is prepared under Double-entry System.
3. Value of assets and liabilities are estimates except the few items.	Value of assets and liabilities are not estimates.
4. Value of assets will not be equal to liabilities since the balancing figure represents capital.	Value of assets will equal to liabilities and capital.
5. Since the two sides of a statement of affairs do not tally, arithmetical accuracy of accounting records cannot be proved.	Since the two sides of a Balance sheet tally, arithmetical accuracy of accounting records is proved.
6. It is difficult to trace omission of an asset or a liability.	It is easy to trace omission of an asset or a liability.
7. It is prepared to ascertain financial position and also the trading results of a business.	It is easy prepared to ascertain the financial position of a business.

**Conversion Method: Step 1:** Prepare a Cash Book if both the sides are not tallied. It appears as follows.

#### Cash Book

Receipts	Cash ₹	Bank ₹	Payments	Cash ₹	Bank ₹
To Balance b/d	xx	xx	By Balance B/d	xx	xx
To Cash Sales	xx	xx	(Bank overdraft)		
To Collection from Debtors	xx	xx	By Purchases	xx	x x
To B/R Collected	xx	xx	By Creditors	xx	xx
To Capital introduced	xx	xx	(Payment to		
To Sale of fixed asset	xx	xx	Creditors)	xx	xx
To Misc. Income	xx	xx	By Bills Payable paid	xx	xx
To Balance c/d	xx	xx	By Drawings		
			By Fixed Assets	xx	xx
			Purchases	xx	xx
			By Misc. Expenses	xx	xx
	<b>x x</b>	<b>x x</b>	By Balance c/d	<b>x x</b>	<b>x x</b>

If the difference appears on receipt side of the Cash Book, the missing information may be any of the items appearing on Receipt side of the cash book. If the difference appears on Payments side of the Cash Book the missing information maybe any of the items appearing on payments side of the Cash book.

**Step 2:** Prepare Total Debtors A/c on the basis of the information given.

**Total Debtors A/c**

	₹		₹
To Balance b/d	xx	By Cash /Bank	xx
To B/R (Dishonoured)	xx	By B/R A/c	xx
To Bank A/c	xx	By Discount A/c	xx
(Cheque dishonoured)	xx	By Bad Debts A/c	xx
To Credit Sales	xx	By Sales Return A/c	xx
		By Balance c/d	xx
	x x		x x

The difference on debit side of Total Debtors A/c may be any of the items appearing on the debit side of Total Debtors A/c. The difference on credit side of Total Debtors A/c may be any of the items appearing on credit side Total Debtors A/c.

**Step 3:** Prepare Bills Receivable A/c

**Bills Receivable A/c**

	₹		₹
To Balance b/d	x x	By Cash/Bank A/c	xx
To Total Debtors A/c	x x	By Discount A/c	xx
(B/R drawn)		By Total Debtors A/c	xx
		(B/R Dishonoured)	
		By Total Creditors A/c	xx
		(B/R Endorsed)	
		By Balance c/d	xx
	x x		x x

If the difference appears on debit side of B/R A/c, it may be either opening balance or B/R Received . If the difference appears as credit side of B/R It may be any of the items appearing on credit side of B/R A/c.

**Step 4:** Prepare Total Creditors A/c

**Total Creditors A/c**

	₹		₹
To Cash/Bank A/c	xx	By Balance b/d	xx
To B/P A/c	xx	By Bills Payable A/c	xx
(Bills accepted)		(Dishonoured)	
To B/R A/c	xx	By Total Debtors A/c	xx
(Bills endorsed)		(Endorsed Bill Dishonoured)	

To Discount A/c	xx	By Bank A/c	xx
To Purchase Returns	xx	(Cheque Dishonoured)	
To Balance c/d	xx		
	<b>x x</b>		<b>x x</b>

If the difference appears on debit side of Total Creditors A/c. It may be any of the items on debit side of the A/c. If the difference appears on credit side of Total Creditors A/c. The difference may be any of the items on credit side of the A/c.

**Step 5:** Prepare Bills Payable A/c

**Bill Payable A/c**

	₹		₹
To Cash /Bank A/c (Payment made)	xx	By Balance b/d	xx
To Total creditors A/c (B/P Dishonoured)	xx	By Total Creditors A/c (B/P accepted)	xx
To Balance c/d	xx		
	<b>x x</b>		<b>x x</b>

If the difference appears on debit side of Bills Payable A/c, it may be any of the three items appearing on debit side of Bills Payable A/c. If the difference appears on credit side of Fixed Asset A/c, it may be any one of the items appearing on credit side of Fixed Asset A/c.

**Step 6:** Prepare Revenue Expenses A/c.

**Revenue Expenses A/c**

	₹		₹
To Balance b/d (Paid in advance in the beginning)	xx	By Balance b/d (Unpaid in the beginning)	xx
To Cash/Bank A/c (Expenses paid)	xx	By Trading and P&L A/c (Expenses for the year)	xx
To Balance c/d (Unpaid at the end)	xx	To Balance c/d (Paid in advance at the end)	xx
	—		—
	<b>x x</b>		<b>x x</b>

If the difference appears on debit side of the A/c, it may be considered any of the items on debit side of Expenses A/c. If the difference appears on credit side of the A/c. It may be any of the items appearing on credit side of the A/c.

**Step 7: Prepare Revenue Income A/c.**

	₹		₹
To Balance b/d (Accrued in the beginning)	x x	By Balance b/d (Income not accrued at the beginning)	x x
To P&L A/c (Income earned during the year)	x x	By Cash/Bank A/c (Received during the year)	x x
To Balance c/d (Income not accrued at the end of the year)	x x	By Balance c/d (Accrued at the end of the year)	x x
	<u>x x</u>		<u>x x</u>

If the difference appears on debit side of the Income A/c, the missing information may be any one of the items appearing on debit side. If the difference appears on credit side of the A/c, the missing information may be any one of the items appearing on credit side of the A/c.

**Step 8: Prepare Fixed Asset A/c.****Fixed Asset A/c**

	₹		₹
To Balance b/d	xx	By Bank A/c	xx
To Bank A/c	xx	By Loss on Sale	xx
To Bank A/c (Expenses)	xx	By Depreciation A/c	xx
To Profit on sale	<u>xx</u>	By Balance c/d	xx
	<u>x x</u>		<u>x x</u>

If the difference appears on debit side of the Fixed Asset A/c, it may be any one of the items appearing on debit side of the A/c. If the difference appears on credit side of Fixed Asset A/c, it may be any one of the items appearing on credit side of Fixed Asset A/c.

**Step 9: Prepare Stock A/c/Goods A/c****Stock/Goods A/c**

	₹		₹
To Opening Stock	xx	By Cost of Goods Sold	xx
To Purchases	<u>xx</u>	By Closing Stock	<u>xx</u>
	<u>x x</u>		<u>x x</u>

If the difference appears on debit side of the Stock A/c, it may be either opening Stock or purchases. If the difference appears on credit side of Stock A/c, it may be either cost of goods sold or closing stock.

**Step 10:** Prepare a Trial Balance to verify arithmetical accuracy.

**Step 11:** Draw opening Statement of affairs to find out opening capital.

**Step 12:** Prepare Trading and P & L A/c and Balance Sheet as per usual principles.



## Clues for Trading Missing Information

Missing information	Clues for trading
(i) Cash Sales	(a) Prepare Cash/Bank Summary (b) Cash Sales = Total Sales – Net Credit Sales
(ii) Net Credit Sales	(a) Prepare Total Debtors A/c (b) Net Credit Sales = Total Sales – Cash Sales – Sales Returns  (c) Closing Debtors $\times \frac{12}{\text{Credit Period}}$
(iii) Net Sales	(a) Cash Sales + Credit Sales – Sales Returns (b) Cost of Goods Sold + Gross Profit
(iv) Cost of Goods Sold	(a) Prepare Stock A/c (b) Opening Stock + Purchases + Direct Expenses – Closing Stock (c) Net Sales – Gross Profit
(v) Gross Profit	(a) Net Sales – Cost of Goods Sold  (b) Net Sales $\times \frac{\text{Rate of G.P.}}{100}$
(vi) Cash purchases	(a) Prepare Cash/Bank Summary (b) Total Purchases – Net Credit Purchases
(vii) Net Credit purchases	(a) Prepare Total Creditors A/c (b) Total Purchases – Cash Purchases – Purchases Returns  (c) Closing Creditors $\times \frac{12}{\text{Credit Period}}$
(viii) Net Purchases	(a) Prepare Stock A/c (b) Cost of Goods Sold + Closing Stock – Opening Stock (c) Cash Purchases + Credit Purchases – Purchases Returns  Prepare a Cash Book with Cash/Bank column.
(ix) Drawing /Expenses/Repayment of Loans/Loan taken/Capital introduction	
(x) Amount collected from Debtors	(a) Prepare Total Debtors A/c (b) Prepare Cash/Bank A/c
(xi) Amount paid to Creditors	(a) Prepare Total Creditors A/c (b) Prepare Cash/Bank A/c
(xii) B/R accepted by Debtors	(a) Prepare Total Debtors A/c (b) Prepare Bills Receivable A/c

(xiii) B/P drawn by Creditors	(a) Prepare Total Creditors A/c (b) Prepare Bills Payable A/c
(xiv) Collection on account of Bills Receivable	(a) Prepare Cash/Bank A/c (b) Prepare Bills Receivable A/c
(xv) Payment on account of Bills Payable	(a) Prepare Cash/Bank A/c (b) Prepare Bills Payable A/c
(xvi) Cash Stolen	Prepare Cash/Bank A/c
(xvii) Cash/Bank Balance	Prepare Cash/Bank A/c
(xviii) Capital at the Beginning of the Year.	Prepare Opening Balance Sheet/ Statement of affairs

**Illustration 1:** Mr. Bhopatrao does not maintain proper books of accounts from the following information prepare trading and profit and loss account for the year ended 31-3-2015 and a balance sheet as on 1-4-2014:

Assets and Liabilities	1-4-2014 (₹)	31-3-2015 (₹)
Plant and machinery	1,40,000	1,40,000
Furniture	10,000	10,000
Stock	44,000	60,000
Debtors	81,000	1,12,500
Creditors	27,000	22,500
6% Investment	50,000	50,000

#### Analysis of Other Transaction

Particulars	₹
Cash paid to creditors	1,98,000
Cash received from debtors	2,73,600
Salaries	54,000
Rent	7,500
Office expenses	19,000
Drawings	13,500
Additional capital introduced	10,000
Cash sales	35,000
Cash purchases	25,000
Discount received	3,150
Discount allowed	1,350
Return inward	4,500
Return outward	3,600
Cash on 1-4-2014	20,000
Bad debts	900

Depreciate plant and machinery @ 5% p.a. and furniture @ 10% p.a. and also provide interest receivable on investment.

**Solution:**

**In the Books of MR. BHOPATRAO**

**Opening B/S as on 1-4-2014**

Liabilities	Amount	Assets	Amount
Capital	3,18,000	Plant and machinery	1,40,000
Creditors	27,000	Furniture	10,000
		Stock	44,000
		Debtors	81,000
		6% Investment	50,000
		Cash in hand	20,000
	<b>3,45,000</b>		<b>3,45,000</b>

**Debtors A/c**

Particulars	Amount	Particulars	Amount
To Balance b/d	81,000	By Cash	2,73,600
To Sales	3,11,850	By Discount	1,350
		By Return inward	4,500
		By Bad debts	900
		By Balance c/d	1,12,500
	<b>3,92,850</b>		<b>3,92,850</b>

**Creditors A/c**

Particulars	Amount	Particulars	Amount
To Cash	1,98,000	By Balance b/d	27,000
To Discount	3,150	By Purchases	2,00,250
To Return outward	3,600		
To Balance c/d	22,500		
	<b>2,27,250</b>		<b>2,27,250</b>

**Cash A/c**

Particulars	Amount	Particulars	Amount
To Balance b/d	20,000	By Creditors	1,98,000
To Debtors	2,73,600	By Salaries	54,000
To Cash sales	35,000	By Rent	7,500
To Capital introduced	10,000	By Office expenses	19,000
		By Drawings	13,500
		By Cash purchase	25,000
		By Balance c/d	21,600
	<b>3,38,600</b>		<b>3,38,600</b>

**Trading and P & L A/c for the year ended 31<sup>st</sup> March 2015**

Particulars		Amount	Particulars		Amount
To Opening Stock		44,000	By Sale:		
			Cash: 35,000		
			Credit: 3,11,850		
			(-) Return (4500)		3,42,350
To Purchases:			By Closing Stock		60,000
Cash: 25,000					
Credit: 2,00,250					
(-) Return (3600)		2,21,650			
To Gross Profit c/d		1,36,700			
		<b>4,02,350</b>			<b>4,02,350</b>
To Salaries		54,000	By Gross Profit b/d		1,36,700
To Rent		7,500	By Interest		3,000
To Office Expenses		19,000	By Discount Received		3,150
To Discount Allowed		1,350			
To Bad Debts		900			
To Depreciation:					
Plant: 7,000					
Furniture: 1,000		8,000			
To Net Profit c/d		52,100			
		<b>1,42,850</b>			<b>1,42,850</b>

**Balance Sheet as on 31<sup>st</sup> March 2015**

(+) To Opening Stock	3,18,000		Plant & machinery	1,40,000	
Additional Cap.	10,000		(-) Depreciaton	7000	1,33,000
(-) Drawing	(13,500)		Furniture	10,000	
(+) N.P.	52,0000	3,66,600	(-) Depreciation	(1,000)	9,000
Creditors		22,500	Stock		60,000
			6% Investment		50,000
			Cash		21,600
			O/s Interest on Investment		
			Receivable		3,000
		<b>3,89,100</b>			<b>3,89,100</b>

**Illustration 2:** Bose supplies to you to the following information:

	1 <sup>st</sup> January, 2015 ₹	31 <sup>st</sup> dec. 2015 ₹
Sundry Debtors	18,100	19,300
Stock	15,000	14,000
Machinery	25,000	?
Furniture	4,000	?
Sundry Creditors	11,000	12,500

**Summary of Cash Transaction for 2015**

Receipts	₹	Payments	₹
Opening Balance	500	Payment of Creditors	35,000
Cash Sale	6,100	Wages	16,000
Received from Debtors	75,300	Salaries	15,000
Miscellaneous receipts	200	Drawings	4,000
Loan from Das		Expenses	11,000
(@ 9% an 1 <sup>st</sup> July)	10,000	Machinery Purchased (1 <sup>st</sup> July)	9,500
		Closing Balance	1,600
	<b>92,100</b>		<b>92,100</b>

Discounts allowed were ₹ 700 and discounts received were ₹ 400. Bad debts written off were ₹ 800. Depreciation is to be written off furniture @5% and Machinery @10%. Expenses include insurance @ ₹ 500 p.a. paid up to 31<sup>st</sup> March 2015; Wages ₹ 2000 are still due.

Prepare Trading and Profit and Loss Account and Balance Sheet relating to 2015.

**Solution: Total Debtors Account (to Ascertain Credit Sales)**

	₹		₹
To Balance b/d	18,100	By Cash	75,300
To Credit Sales		By Discount	700
(Balancing Figure)	78,000	By Bad Debts	800
		By Balance Debts	19,300
	<b>96,100</b>		<b>96,100</b>

**Total Creditors Account (to find out Credit Purchases)**

	₹		₹
To Cash	35,000	By Balance b/d	11,000
To Discount	400	By Credit Purchases	
To Balance c/d	12,500	(Balancing Figure)	36,900
	<b>47,900</b>		<b>47,900</b>

**Balance Sheet on 1<sup>st</sup> Jan. 2015**

Liabilities	₹	Assets	₹
Sundry Creditors	11,000	Cash	500
Capital		Stock	15,000
(Balancing figure)	51,600	Sundry Debtors	18,100
		Machinery	25,000
		Furniture	4,000
	<b>62,600</b>		<b>62,600</b>

**Trading and Profit and Loss Account of Bose for the year ended Dec. 31, 2015**

	₹		₹
To Opening Stock	15,000	By Sales:	
To Purchases	36,900	Credit	78,000
To Wages: Paid	16,000	Cash	<u>6,100</u>
<i>Add:</i> Outstanding	<u>2,000</u>	By Closing Stock	14,000
To Gross Profit c/d	28,200		
	<b>98,100</b>		<b>98,100</b>
To Salaries	15,000	By Gross Profit	28,200
To Expenses:	11,000	By Miscellaneous Receipts	200
<i>Less:</i> Prepaid	<u>125</u>	By Discount Received	400
To Interest on Loan:	10,875	By Net Loss c/d	2,200
9% for 6 Month on ₹ 10,000	450		
To Depreciation:			
Machinery	2,975		
Furniture	<u>200</u>		
To Discount allowed	700		
To Bad Debts	800		
	<b>31,000</b>		<b>31,000</b>

**Balance Sheet of Bose as at December 31, 2015**

Liabilities	₹	Fixed Assets	₹
Sundry Creditors	12,500	Machinery	
Wages Unpaid	2,000	Balance on 1 <sup>st</sup> Jan.,	25,000
Loan from Das	10,000	Addition 1 <sup>st</sup> July	<u>9,500</u>
<i>Add:</i> Interest Unpaid	<u>450</u>		34,500
Capital		<i>Less:</i> Depreciation	<u>2,975</u>
Balance on 1 <sup>st</sup> Jan. 2015	51,600	Furniture:	
<i>Less:</i> Loss	(2,200)	Balance on 1 <sup>st</sup> Jan.	4,000
Drawings	<u>(4,000)</u>	<i>Less:</i> Dep.	<u>200</u>
	45,400	Current Assets:	
		Stock	14,000
		Debtors	19,300
		Cash	1,600
		Prepaid Insurance	125
	<b>70,350</b>		<b>70,350</b>

**Note:** Depreciation on Machinery has been calculated as under:

	<b>₹</b>	
10% on ₹ 25,000 for Full Year		2,500
10% on ₹ 25,000 for Six months		475
		2,975

**Illustration 3:** Mr. Ramji Supplies you the following information:

Particulars	1 <sup>st</sup> April, 2014	31 <sup>st</sup> March, 2015
Sundry Debtors	90,000	1,05,000
Stock	75,000	85,000
Sundry Creditors	55,000	60,000
Furniture	20,000	?
Machinery	1,75,000	?

**Summary of Cash Transaction for the Year 2014-2015**

Particulars	₹	Payments	₹
Opening balance	5,000	Creditors	1,75,000
Cash sales	55,000	Wages	80,000
Received from debtors	3,90,000	Salaries	75,000
Loan from Raj	50,000	Expenses	30,000
		Drawings	45,000
		Income tax	15,000
		Machinery purchased on 1 <sup>st</sup> October 2014	50,000
		Closing balance	30,000

Discount allowed were ₹ 6,000 and discount received ₹ 5,000. Bad debts written off were ₹ 4,000. Depreciation is to be provided on furniture @ 5% p.a. and machinery @ 10% p.a. expenses include payments of ₹ 1,000 which relates to 2014-15. Wages outstanding ₹ 7,500. Prepare trading profit and loss account of Mr. Ramji for the year ended 31<sup>st</sup> March, 2015 and balance sheet as on date.

**Solution:**

**Opening Balance as on 1-4-2014**

Particulars	₹	Payments	₹
Sundry Creditors	55,000	Sundry Debtors	90,000
Capital (Balancing Figure)	3,10,000	Stock	75,000
		Furniture	20,000
		Machinery	1,75,000
		Cash and Bank	5,000
	<b>3,65,000</b>		<b>3,65,000</b>

**Sundry Debtors A/c**

Particulars	₹	Payments	₹
To Balance b/d	90,000	By Cash and Bank A/c	3,90,000
To Sales (Balancing Figure)	4,15,000	By Discount Allowed	6,000
		By Bad Debts	4,000
		By Closing Balance	1,05,000
	<b>5,05,000</b>		<b>5,05,000</b>

**Sundry Creditors A/c**

Particulars	₹	Payments	₹
To Cash and Bank A/c	1,75,000	By Balance b/d	55,000
To Discount received	5,000	By Purchases (Balancing Figure)	1,85,000
To Balance c/d	60,000		
	<b>2,40,000</b>		<b>2,40,000</b>

**Trading A/c for the Year Ended 31-03-2015**

Particulars	₹	Payments	₹
To Opening Stock	75,000	By Sales	
		Cash: 55,000	
		Credit: 4,15,000	4,70,000
To Purchases	1,85,000	By Closing Stock	85,000
To Wages 80,000			
(+) O/S 7,500	87,500		
To Gross Profit c/d	2,07,500		
	<b>5,55,000</b>		<b>5,55,000</b>

**Profit & Loss A/c for the Year Ended 31-3-2015**

Particulars	₹	Payments	₹
To Salaries	75,000	By Gross Profit b/d	2,07,500
To Expenses 30,000		By Discount received	5,000
(-) Prepaid 1,000	29,000		
To Discount allowed	6,000		
To Bad debts	4,000		
To Depreciation:			
Furniture: 1,000			
Machinery: 20,000	21,000		
To Net Profit	77,500		
	<b>2,12,500</b>		<b>2,12,500</b>

**Closing Balance Sheet as on 31-3-2015**

Particulars	₹	Particulars	₹
Capital 3,10,000		Furniture 20,000	
(+) Net profit 77,500		(-) Depreciation 1,000	19,000



(-) Drawings	45,000		Machinery	1,75,000	
(-) Income tax	<u>15,000</u>	3,27,500	(+) Additions	50,000	
			(-) Depreciation (17500 + 2500)	<u>20,000</u>	2,05,000
Loan from Raj		50,000	Cash and bank		30,000
Outstanding wages		7,500	Prepaid expenses		1,000
Sundry creditors		60,000	Sundry debtors		1,05,000
			Stock		85,000
		<b>4,45,000</b>			<b>4,45,000</b>

**Illustration 4:** From the following information, prepare Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2015 and Balance Sheet as on that date.

Particulars	31-3-2014	31-3-2015
Stock	41,600	31,200
Bills Receivable	20,200	?
Fixed Assets	57,200	?
Bills Payable	10,400	?
Debtors	20,800	?
Cash	5,200	?
Creditors	20,800	?

#### Cash Transaction During the Year 2014-15

Particulars	₹
Wages and salaries	52,000
Drawings	5,200
Received from debtors	1,45,600
Bills receivable encased	52,000
Payment to creditors	78,000
Bills payable paid	62,400
Sundry expenses	2,600
Cash sales	20,800

#### Non-cash Transaction During the Year 2014-15

Particulars	₹
Discount Allowed	5,200
Discount Received	7,800
Credit Purchases	1,56,000
Credit Sales	2,13,200
Bills Receivable Drawn	57,200
Bills Payable Accepted	72,800

Adjustment to be made for the preparation of Final Accounts

- (a) Wages Outstanding – ₹ 5,200
- (b) 10% Depreciation on Fixed Assets
- (c) 5% Provision for Doubtful Debts
- (d) Prepaid Insurance ₹ 520

**Solution:** **Trading A/c for the year ended 31<sup>st</sup> March 2015**

Particulars	₹	₹	Particulars	₹	₹
To Opening stock		41,600	By Sales:		
To Purchases		1,56,000	Cash	20,800	
To Wages & salaries	52,000		Credit	2,13,200	2,34,000
Add: O/S wages	5,200	57,200			
To Gross Profit c/d		10,400	By Closing stock		31,200
		<b>2,65,200</b>			<b>2,65,200</b>

**P & L A/c for the year ended 31<sup>st</sup> March 2015**

Particulars	₹	₹	Particulars	₹	₹
To Discount Allowed		5,200	By Gross Profit b/d		10,400
To Sundry Expenses	2,600		By Discount Received		7,800
(-) Prepaid Insurance	520	2,080			
To Dep FA		5,720			
To Provision For Doubtful Debts		1,300			
To Net Profit c/d		3,900			
		<b>18,200</b>			<b>18,200</b>

**Balance Sheet as on 31<sup>st</sup> March 2015**

Liabilities	₹	₹	Assets	₹	₹
Capital Account	1,13,800		Fixed Assets	57,200	
(-) Drawings	5,200	1,08,600	(-) Dep 10%	5,720	51,480
(+) Net Profit	3,900	1,12,500			
Bills Payable		20,800	Prepaid Insurance		520
Creditors		18,200	Stock		31,200
O/S Wages		5,200	Bills Receivable		25,400
			Debtors	26,000	
			(-) Provision	1,300	24,700
			c/b		23,400
		<b>1,56,700</b>			<b>1,56,700</b>

**Cash Bank A/c**

To bal b/d	5,200	By Wages & Salaries	52,000
To Debtors	1,45,600	By Drawings	5,200
To B/R	52,000	By Creditors	78,000
To Sales	20,800	By B/P	62,400
		By Sundrt Expenses	2,6000
		By balance c/d	23,400
	<b>2,23,600</b>		<b>2,23,600</b>

**W.N. Statement of Affairs as on 31-3-14**

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital Account	1,13,880	Stock	41,600
Bills Payable	10,400	Bills Receivable	20,200
Creditors	20,800	Fixed Assets	57,200
		Debtors	20,800
		Cash	5,200
	<b>1,45,000</b>		<b>1,45,000</b>

**Bills Receivable A/c**

<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>
To Bal b/d	20,200	By Cash/Bank	52,000
To Debtors	57,200	By Balance c/d	25,400
	<b>77,400</b>		<b>77,400</b>

**Bills Payable A/c**

<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>
To Cash/Bank	62,400	By Balance b/d	10,400
To Balance c/d	20,800	By Creditors	72,800
	<b>83,200</b>		<b>83,200</b>

**Debtors A/c**

<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>
To Balance b/d	20,800	By Bills Receivable	57,200
To Sales	2,13,200	By Cash/Bank	1,45,600
		By Discount Allowed	5,200
		By Balance c/d	26,000
	<b>2,34,000</b>		<b>2,34,000</b>

**Creditors A/c**

Particulars	₹	Particulars	₹
To Bills Payable	72,800	By Balance b/d	20,800
To Cash/Bank	78,000	By Purchases	1,56,000
To Discount Received	7,800		
To Balance c/d	18,200		
	<b>1,76,800</b>		<b>1,76,800</b>

**Note:**

**Illustration 5: (Comprehensive Problem):** You are given (1) The Balance Sheet of Raj Kumar on 31<sup>st</sup> March, 2014 (2) A cash account for the year ended 31<sup>st</sup> March, 2015 and (3) Additional information. You are required to prepare a Trading and Profit and Loss A/c for the year ended 31<sup>st</sup> March, 2015 and a Balance Sheet as on that date.

**Balance Sheet as on 31.3.2014**

Liabilities	Amt. ₹	Assets	Amt. ₹
Creditors	20,000	Cash	5,000
Bills Payable	40,000	Banks	10,000
Capital	1,00,000	Bills Receivable	20,000
		Debtors	25,000
		Stock	20,000
		Furniture	10,000
		Plant	70,000
	<b>1,60,000</b>		<b>1,60,000</b>

**Cash A/c for the year ended 31.3.2015**

	Amt. ₹		Amt. ₹
Balance		Drawing	12,000
Cash	5,000	Wages	20,000
Bank	<u>10,000</u>	Payment to Creditors	35,000
Cash Sales	35,000	Bills paid	60,000
Collection from Debtors	80,000	Sundry Expenses	30,000
Bills Receivable	75,000	Rent, Rates and Taxes	20,000
		Balance :	
		Cash	3,000
		Bank	<u>25,000</u>
	<b>2,05,000</b>		<b>28,000</b>
			<b>2,05,000</b>

**Additional Information**

<b>Particulars</b>	<b>₹</b>
Debtors on 31 <sup>st</sup> March, 2015	40,000
Creditors on 31 <sup>st</sup> March, 2015	25,000
Bills Receivable on 31 <sup>st</sup> March, 2015	30,000
Bills Payable on 31 <sup>st</sup> March, 2015	50,000
Stock in Trade on 31 <sup>st</sup> March, 2015	30,000
Bills Receivable in hand dishonoured during the year	5,000
Bills payable dishonoured	2,000
Bills Receivable endorsed	15,000
Bills receivable as endorsed dishonoured	2,000
Discount Allowed	1,000
Discount Received	2,000

*(CS Modified)***Solution**

<b>Dr.</b>	<b>Bills Receivable A/c</b>		<b>Cr.</b>
	<b>Amt. ₹</b>		<b>Amt. ₹</b>
To Balance b/d	20,000	By Cash	75,000
To Debtors	1,05,000	By Debtors	5,000
		By Creditors	15,000
		By Balance c/d	30,000
	<b>1,25,000</b>		<b>1,25,000</b>

<b>Dr.</b>	<b>Bills Payable A/c</b>		<b>Cr.</b>
	<b>Amt. ₹</b>		<b>Amt. ₹</b>
To Cash	60,000	By Balance b/d	40,000
To Creditors	2,000	By Sundry Creditors	72,000
To Balance	50,000		
	<b>1,12,000</b>		<b>1,12,000</b>

<b>Dr.</b>	<b>Total Debtors A/c</b>		<b>Cr.</b>
	<b>Amt. ₹</b>		<b>Amt. ₹</b>
To Balance b/d	25,000	By Cash	80,000
To Bills Receivable	5,000	By Discount	1,000
To Creditors	2,000	By Bills Receivable	1,05,000
To Sales	1,94,000	By Balance c/d	40,000
	<b>2,26,000</b>		<b>2,26,000</b>

Dr.	Total Creditors A/c		Cr.
	Amt. ₹		Amt. ₹
To Cash	35,000	By Balance b/d	20,000
To Bills Receivable	15,000	By Bills Payable	2,000
To Discount	2,000	By Debtors	2,000
To Bills Payable	72,000	By Purchase	1,25,000
To Balance c/d	25,000		
	<b>1,49,000</b>		<b>1,49,000</b>

Dr.	Trading and Profit & Loss A/c		Cr.
	Amt. ₹		Amt ₹
To Opening Stock	20,000	By Sales	
To Purchases	1,25,000	Cash	35,000
To Wages	20,000	Credit	1,94,000
To Gross Profit c/d	94,000	By Closing Stock	30,000
	<b>2,59,000</b>		<b>2,59,000</b>
To Sundry Experience	30,000	By Gross Profit b/d	94,000
To Rent, Rates And Taxes	20,000	By Discount	2,000
To Discount	1,000		
To Net Profit transferred to Capital A/c	45,000		
	<b>96,000</b>		<b>96,000</b>

**Balance Sheet as on 31<sup>st</sup> March, 2015**

Liabilities	Amt. ₹	Assets	Amt. ₹
Creditors	25,000	Cash	3,000
Bills Payable	50,000	Bank	25,000
		Bills Receivable	30,000
Capital:           1,00,000		Debtors	40,000
Add: Profit <u>45,000</u>		Stock	30,000
	1,45,000	Furniture	10,000
Less: Drawings <u>12,000</u>	1,33,000	Plant	70,000
	<b>2,08,000</b>		<b>2,08,000</b>

**SAQ 1:** Mohan's books, kept on the single-entry system, reveal the following:

Assets And Liabilities	1st July 2014 ₹	30th June 2015 ₹
Stock	18,000	17,300
Debtors	16,000	14,800
Bills Receivable	6,200	4,800

Bills Payable	5,000	5,600
Sundry Creditors	10,000	93,000
Cash at Bank	2,500	1,800

**Summary of Cash Transactions**

Receipts	₹	Payments	₹
Opening Balance	2,500	Payments to Creditors	20,000
Received from Debtors	35,000	Payments against Bills Payable	15,000
Received against Bills Receivable	15,600	Office Expenses	6,000
Miscellaneous	300	Domestic Expenses	4,000
		Investments	6,600
		Closing Balance	1,800
	<b>53,400</b>		<b>53,400</b>

Investments consisted of 4% Government Bonds of the face value of ₹ 8,000 and were purchased on 1<sup>st</sup> Jan 2015. Prepare Trading and Profit and Loss Account and Balance Sheet from above figures.

*(ICWA Inter Modified)*

(Ans.: Gross Profit, ₹ 12,400, Net Profit, ₹ 6,860, Total of Balance Sheet ₹ 45,460)

**SAQ 2.** Desai wants to ascertain the profit he earned during 2015 and his balance sheet at the end of the year. He does not keep systematic books of account and can give you only the following information:

Assets and Liabilities	Dec 31.2014 ₹	Dec 31.2015 ₹
Sundry Debtors	45,000	48,600
Sundry Creditors	2,400	?
Cash	6,300	?
Furniture and Fixtures	11,000	13,600
Stock at Cost	25,000	30,000
<b>Transactions During 1998:</b>		<b>₹</b>
Cash Received from Debtors		80,000
Discount Allowed to Them		1,400
Bad Debts Written Off		1,800
Cash Paid to Creditors		64,000
Goods Returned by Customers		3,000
Goods Returned to Suppliers		2,000
Expenses Paid		5,200
Drawings		9,000

He still owes ₹ 800 for expenses and the depreciation on furniture and fixtures is 15%. He affirms that he always sells goods at cost plus 40%. A provision of 2.5% on debtors is required against bad debts. Help Desai. **(CA Inter)**

**(Ans.:** Gross profit ₹ 24,800; Net profit ₹ 13,770; Total of Balance Sheet ₹ 95,870)

**SAQ 3.** The books of Moneymaker showed the following figures:

	31.12.14 ₹	31.12.15 ₹
Cash at Bank	3,500	8,500
Cash in Hand	410	850
Stock on Trade	22,500	25,500
Sundry Debtors	18,000	?
Sundry Creditors	8,000	7,300
Bills Payable	20,000	18,000
Furniture and Fittings	5,000	?
Outstanding Salary	200	?

The cash book analysis showed the following figures amongst others:

	₹		₹
Receipts from Customers	1,05,000	Drawings	6,000
Discount allowed to Customers	1,300	Payments to Creditors	19,000
Salary up to 31.12.15	2,600	Discount Received from Creditors	2,600
Rent	3,600	Payment for Bills Payable	80,000
Sundry Trade Expenses	8,500		
Furniture Purchased on 1.7.15	1,000		

Depreciation is provided on furniture and fittings @ 10% p.a. No figures are available for total sales. However, Moneymaker informs you that he maintains a steady gross profit rate of 25% on sales.

Prepare Moneymaker's Trading and Profit and Loss Account for the year ended 31<sup>st</sup> December, 2015 and the balance sheet as at date.

**(CIMA London Modified)**

**(Ans.:** Net profit: ₹ 18,217; Total of Balance Sheet ₹ 58,727; Closing Balance of debtors ₹ 18,427; Furniture and fittings after depreciation ₹ 5,450; Credit purchase of ₹ 98,900; Opening capital ₹ 21,210)

**SAQ 4.** Calculate total sales from the following information:

	₹
Bills Receivable on 1st January 2015	7,800
Debtors on 1st January 2015	30,800
Cash Received on Maturity of Bills Receivable during the Month	20,900



Cash Received from Debtors	70,000
Bad Debts Written Off	4,800
Returns Inwards	8,700
Bills Receivable Dishonored	1,800
Bills Receivable on 31st January 2015	6,000
Debtors on 31 st January 1998	25,500
Cash Sales during the months	15,900

*(CS Inter Modified)***(Ans.:** Credit sales ₹ 97,300 B/R drawn during the year ₹ 20,900; Total sales ₹ 1,13,200)**SAQ 5.** The Balance Sheet of Bose and Dass was as under on 31<sup>st</sup> December 2014.

Liabilities	₹	Assets	₹
Sundry Creditors	11,600	Stock	15,000
Bills Payable	4,300	Debtors	16,100
Capitals :		Furniture	4,000
Bose	20,000	Delivery Van	13,000
Dass	15,000	Cash at Bank	2,800
	35,000		

The transactions during 2015 were:

	₹		₹
Purchases	30,000	Bills Payable Issued	7,000
Sales	50,000	Discount Received	500
Bills Receivable Received	6,000	Discount Allowed	800

The Stock on 31<sup>st</sup> Dec, 2015 was ₹ 18,200. Cash transactions were as follows:

	₹
Received from Debtors	45,000
Received against B/R	4,500
Received from Sale Of Old Gunny Bags	200
Payment to Creditors	21,500
Payment against B/P	8,000
Expenses (Including Salaries)	10,000

The balance at Bank on 31<sup>st</sup> Dec 2015 was ₹ 4,500 delivery van is to be depreciated @ 15%. During the year, both partners had withdrawn an equal sum of money. Allowing a commission of 10% of net profits before such commission to the manager, prepare Trading and Profit and Loss Account and Balance Sheet relating to 2015.

*(IPCC Modified)***(Ans.:** Gross Profit, ₹ 23,200, Net profit ₹ 10,035; Total of Balance Sheet ₹ 53,550; Drawings ₹ 8,500)

**SAQ 6.** Balance Sheet of Mr Roy as on 31<sup>st</sup> December 2014 is as follows:

Liabilities	₹	Assets	₹
Creditors	41,710	Bank	31,230
Accruals	1,870	Debtors	62,300
Capitals	1,30,720	Stock	41,670
		Fixtures	21,600
		Machinery at Cost	17,500
	<b>1,74,300</b>		<b>1,74,300</b>

Following information is disclosed by the books:

Particulars	For the year ended 31-12-2015
Cash Received from Debtors	74,320
Cash Paid Expenses	18,480
Creditors	32,690
Drawings	9,200
Sales	83,100
Purchases	42,300
Bad Debts	2,700
Expenses Outstanding	1,730

Stock in Trade was taken 31<sup>st</sup> December, 2015 at ₹ 12,900. Depreciation is to be provided on Machinery at 20% p.a. on Original Cost.

You are required to prepare Trading and Profit and Loss Account for the year and the Balance Sheet as on 31<sup>st</sup> December 2015.

*(CIMA London Modified)*

**(Ans.:** Gross Profit = ₹ 56,930, Net profit = ₹ 34,450, Balance Sheet Total = ₹ 1,00,500)

**Illustration 6:** Khan gives some of Balance as per his records as on January 1, 2015 and 31<sup>st</sup> December, 2015:

	January 1, 2015 ₹	Dec 31, 2015 ₹
Cash and Bank Balance	4,500	3,650
Sundry Debtors	?	37,800
Sundry Creditors	19,600	21,700
Stock in Trade	11,000	13,400
Furniture's and Fixtures	16,000	?
Expenses Outstanding	4,100	5,300

He informs you that he always sells goods at margin of 25% on sales but one lot costing ₹ 1,500 had to be sold for ₹ 1,400 due to damage. The cash book summary, *inter alia*, showed the following items:

	₹		₹
Paid to Creditors	57,000	Received from Sundry Debtors	76,000
Paid to Expenses	20,300	Misc. Receipts	900
Paid to Furniture	2,500	Drawings	6,000
Cash Purchases	6,000		

Discounts allowed and received were ₹ 650 and ₹ 300

Depreciation on Furniture was @ 10%

Prepare Khan's trading and profit and loss account for 2015 and his balance sheet as at the end of that year.

**Solution: Notes:** Good deal of information is not available it will have to be ascertained, hence, the following workings

### 1. To Ascertain Credit Purchase

#### Sundry Creditors Account

	₹		₹
To Cash	57,000	By Balance b/d	19,600
To Discount Received	300	By Purchases	59,400
To Balance c/d	21,700	(Balancing figure)	
	<b>79,000</b>		<b>79,000</b>

### 2. Total Purchase

	₹
Credit	59,400
Cash	6,000
	<u>65,400</u>

### 3. Cost of Goods Sold and Sales

Purchase	65,400
Add: Opening stock	11,000
	<u>76,400</u>
Less: Closing Stock	13,400
Cost of Goods sold	63,000
Less: Item sold below Cost	1,500
	<u>61,500</u>
Gross Profit @33 ½ % which is the same as 25% on sales	20,500
	<u>82,000</u>
	1,400
Add: Sales below cost	<u>83,400</u>

**4. Cash Sales****Cash Book**

	₹		₹
To Balance b/d	4,500	By Sundry Creditors	57,000
To Sundry Debtors	76,000	By Cash Purchases	6,000
To Misc. Receipts	900	By Expense	20,300
To Cash Sales	14,050	By Furniture	2,500
(Balancing figure)		By Drawings	6,000
		By Balance c/d	3,650
	<b>95,450</b>		<b>95,450</b>

**5. Credit Sales**

Total Sales	83,400
Less: Cash Sales	<u>69,350</u>

**6. Opening Balance of Sundry Debtors****Sundry Debtors Account**

	₹		₹
To Balance b/d	45,100	By Cash	76,000
(Balance figure)		By Discount	650
To Credit Sales	69,350	By Balance c/d	37,800
	<b>1,14,450</b>		<b>1,14,450</b>

**7. Opening Balance of Capital****Balance Sheet as on 1<sup>st</sup> Jan, 2015**

	₹		₹
Sundry Creditors	19,600	Cash and Bank Balance	4,500
Expenses Outstanding	4,100	Sundry Debtors	45,100
Capital	52,900	Stock in Trade	11,000
(Balance figure)		Furniture and Fixtures	16,000
	<b>76,600</b>		<b>76,600</b>

**Trading and Profit and Loss Account of Khan for the year ended 31<sup>st</sup> Dec 2015**

	₹		₹
To Opening Stock	11,000	By Sales	83,400
To Purchases	65,400	By Closing Stock	13,400
To Gross Profit c/d	20,400		
	<b>96,800</b>		<b>96,800</b>
To Expenses	21,500	By Gross Profit b/d	20,400
To Depreciation	1,725*	By Discount Received	300

To Discount allowed	650	By Misc Receipts	900
		By Loss	2,275
	<b>23,875</b>		<b>23,875</b>

\*On the addition, Depreciation has been allowed for half year on the assumption that the purchase was made in the middle of the year.

#### Balance Sheet of Khan as at 31<sup>st</sup> December, 2015

Liabilities	₹	Assets	₹
Capital:		Cash and Bank Balance	3,650
As on Jan 1, 2011	52,900	Stock in Trade	13,400
Less: Drawings	6,000	Sundry Debtors	37,800
Loss	2,275	Furniture	
	44,625	As on 1 <sup>st</sup> Jan., 2015	16,000
Sundry Creditors	21,700	Addition During the Year	2,500
Expenses Outstanding	5,300	Less: Depreciation	1,725
	<b>71,625</b>		<b>16,775</b>
			<b>71,625</b>

**Illustration 7:** You are given:

1. The Balance sheet of Deepak as at 31<sup>st</sup> December 2014
2. The Cash Account for the year ended 31<sup>st</sup> December 2015
3. Additional information.

You are required to prepare a Trading and Profit and Loss Account for the year ended 31<sup>st</sup> December 2015 and Balance Sheet as on that date.

#### Balance Sheet as on 31<sup>st</sup> December. 2014

Liabilities	Amt. ₹	Assets	Amt. ₹
Sundry Creditors	2,000	Cash	1,500
Bills Payable	4,000	Bills Receivable	2,000
Outstanding Wages	100	Sundry Debtors	2,500
Capital	9,900	Stock	2,000
		Furniture	1,000
		Plant and Machinery	7,000
	<b>16,000</b>		<b>16,000</b>

#### Cash A/c for the year ended 31.12.2015

Receipts	Amt. ₹	Payments	Amt. ₹
To Balance b/d	1,500	By Wages	2,000
To Cash Sales	3,500	By Drawings	1,200
To Debtors	8,000	By Payment to Creditors	3,500
To Bills Receivable	7,500	By Bills Payable	6,000

		By Sundry Expenses	3,000
		By Rent, Rates and Taxes	2,000
		By Balance c/d	2,800
	<b>20,500</b>		<b>20,500</b>

**Additional Information:**

		₹
Sundry Debtors	31.12.2015	4,000
Sundry Creditors	31.12.2015	2,500
Bills Receivable	31.12.2015	4,500
Bills Payable	31.12.2015	5,000
Stock	31.12.2015	3,000
Bills Receivable dishonoured during the year		500
Bills Payable dishonoured		200
Discount allowed		250
Bills Receivable endorsed		1,500
Bills Receivable endorsed dishonoured		200
Discount Received		650

**Solution**

Dr.	Bills Receivable A/c		Cr.
	Amt. ₹		Amt. ₹
To Balance b/d	2,000	By Cash	7,500
To Debtors (Balancing Figure)	12,000	By Debtors (B/R Dishonoured)	500
		By Creditors (B/R Endorsed)	1,500
		By Balance c/d	4,500
	<b>14,000</b>		<b>14,000</b>

Dr.	Total Debtors A/c		Cr.
	Amt. ₹		Amt. ₹
To Balance b/d	2,500	By Cash	8,000
To B/R (Dishonored)	500	By Discount	250
To Creditors		By Bills Receivable	12,000
(B/R Endorsed are Dishonoured)	200	By Balance c/d	4,000
To Sales (Balancing Figure)	21,050		
	<b>24,050</b>		<b>24,250</b>

Dr.	Bills Payable A/c		Cr.
	Amt. ₹		Amt. ₹
To Cash	6,000	By Balance b/d	4,000
To Creditors		By Creditors	
(B/P Dishonoured)	5,200	(Balancing Figure)	7,200
	<b>11,200</b>		<b>11,200</b>

Dr.	Total Creditors A/c		Cr.
	Amt. ₹		Amt. ₹
To Cash	3,500	By Balance b/d	2,000
To Discount	650	By Bills Payable (Dishonoured)	200
To Bills Payable	7,200	By Debtors	
To Bills Receivable	1,500	(B/R Endorsed dishonoured)	200
To Balance c/d	2,500	By Purchases (Bal. Fig.)	12,950
	<b>15,350</b>		<b>15,350</b>

**Trading and Profit & Loss A/c  
for the year ended 31<sup>st</sup> December 2015**

	Amt. ₹		Amt. ₹
To Opening Stock	2,000	By Sales:	
To Purchases	12,950	Cash Sales	3,500
To Wages	2,000	Credit Sales	<u>21,050</u>
<i>Less: for 1987</i>	<u>100</u>		24,550
To Gross Profit c/d	10,700	By Closing Stock	3,000
	<b>27,550</b>		<b>27,550</b>
To Rent, Rates and Taxes	2,000	By Gross Profit b/d	10,700
To Sundry Expenses	3,000	By Discount	650
To Discount	250		
To Net Profit transferred to Capital	6,100		
	<b>11,350</b>		<b>11,350</b>

**Balance Sheet as on 31.12.2015**

Liabilities	Amt. ₹	Assets	Amt. ₹
Sundry Creditors	2,500	Cash	2,800
Bills Payable	5,000	Sundry Debtors	4,000
Capital	9,900	Stock	3,000
<i>Add: N.P</i>	<u>6,100</u>	Bills Receivable	4,500
	16,000	Furniture	1,000
<i>Less: Drawing</i>	<u>1,200</u>	Plant & Machinery	7,000
	<b>22,300</b>		<b>22,300</b>

**Illustration 8: (Where Cash Diary is Kept):** Bhuvanabhoopati who commenced business as a trader on 1.1.2015 has not kept proper records of his transaction for the year ended 31st December, 2015 He, however, has kept a cash dairy from which he has extracted the following:

## Cash A/c

Receipts	Amt. ₹	Payments	Amt. ₹
Amounts withdrawals from Bank on various dates	3,520	Postage Expenses Conveyance Expenses License Fees Miscellaneous Expenses Balance c/d	720 2,400 60 220 120
	<b>3,520</b>		<b>3,520</b>

An analysis of his Bank statements reveals the following deposits and withdrawals:

Deposits:	₹
Capitals introduced	50,000
Cash Sales	2,40,000
Collection from Debtors	20,000
Withdrawals:	
Cash withdrawals for petty expenses	3,520
Rent paid	2,200
Electricity Bills paid	660
Payments to suppliers	1,80,000
Insurance	12,000
Salaries	3,600
Furniture & Fixtures purchased	24,000
Advance income-tax paid	12,000
Typewriter Purchased	2,000
Personal drawings	36,000

- All fixed assets were purchased in early January. Furniture is to be depreciated at 10% and Typewriter at 15%.
- Rent and Electricity Payable to the landlord are in arrear for December, 2015
- At the end of the year, debtors were ₹ 5,000, creditors ₹ 2,700 and stock ₹ 39,000.

You are required to prepare:

- A summary of the Bank A/c and ascertain the closing balance.
- Trading and Profit & Loss A/c for the year ended 31<sup>st</sup> December, 2015
- Balance Sheet as at that date.

(CIMA, Modified)

**Solution:**

**(a) Book of Bhuvanabhoopati**

Dr.	Bank A/c for the year ended 31.12.2015		Cr.
Receipts	Amt. ₹	Payments	Amt. ₹
To Capital A/c	50,000	By Furniture and Fixtures	24,000
To Cash Sales	2,40,000	By Sundry Creditors	1,80,000
To Sundry Debtors	20,000	By Typewriter	2,000



		By Insurance	12,000
		By Cash for Petty Expenses	3,520
		By Rent	2,200
		By Electricity	660
		By Salaries	3,600
		By Advance Income Tax	12,000
		By Drawings	36,000
		By Balance c/d	34,020
	<b>3,10,000</b>		<b>3,10,000</b>
To Balance b/d	34,020		

(b) **Trading and Profit & Loss A/c**  
**Dr.** **for the year ended 31.12.2015**

	Amt. ₹		Amt. ₹
To Purchases	1,82,700	By Sales :	
To Gross Profit c/d	1,21,300	Cash	2,40,000
		Credit	<u>25,000</u>
			2,65,000
		By Stock - Closing	39,000
	<b>3,04,000</b>		<b>3,04,000</b>
To Rent	2,400	By Gross Profit b/d	1,21,300
To Electricity	720		
To Insurance	12,000		
To Salaries	3,600		
To Postage	720		
To Conveyance	2,400		
To License Fees	60		
To Miscellaneous Expenses	220		
To Depreciation:			
Furniture	2,400		
Typewriter	300		
To Net Profit transferred to Capital A/c	96,480		
	<b>1,21,300</b>		<b>1,21,300</b>

(c) **Bhuvanabhoopati**  
**Dr.** **Balance Sheet as at 31.12.2015**

Liabilities	Amt. ₹	Assets	Amt. ₹
Sundry Creditors	2,700	Current Assets:	120
Outstanding Expenses:		Cash in Hand	34,000
Rent	200	Cash at Bank	39,000
Electricity	<u>60</u>	Stock	5,000
	260		

Capital:		Sundry Debtors	
Introduced	50,000	Fixed Asset:	
Add: Net Profit	<u>96,480</u>	Furniture	24,000
	1,46,480	Less: Depreciation	<u>2,400</u> 21,600
Less: Advance Tax	12,000	Typewriter	2,000
Drawing	<u>36,000</u>	Less: Depreciation	<u>300</u> 1,700
	<u>48,000</u>		
	98,480		
	<b>1,01,440</b>		<b>1,01,440</b>

**Total Debtors A/c**

	Amt. ₹		Amt. ₹
To Sales (Balancing Figure)	25,000	By Bank	20,000
		By Balance c/d	5,000
	<b>25,000</b>		<b>25,000</b>

**Total Creditors A/c**

	Amt. ₹		Amt ₹
To Bank b/d	1,80,000	By Purchases (Bal. Fig.)	1,82,700
To Balance c/d	2,700		
	<b>1,82,700</b>		<b>1,82,700</b>

**Note:** Advance Income Tax paid should be treated as drawings.

**Illustration: 9: (Deposit for Rent Given):** Rama Reddi is a retail merchant who keeps only a memorandum of his transaction. By going through his notes and records, you are able to ascertain the following:

## 1. Summary of Bank A/c (1.4.2014 to 31.3.2015)

	Amt. ₹		Amt. ₹
To Balance b/d	2,500	By Payments to Creditors	2,20,000
To Cash deposited	2,30,000	By Rent paid	12,000
To Balance c/d	13,100	By Electricity Charges	3,600
		By Drawing	10,000
	<b>2,45,600</b>		<b>2,45,600</b>

## 2. Other Cash Transactions

	₹
Cash Purchases	20,000
Office Expenses paid	20,500
Cash Balance on 1.4.2014	500
Cash Balance on 31.3.2015	1,000

## 3. Other information

## (a) Stock in trade:

As on 1.4.2014 50,000

As on 31.3.2015 75,000

(b) A deposit of ₹ 3,000 for rent lies with the landlord.

(c) Furniture with a written down value of ₹ 30,000 on 1.4.2014 is subject to depreciation at 10% p.a.

(d) Electricity bills to be paid on 1.4.2014 and 31.3.2015 were for ₹ 400 and ₹ 600 respectively.

(e) Amount due to creditors on 1.4.2014 and 31.3.2015 were ₹ 10,600 and ₹ 21,000 respectively.

(f) An amount of ₹ 2,000 being irrecoverable from customer is to be written off as bad.

(g) Debtors on 1.4.2014 and 31.3.2015 were ₹ 20,000 and ₹ 17,000 (excluding bad debts of ₹ 2,000) respectively.

From the above information, prepare Rama Reddi's:

(i) Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2015; and(ii) Balance Sheet as at 31<sup>st</sup> March, 2015*(CIMA, London Modified)***Solution:**

**Mr. Rama Reddi**  
**Trading and Profit & Loss A/c**  
**for the year ended 31.3.2015**

Dr.	Amt. ₹	Cr.	Amt. ₹
To Opening Stock	50,000	By Sales	2,70,000
To Purchases:		By Closing Stock	75,000
Cash                   20,000			
Credit <u>2,30,400</u>	2,50,400		
To Gross Profit c/d	44,600		
	<b>3,45,000</b>		<b>3,45,000</b>
To Office Expenses	20,500	By Gross Profit b/d	44,600
To Rent	12,000		
To Electricity	3,800		
To Depreciation on Furniture	3,000		
To Bad Debts	2,000		
To Net Profit transferred to Capital A/c	3,300		
	<b>44,600</b>		<b>44,600</b>

**Mr. Rama Reddi**  
**Balance Sheet as on 31<sup>st</sup> March, 2015**

Liabilities	Amt. ₹	Assets	Amt. ₹
Bank Overdraft	13,100	Cash in hand	1,000
Electricity Expenses Payable	600	Sundry Debtors	17,000
Sundry Creditors	21,000	Stock in trade	75,000
Capital:		Rent Deposit	3,000
Balance	95,000	Furniture	30,000
Add: Net Profit	<u>3,300</u>	Less: Depreciation	<u>3,000</u>
	98,300		27,000
Less: Drawings	<u>10,000</u>		
	88,300		
	<b>1,23,000</b>		<b>1,23,000</b>

**Working Notes:****Cash A/c**

	Amt. ₹		Amt. ₹
To Balance b/d	500	By Bank	2,30,000
To Receipts from Debtors		By Purchases	20,000
(Balancing Figure)	2,71,000	By Office Expenses	20,500
		By Balance c/d	1,000
	<b>2,71,500</b>		<b>2,71,500</b>

**Sundry Debtors A/c**

	Amt. ₹		Amt. ₹
To Balance b/d	20,000	By Cash	2,71,000
To Sales (Balancing Figure)	2,70,000	By Bad Debts	2,000
		By Balance c/d	17,000
	<b>2,90,000</b>		<b>2,90,000</b>

**Sundry Creditors A/c**

	Amt. ₹		Amt. ₹
To Bank	2,20,000	By Balance b/d	10,600
To Balance c/d	21,000	By Purchases (Bal. Fig.)	2,30,400
	<b>2,41,000</b>		<b>2,41,000</b>

**Balance Sheet as on 31<sup>st</sup> March, 2014**

Liabilities	Amt. ₹	Assets	Amt. ₹
Electricity Expenses Payable	400	Cash in hand	500
Sundry Creditors	10,600	Cash at Bank	2,500
Capital (Balancing Figure)	95,000	Sundry Debtors	20,000

		Stock in Trade	50,000
		Rent Deposit	3,000
		Furniture	30,000
	<b>1,06,000</b>		<b>1,06,000</b>

**Note:** Deposits for rent with the landlord should be shown as on asset.

**Illustration 10: (Analysis of Bank Statement Given):** Mr. Ambani keeps his books on Single-entry System. You are required to prepare his Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2015 from the following information and also to show the balance sheet as on that date:

1. A scrutiny of various Ledger Accounts reveals the following:

	As on 1.4.2014	As on 31.3.2015
Stock in hand	4,500	6,000
Sundry Debtors	24,000	27,000
Sundry Creditors	15,000	12,500
Furniture	6,000	8,000
Machinery	30,000	30,000
Bills Receivable	20,000	21,000
Bills Payable	16,500	14,500
Reserve for Bad and Doubtful Debts	1,200	1,350

2. An analysis of the Bank Statements for the year ended 31<sup>st</sup> March, 2015 is as follows:

Receipts	Amt. ₹	Payments	Amt. ₹
To Sundry Debtors	68,000	By Balance b/f (as on 1.4.2014)	6,000
To Cash Sales	24,400	By Sundry Creditors	40,000
To Bills Receivable		By Cash Purchases	16,000
(Proceeds of a B/R		By Interest on Bank Overdraft	500
for ₹ 8,000 on discounting)	7,800	By Salaries	7,500
		By Insurance	3,000
		By General Charges	2,500
		By Rent and Taxes	1,000
		By Drawings	4,000
		By Carriage Inwards	2,500
		By Freight and Duty	1,500
		By Furniture	2,000
		By Bills Payable	12,000
		By Balance b/d	1,700
	<b>1,00,200</b>		<b>1,00,200</b>

3. There was a bad debt of ₹ 400 which was written off.
4. He had allowed ₹ 450 as discount and earned ₹ 300 as discount.
5. He also paid ₹ 1,500 for expenses.
6. Depreciation has to be Provided at 5% on Machinery and 10% on Furniture per annum for full year.
7. Interest on capital is to be allowed at 10% per annum.

(CS Inter Modified)

**Solution:**

**Mr. Ambani**  
**Trading and Profit & Loss A/c**

**Dr.** **for the year ended 31<sup>st</sup> March, 2015** **Cr.**

	Amt. ₹		Amt. ₹
To Opening Stock	4,500	By Sales:	
To Purchases:		Cash	24,400
Cash	16,000	Credit	<u>80,850</u>
Credit	<u>47,800</u>	By Closing Stock	6,000
To Freight and Duty	1,500		
To Carriage Inwards	2,500		
To Gross Profit c/d	38,950		
	<b><u>1,11,250</u></b>		<b><u>1,11,250</u></b>
To Interest on Bank Overdraft	500	By Gross Profit b/d	38,950
To Salaries	7,500	By Discount received	300
To Insurance Charges	3,000		
To General Charges	2,500		
To Expenses Outstanding	1,500		
To Rent and Taxes	1,000		
To Discount allowed	450		
To Discount (on bill discounting)	200		
To Bad Debts	400		
To Reserve for Bad Debts			
(5% on ₹ 27,000)	1,350		
Less: Old Reserve	<u>1,200</u>		
To Depreciation:			
Machinery 5%			
on ₹ 30,000	1,500		
Furniture 10%			
on ₹ 8,000	<u>800</u>		
	2,300		

To Interest on Capital:			
10% on ₹ 45,800	4,580		
To Net Profit transferred to Capital A/c	15,170		
	<b>39,250</b>		<b>39,250</b>

**Working Notes:****Mr. Ambani Balance Sheet as on 31<sup>st</sup> March, 2015**

Liabilities		Amt. ₹	Assets		Amt. ₹
Capital as on 1.4.2014	45,800		Machinery	30,000	
Add: Net Profit	15,170		Less: Depreciation	<u>1,500</u>	28,500
	60,970		Furniture	8,000	
Interest on Capital	<u>4,580</u>		Less: Depreciation	<u>800</u>	7,200
	65,550		Stock in Trade		6,000
Less: Drawings	<u>4,000</u>	61,550	Sundry Debtors	27,000	
Bills Payable		14,500	Less: Reserve for Bad Debts	<u>1,350</u>	25,650
Sundry Creditors		12,500	Bills Receivable		21,000
Outstanding Expenses		1,500	Cash at Bank		1,700
		<b>90,050</b>			<b>90,050</b>

**Balance Sheet as on 1<sup>st</sup> April 2014**

Capital (Balancing Figure)	45,800	Stock	4,500
Bank overdraft	6,000	Debtors	24,000
Creditors	15,000	Machinery	30,000
Bills Payable	16,500	Bills Receivable	20,000
Reserve for Bad & Doubtful Debt	1,200	Furniture	6,000
	<b>84,500</b>		<b>84,500</b>

**Total Debtors A/c**

	Amt. ₹		Amt. ₹
To Balance b/f	24,000	By Bank	68,000
To Sales (Balancing Figure)	80,850	By Bills Receivable	9,000
		By Discount allowed	450
		By Bad Debts	400
		By Balance c/d	27,000
	<b>1,04,850</b>		<b>1,04,850</b>

## Total Creditors A/c

	Amt. ₹		Amt. ₹
To Bank	40,000	By Balance b/f	15,000
To Bills Payable	10,000	By Purchases (Balancing Figure)	47,800
To Discount Received	300		
To Balance c/d	12,500		
	<b>62,800</b>		<b>62,800</b>

**Illustration 11: (Closing balance of Cash, Creditors and Debtors not Given):** Thomas does not maintain his books on the Double-entry System and Bank Account. From the following information, prepare Profit and Loss Account and Balance Sheet as at June 30, 2015.

(A) Assets and Liabilities	30.6.2014 ₹	30.6.2015 ₹
Stock	19,800	1,13,200
Creditors	31,000	14,500
Debtors	1,18,000	1,25,000
Premises	90,000	90,000
Furniture	11,000	11,500
Air Conditioner	15,000	15,000

(b) Creditors as at 30.6.2014, include ₹ 15,000 for Purchases of Air Conditioner.

(c) Cash transaction:

	₹
Cash as at 1 <sup>st</sup> July, 2014	15,000
Collection from Customers	1,60,800
Payments to Creditors (Trade)	1,44,000
Rent, Rates and Taxes	11,500
Salaries	1,12,000
Sundry Expenses	18,000
Sundry Income	16,500
Drawings by Thomas	30,000
Loan from Mrs. Fernandes	23,000
Capital introduced	12,000
Cash Sales	11,500
Cash Purchases	15,000
Paid to Creditors for Air Conditioner	15,000
(d) Bad debts written off	1,200

(I.C.W.A., Adapted)



**Solution:**

Dr.		Trading and Profit and Loss Account for the year ended 30.6.2015		Cr.	
	₹	₹		₹	₹
To Opening Stock		19,800	By Sales:		
To Purchases:			- Cash	11,500	
- Cash	15,000		- Credit	1,69,000	1,80,500
- Credit	1,42,500	1,57,500	By Closing Stock		1,13,200
To Gross Profit c/d		1,16,400			
		<b>2,93,700</b>			<b>2,93,700</b>
To Salaries		1,12,000	By Gross Profit b/d		1,16,400
To Sundry Expenses		18,000			
To Rent, Rates & Taxes		11,500	By Sundry Income		16,500
To Bad Debts		1,200	By Net Loss		9,800
		<b>1,42,700</b>	Carried to Capital A/c		
					<b>1,42,700</b>

**Balance Sheet of Thomas as at 30.6.2015**

Liabilities	₹	₹	Assets	₹
Capital Account:			Premises	90,000
Balance b/d (opening)	2,37,800		Furniture	11,500
Add: Additional Capital	12,000		Air Conditioner	15,000
			Stock	1,13,200
	2,49,800		Sundry Debtors	1,25,000
Less: Net Loss	9,800			
	2,40,000			
Less: Drawing	30,000	2,10,000		
Loan		23,000		
Creditors		14,500		
Bank Overdraft		1,07,200		
		<b>3,54,700</b>		<b>3,54,700</b>

**Working Notes:**

## 1. Furniture Purchased:

Furniture on 30.6.2014 was ₹ 11,000 and on 30.6.2015 is ₹ 11,500. It is assumed that furniture worth ₹ 500 must have been purchased during the year and paid in cash.

## 2. Bad debts are written off, i.e., are already to Sundry Debtors Account, hence not deducted once again from Closing Debtors but only shown on the debit of the P&amp;L A/c.

## 3. Calculation of Cash/Bank balance.

Dr.		Cash/Bank Account		Cr.	
Receipts	₹	Payments	₹		
To Balance b/d	15,000	By Creditors (Trade)	1,44,000		
To Debtors	1,60,800	By Rent, Rates and Taxes	11,500		
To Sundry Income	16,500	By Salaries	1,12,000		
To Capital Introduced	12,000	By Sundry Expenses	18,000		
To Loan	23,000	By Drawings	30,000		
To Sales	11,500	By Purchases	15,000		
To Balance c/d (balancing figure O.D.)	1,07,200	By Furniture	500		
		By Creditors	15,000		
	<b>3,46,000</b>		<b>3,46,000</b>		

## 4. Calculation of Credit Purchases

Dr.		Total Creditors Account		Cr.	
	₹		₹		
To Cash	1,44,000	By Balance b/d	31,000		
To Cash (Air Conditioner)	15,000	By Credit Purchases (balancing figure)	1,42,500		
To Balance c/d)	14,500				
	<b>1,73,500</b>		<b>1,73,500</b>		

## 5. Calculation of Credit Sales

Dr.		Total Debtors Account		Cr.	
	₹		₹		
To Balance b/d	1,18,000	By Cash	1,60,800		
To Credit Sales (Balancing Figure)	1,69,000	By Bad Debts	1,200		
		By Balance c/d	1,25,000		
	<b>2,87,000</b>		<b>2,87,000</b>		

## 6. Calculation of Opening Capital

Dr.		Balance Sheet as on 1 <sup>st</sup> July, 2011		Cr.	
	₹		₹		
Sundry Creditors	31,000	Furniture	11,000		
Capital Account on 1-7-11 (Balancing Figure)	2,37,800	Premises	90,000		
		Air Conditioner	15,000		
		Sundry Debtors	1,18,000		
		Stock-in-trade	19,800		
		Cash	15,000		
	<b>2,68,800</b>		<b>2,68,800</b>		

**Illustration 12: (Analysis of Bank Statement Given):** Mr. Manish, a retailer in Mumbai adds 25% to cost of goods sold to arrive at sales price. His financial position as on 30<sup>th</sup> June, 2014 was as under:

	₹
Plant/Machinery	50,000
Stock (at cost)	38,250
Debtors	71,750
Cash at Bank	22,000
Creditors	30,000
Loan from Vivek	20,000

During the year ended 30<sup>th</sup> June, 2015, Mr. Manish

- (a) Paid ₹ 1,16,750 to creditors for goods.
- (b) Repaid ₹ 5,000 of Vivek's Loan
- (c) Purchased a typewriter ₹ 7,000.
- (d) Withdrew ₹ 800 p.m. From Bank for domestic use.
- (e) Paid into Bank Personal Lottery Prize of ₹ 3,000.
- (f) Paid Income Tax ₹ 6,000
- (g) Sold goods on credit ₹ 1,46,100
- (h) Spent business Expenses ₹ 9,000.
- (i) Goods taken for personal use ₹ 3,120.

On 30.6.2015 stock at cost was ₹ 40,000, debtors totaled ₹ 70,000 and creditors were ₹ 35,000. On that date Bank balance was ₹ 19,500. Depreciate plant and typewriter by 20% p.a.

Prepare Manish's Final Account.

(All your workings be shown).

*(University Modified)*

**Solution:** **Mr. Manish Balance Sheet as on 30<sup>th</sup> June 2014**

Liabilities	Amt. ₹	Assets	Amt. ₹
Capital (Balancing Figure)	1,32,000	Plant and Machinery	50,000
Creditors	30,000	Stock	38,250
Loan from Vivek	20,000	Debtors	71,750
		Cash at bank	22,000
	<b>1,82,000</b>		<b>1,82,000</b>

**Total Debtors A/c**

	₹		₹
To Balance b/d	71,750	By Bank	1,47,850
To Sales	1,46,100	By Balance c/d	70,000
	<b>2,17,850</b>		<b>2,17,850</b>

**Total Creditors A/c**

	₹		₹
To Balance b/d	1,16,750	By Balance b/d	30,000
To Sales	35,000	By Purchases	1,21,750
	<b>1,51,750</b>		<b>1,51,750</b>

**Trading and P & L A/c  
for the year ended 30<sup>th</sup> June, 2015**

	₹		₹
To Opening Stock	38,250	By Sales	1,46,100
To Purchases	1,21,750	By Goods taken For Personal use	3,120
To Gross Profit c/d	29,220	By Closing Stock	40,000
	<b>1,89,220</b>		<b>1,89,220</b>
To Business Expenses	9,000	By Gross Profit b/d	29,220
To Depreciation			
Plant and Machinery	10,000		
Typewriter	1,400		
To Net Profit	8,820		
	<b>29,220</b>		<b>29,220</b>

**Balance Sheet as on 30<sup>th</sup> June, 2015**

Liabilities		Amt. ₹	Assets		Amt. ₹
Capital	1,32,000		Plant and Machinery	50,000	
Add: Additional Capital	3,000		Less: Depreciation	<u>10,000</u>	40,000
Add: Net Profit	<u>8,820</u>		Typewriter	7,000	
	1,43,820		Less: Depreciation	<u>1,400</u>	5,600
Less: Drawings	9,600		Closing Stock		40,000
Less: Income tax	6,000		Debtors		70,000
Less: Goods withdrawn	<u>3,120</u>	1,25,100	Bank		19,500
Loan from Vivek	20,000				
Less: Repaid	<u>5,000</u>	15,000			
Creditors		35,000			
		<b>1,75,100</b>			<b>1,75,100</b>

Difference in Trading A/c is assumed to be goods taken for personal use not recorded.

**Illustration 13:** On April, 2014 Mr. Silgado bought for ₹ 50,000 a business whose assets and liabilities are shown below. The business carried on its operation in a rented shop from and it sold cosmetics and confectionery. The business did not keep double-entry accounts. But you are provided with the following information.

**(i) Balance Sheet of the Company as on 31<sup>st</sup> March, 2014**

Liabilities	Amt. ₹	Assets	Amt. ₹
Capital Amount	50,000	Furniture & Fitting at Cost	30,000
Profit & Loss A/c	10,500	Stock at cost:	
Creditors		Cosmetics	5,000
Cosmetics	2,500	Confectionery	3,000
Confectionery	2,000	Sundry Debtors:	
Outstanding Rent	500	Confectionery	500
		Prepaid Rates & Insurance	2,500
		Balance with Bank	23,500
		Cash in hand	1,000
	<b>65,500</b>		<b>65,500</b>

**(ii) Analysis of the Bank Statements for the year ended March 31, 2015**

	₹
Paid in cash	2,45,000
Withdrawn for:	
Purchase of Cosmetics	1,00,000
Purchase of Confectionery	1,10,000
Repairs	4,000
Rent	6,000
Rates and Insurance	10,000
Electricity	4,000
Mr. Sligardo	15,000

**(iii) The Following were Paid in Cash**

Salaries	15,000
Confectionery Purchases	1,500
Trade Expenses	1,250
Cosmetics purchases	5,000

(iv) Mr. Silgado had taken from the shop Cosmetics for his own consumption and paid into the business the cost price of ₹ 4,550.

(v) The following are the gross profit percentages with reference to sales:

Cosmetics 9%

Confectionery 30%

(vi) On 31<sup>st</sup> March, 2015 there were:

	Stock at cost	Debtors/Prepayments and Cash	Liabilities
	₹	₹	₹
Cosmetics	4,850	Nil	2,000
Confectionery	3,500	1,000	3,000
Rent	-	-	500
Rates & Insurance	-	2,750	-
Cash on hand	-	250	-
Accountancy/Audit fees	-	-	2,000

(vii) Mr. Silgado has instructed you to regard any shortage in cash as being due to amounts withdrawn by him.

You are required to prepare:

- The Trading and Profit and Loss Account for the year ended March 31, 2015 showing separately the Gross Profit from (i) Cosmetics and (ii) Confectionery.
- The Balance Sheet as at March 31, 2015
- Total Debtors and Total Creditors Account and
- An account in columnar form for cash

*(IPCC Modified)*

**Solution:**

Dr.	Total Debtors A/c				Cr.	
	Cosmetics ₹	Confectionery ₹		Cosmetics ₹	Confectionery ₹	
To Balance b/d		500	By Cash A/c (Balancing Figure)	1,10,000	1,59,500	
To Sales	1,10,000	1,60,000	By Balance c/d	-	1,000	
	<b>1,10,000</b>	<b>1,60,500</b>		<b>1,10,000</b>	<b>1,60,500</b>	

Dr.	Total Creditors A/c				Cr.	
	Cosmetics ₹	Confectionery ₹		Cosmetics ₹	Confectionery ₹	
To Bank A/c	1,00,000	1,10,000	By Balance b/d	2,500	2,000	
To Cash A/c	5,000	1,500	By Purchases A/c	1,04,500	1,12,000	
To Balance c/d	2,000	3,000	(Balancing Figure)			
	<b>1,07,000</b>	<b>1,14,500</b>		<b>1,07,000</b>	<b>1,14,500</b>	

Dr.		Cash Book		Cr.	
	Cash ₹	Bank ₹		Cash ₹	Bank ₹
To Balance b/d	1,00,000	23,500	By Creditors:		
To Drawing of goods and sales (at cost)	4,550		Cosmetics	5,000	1,00,000
To Debtors:			Confectionery	1,500	1,10,000
Cosmetics	1,10,000		By Bank A/c	2,45,000	
Confectionery	1,59,500		By Repairs A/c		4,000
To Cash A/c		2,45,000	By Rent A/c		6,000
			By Rates and Insurance A/c		10,000
			By Electricity A/c		4,000
			By Drawing A/c		15,000
			By Salaries A/c	15,000	
			By Trade Expenses A/c	1,250	
			By Drawings A/c	7,050	
			(Bal. Fig.)		
			By Balance c/d	250	19,500
	<b>2,75,050</b>	<b>2,68,500</b>		<b>2,75,050</b>	<b>2,68,500</b>

## Trading &amp; Profit &amp; Loss A/c

for the year ended 31<sup>st</sup> March 2015

Dr.				Cr.	
	Cosmetics ₹	Confectionery ₹		Cosmetics ₹	Confectionery ₹
To Opening Stock A/c	5,000	3,000	By sales A/c	1,10,000	1,60,000
To Purchases A/c	1,04,500	1,12,500	By Goods for Personal Use	4,550	
To Gross Profit A/c	9,900	48,000	By closing Stock A/c	4,850	3,500
	<b>1,19,400</b>	<b>1,63,500</b>		<b>1,19,400</b>	<b>1,63,500</b>
To Salaries A/c		15,000	By Gross Profit b/d		
To Rates & Insurance A/c (10,000 + 2,500 – 2,750)		9,750	Cosmetics		9,900
To Rent A/c (6,000 + 500 – 500)		6,000	Confectionery		48,000
To Repair A/c		4,000			
To Electricity A/c		4,000			
To Trade Expenses A/c		1,250			
To Audit Fees A/c		2,000			
To Net Profit		15,900			
		<b>57,900</b>			<b>57,900</b>

**Balance Sheet as at 31<sup>st</sup> March, 2015**

Liabilities		Amt. ₹	Assets		Amt. ₹
Capital (including Profit & Loss)	60,500		Fixture & Fittings		30,000
<i>Add:</i> Profit	15,900		Stock (4,850 + 3,500)		8,350
<i>Less:</i> Drawings (15,000 + 7,050)	<u>22,050</u>	54,350	Debtors		1,000
Creditors		5,000	Bank		19,500
Audit Fees		2,000	Cash		250
Rent outstanding		500	Prepaid Insurance		2,750
		<b>61,850</b>			<b>61,850</b>

**Illustration 14: (Two years information given):** Balance Sheet of Mr. Jolly as on December 31, 2014 is as follows:

Liabilities	Amt. ₹	Assets	Amt. ₹
Creditors	20,855	Bank	15,615
Accruals	935	Debtors	31,150
Capital	65,360	Stock	20,835
		Fixtures	10,800
		Machinery at cost	8,750
	<b>87,150</b>		<b>87,150</b>

Following information is disclosed by the book:

	31.12.2014 ₹	31.12.2015 ₹
Cash received from debtors	37,160	43,110
Cash paid: Expenses	9,240	11,450
Creditors	16,345	37,835
Drawings	4,600	6,950
Sales	41,550	54,000
Purchases	21,150	40,900
Bad debts	1,350	Nil
Expenses outstanding	865	615
Stock in hand	—	16,000

No stock was taken on December 31, 2014 but it was agreed that it should be taken at a figure consistent with total rate of gross profit for two years. Depreciation is to be provided on machinery at 20% p.a. on original cost.

You are required to prepare Trading and Loss account for two years and the Balance sheet as on December 31, 2015

*(IPCC Modified)*



**Solution:****Trading and Profit & Loss A/c**

<b>Dr.</b>	<b>For the year Ended</b>				<b>Cr.</b>
	<b>31.12.14 ₹</b>	<b>31.12.15 ₹</b>		<b>31.12.14 ₹</b>	<b>31.12.15 ₹</b>
To Opening Stock	20,835	12,900	By Sales	41,550	54,000
To Purchases	21,150	40,900	By Closing Stock	12,900	16,000
To Gross Profit c/d (at 30% on sales)	12,465	16,200			
	<b>54,450</b>	<b>70,000</b>		<b>54,450</b>	<b>70,000</b>
To Bad Debts	1,350	Nil	By Gross Profit b/d	12,465	16,200
To Expenses	9,170	11,200			
To Depreciation	1,750	1,750			
To Net Profit	195	3,250			
	<b>12,465</b>	<b>16,250</b>		<b>12,465</b>	<b>16,250</b>

**Balance Sheet as on 31<sup>st</sup> December**

<b>Liabilities</b>	<b>2014 ₹</b>	<b>2015 ₹</b>	<b>Assets</b>	<b>2014 ₹</b>	<b>2015 ₹</b>
Creditors	25,660	28,725	Bank	22,590	9,465
Outstanding Expenses	865	615	Debtors	34,190	45,080
Capital	60,955	57,255	Stock	12,900	16,000
			Fixtures	10,800	10,000
			Machinery		
			Less: Depreciation	7,000	5,250
	<b>87,480</b>	<b>86,595</b>		<b>87,480</b>	<b>86,595</b>

1. Closing stock for 31.12.2014 is the balancing figure.

2. Expenses for 2014.

Expenses for 2015

Expenses	9,240	Expenses	11,450
Less: Opening Balance	935	Less: Opening Balance	865
	8,305		10,585
Add: Closing Balance	865	Add: Closing Balance	615
	<b>9,170</b>		<b>11,200</b>

## 3. Calculate of rate of Gross Profit

**Combined Trading A/c**  
**For the Period Ended 31<sup>st</sup> December, 2015**

		Amt. ₹			Amt. ₹
To Stock		20,835	By Sales:		
To Purchases:			2014	41,550	
2014	21,150		2015	54,000	95,550
2015	40,900	62,050	By Stock		16,000
To Gross Profit		28,665			
		<b>1,11,550</b>			<b>1,11,550</b>

$$\text{Gross Profit Ratio} = \frac{28,665}{95,550} \times 100 = 30\%$$

4. Calculation of Bank Balance on 31<sup>st</sup> December, 2014 and 2015

	2014 ₹	2015 ₹		2014 ₹	2015 ₹
To Balance b/d	15,615	22,590	By Exp.	9,240	11,450
To Debtors	37,160	43,110	By Creditors	16,345	37,835
			By Drawings	4,600	6,950
			By Balance c/d		
			(Closing Balance)	22,590	9,465
	<b>52,775</b>	<b>65,700</b>		<b>52,775</b>	<b>65,700</b>

5. Calculation of debtors balance as on 31<sup>st</sup> Dec. 2011 and 2015

**Total Debtors A/c**

	2014 ₹	2015 ₹		2014 ₹	2015 ₹
To Balance b/d	31,150	34,190	By Cash	37,160	43,110
To Sales	41,550	54,000	By Bad debts	1,350	Nil
			By Balance c/d		
			(Balancing Figure)	34,190	45,080
	<b>72,700</b>	<b>88,190</b>		<b>72,700</b>	<b>88,190</b>

6. Calculation of creditors balance as on 31<sup>st</sup> Dec. 2011 and 2015

**Total Creditors A/c**

	2014 ₹	2015 ₹		2014 ₹	2015 ₹
To Cash	16,345	37,835	By Balance b/d	20,855	25,660
To Balance c/d (Bal. Fig.)	25,660	28,725	By Purchases	21,150	40,900
	<b>42,005</b>	<b>66,560</b>		<b>42,005</b>	<b>66,560</b>

7. Capital for 2014	₹	Capital for 2015	₹
Opening Balance	65,360	Opening Balance	60,955
Add: N.P.	195	Add: N.P.	3,250
	65,155		64,205
Less: Drawing	4,600	Less: Drawing	6,950
	<b>60,955</b>		<b>57,255</b>

## EXERCISES

### Theory Questions

1. What is Single-entry System of Bookkeeping ?
2. Explain the main features of Single-entry System?
3. State the limitations of single-entry system.
4. State the procedure of calculating profit or loss under single-entry system?
5. How is the single-entry converted into double entry?
6. What are the advantages and disadvantages of single-entry?
7. What is a statements of affairs?
8. What is the difference between a statements of affairs and balance sheet?

### Conversion Method:

1. Calculate credit sales from the following figures:

	₹		₹
Opening Balance of Debtors	20,000	Discount Allowed	4,000
Cash Received from Debtors	95,000	Closing Balance of Debtors	18,000
Bad Debts Written Off	2,000		

(Ans.: Credit Sale ₹ 99,000)

2. Calculate credit purchase from the following information :

	₹		₹
Opening Balance of Creditors	15,000	Discount Received	3,000
Cash Paid to Creditors	80,000	Closing Balance of Creditors	18,000
B/R Endorsed to Creditors	7,000		

(Ans.: Credit Purchase: ₹ 93,000)

3. Calculate closing stock from the following figures:

	₹		₹
Opening Stock	12,000	Sales	60,000
Purchases	70,000	Sales Returns	2,000
Purchases Returns	5,000	Gross Profit Rate on Cost	25%

(Ans.: Closing Stock ₹ 33,500)

4. Akbar did not keep proper books of account. However, he gives you the following information relating to 2015:

Assets and Liabilities	1st Jan 2015 ₹	31st Dec 2015 ₹
Cash At Bank	1,000	1,800
Stock	20,000	19,500
Sundry Debtors	15,000	16,000
Machinery	40,000	?
Sundry Creditors	20,000	18,500

	₹		₹
Opening Balance Cash of B/S	1,000	Payment to Creditors	35,000
Received from Debtors	76,500	Wages	15,100
Cash Sales	8,200	Salaries and Expenses	11,600
Sale of Old Newspaper	200	Building Purchased	20,000
Loan from Mrs. Akbar (@ 9% on 1st Oct 2015)	6,000	Drawings	8,400
		Closing Balance	1,800
	<b>91,900</b>		<b>91,900</b>

During the year, ₹ 600 had to be written off as bad. Machinery is to be depreciated @ 15% p.a. Expenses owing are ₹ 800. Prepare Akbar's Trading and Profit Account and Balance sheet relating to 2015.

(CS Inter Modified)

(Ans.: Gross profit – ₹ 37,200, Net profit – ₹ 18,265, Total of balance sheet – ₹ 91,300, Credit sales – ₹ 78,100, Credit Purchase – ₹ 33,500)

5. Mr Mark does not maintain proper books of accounts. From the following, prepare Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2015 at Balance Sheet.

Particulars	31-3-2014 ₹	31-3-2015 ₹
Debtors	31,500	43,750
Stock	17,150	23,100
Cash and Bank	8,750	?
Creditors	10,500	7,875
Furniture	3,000	3,500
Plant and Machinery	55,000	55,000
Land and Building	1,40,000	1,40,000

Analysis of the other transactions are:

Particulars	₹
Cash Collected from Debtors	1,07,000
Cash Paid to Creditors	77,000
Salaries	21,000
Rent	2,700
Office Expenses	3,150
Drawings	5,000
Fresh Capital Introduced	3,500
Cash Sales	3,000
Cash Purchases	8,800
Discount Received	1,225
Discount Allowed	525
Return Inward	1,750
Return Outward	1,400
Bad Debts	350

(a) Depreciate Plant and Machinery by 2%, Land and Building by 5% and Furniture by 10%.

(b) Office Expenses are prepaid ₹ 150 on 31<sup>st</sup> March 2015.

*(ICWA Inter Modified)*

**(Ans.:** Gross Profit – ₹ 16,930, Net profit – ₹ 4,450, Balance Sheet Total – ₹ 90,500)

6. Bose supplies to you the following information:

Particulars	1 <sup>st</sup> Jan 2015	31 <sup>st</sup> Dec 2015
Sundry Debtors	18,100	19,300
Stock	15,000	14,000
Machinery	25,000	?
Furniture	4,000	?
Sundry Creditors	11,000	12,500

Cash Transaction for 2015:

Receipts	₹	Payments	₹
Opening Balance	500	Payment to Creditors	35,000
Cash Sales	6,100	Wages	16,000
Received from Debtors	75,300	Salaries	15,000
Miscellaneous Receipts	200	Drawings	4,000
Loan from Dass (@ 9% On 1 <sup>st</sup> July)	10,000	Expenses	11,000
		Machinery Purchased (1 <sup>st</sup> July)	9,500
		Closing Balance	1,600
	<b>92,100</b>		<b>92,100</b>

Discount allowed were ₹ 700 and discount received were ₹ 400. Bad Debts written off were 800. Depreciation is to be written off on Furniture @ 5% and Machinery @ 10%. Expenses Include Insurance @ ₹ 500 p.a. paid upto 31<sup>st</sup> March 2015, Wages ₹ 2,000 are still due.

Prepare Trading and Profit and Loss Account and Balance Sheet Relating to 2015.

*(CA Inter Modified)*

**(Ans.:** Gross Profit – ₹ 24,430, Net profit – ₹ 14,450, Balance Sheet Total – ₹ 98,500)

7. Akbar did not keep proper books of account. However, he gives you the following information:

Assets And Liabilities	1 <sup>st</sup> Jan 2015 ₹	31 <sup>st</sup> Dec 2015 ₹
Cash At Bank	1,000	1,800
Stock	20,000	19,500
Sundry Debtors	15,000	16,000
Machinery	40,000	
Sundry Creditors	20,000	18,500

**Cash Transaction**

Receipts	₹	Payments	₹
Opening Balance	1,000	Payment to Creditors	35,000
Received from Debtors	76,500	Wages	15,100
Cash Sales	8,200	Salaries and Expenses	11,600
Sale of Old Newspaper	200	Building Purchased	20,000
Loan from Mr Akbar		Drawings	8,400
(@ 9% on 1 <sup>st</sup> Oct 2015)	6,000	Closing Balance	1,800
	<b>91,900</b>		<b>91,900</b>

During the year, ₹ 600 had to be written off a bad. Machinery is to be depreciated @ 15% p.a. Expenses outstanding are 8%.

Prepare Akbar's Trading and Profit and Loss Account and Balance Sheet relating to 2015.

*(CS Inter)*

**(Ans.:** Gross Profit – ₹ 36,900, Net profit – ₹ 15,450, Balance Sheet Total – ₹ 1,00,500)

8. Mahon Books kept single-entry system which revealed the following:

Assets and Liabilities	1 <sup>st</sup> July 2014 ₹	30 <sup>th</sup> June 2015 ₹
Stock	18,000	17,300
Debtors	16,000	14,800
Bills Receivable	6,200	4,800
Sundry Creditors	10,000	9,300
Cash at Bank	2,500	1,800
Bills Payable	5,000	5,600

**Cash Transaction**

<b>Receipts</b>	<b>₹</b>	<b>Payments</b>	<b>₹</b>
Opening Balance	2,500	Payment to Creditors	20,000
Received from Debtors	35,000	Payment against Bills Payable	15,000
Received against Bills Receivable	15,600	Office Expenses	6,000
Miscellaneous	300	Domestic Expenses	4,000
		Investments	6,600
		Closing Balance	1,800
	<b>53,400</b>		<b>53,400</b>

Investment consisted of 4% Government Bonds of the face value of ₹ 8,000 and were purchased on 1<sup>st</sup> Jan 2015. Prepare Trading and Profit and Loss Account and Balance Sheet.

(Ans.: Gross Profit – ₹ 66,930, Net profit – ₹ 33,450, Balance Sheet Total – ₹ 1,60,500)

9. The following information is available from the records of Vilasrao.

<b>Particulars</b>	<b>As on 31-12-2014</b>	<b>As on 31-12-2015</b>
Plant and Machinery	60,000	50,000
Bank Balance	40,000	60,000
Debtors	40,000	30,000
Creditors	30,000	25,000
Loan Taken	5,000	6,000
Closing Stock	15,000	17,000

The following transactions has been taken place in the calendar year 2015.

Additional Capital introduced - ₹ 5,000

Drawings during the year - ₹ 20,000

Plant Purchased during the year on 1<sup>st</sup> Jan, 2015 was ₹ 10,000. Provide depreciation on plant @ 25% on W.D.V.

Compute Profit/Loss of Mr Vilasrao for the year ended 31-12-2015.

(CS Inter Modified)

(Ans.: Gross Profit – ₹ 16,900, Net profit – ₹ 14,450, Balance Sheet Total – ₹ 1,00,500)

10. Mr. Nagpal submits to you the following relating to his business for the year ended 31<sup>st</sup> December 2015. you are required to prepare Trading and Profit and Loss accounts for the year ended 31<sup>st</sup> December, 2015 and a balance sheet as on that date.

Any difference in cash book as to be taken as his personal drawing:

<b>Deposits in to bank</b>	<b>₹</b>
Personal dividend paid into business a/c	26,700
Personal payment out of bank	600
Payments to creditors	2,250
Withdrawn for bank	23,850

Withdrawn from debtors	23,250
Received from debtors	3,900
Paid from wages	1,800
Paid for delivery charges	600
Paid for rent	405
Paid for general expenses	750
Interest credited by bank	30

## Assets and Liabilities:

	1.1.15 ₹	31.12.15 ₹
Stock	1,800	2,250
Balance	2,400	3,000
Cash	90	60
Debtors	2,250	3,150
Creditors	3,600	4,200

(Ans.: G.P. – ₹ 8,100; N.P. – ₹ 4,575; Balance Sheet total – ₹ 8,460; Difference in cash book – ₹ 1,605)

11. Mr. Bholenath does not maintain proper books of accounts. From the following information, prepare Trading and P & L A/c for the year ended 31<sup>st</sup> December, 2015 and balance sheet as on that date:

Assets and Liabilities	1.1.15 ₹	31.12.15 ₹
Debtors	9,000	12,500
Stock	4,900	6,600
Furniture	750	750
Creditors	3,000	2,250

## Analysis of other transactions:

	₹
Cash collected from debtors	30,400
Cash paid to creditors	22,000
Salaries	6,000
Rent	750
Office experience	900
Drawing	1,500
Fresh capital introduced	1,000
Cash sales	750
Cash purchases	2,500
Discount received	350
Discount allowed	150
Returns inward	500
Returns outward	400
Bad debts	100
Cash at the beginning of the year	2,500



(Ans.: G.P. ₹ 12,500; ₹ 4,950; B/s total – ₹ 20,850. It is assumed that furniture is purchased on credit basis)

12. You are required to prepare Trading and P & L A/c for the year ended 31.12.14 and the balance sheet at that date from the following information:

(a) Assets and Liabilities

Assets and Liabilities	31 <sup>st</sup> December 2014 ₹	31 <sup>st</sup> December 2015 ₹
Bank balance	Not available	20,000
Debtors	15,000	16,000
Creditors	5,000	8,000
Stock	15,000	20,000
Fixed asset	30,000	30,000

(b) Sundry debtors on 31.12.14 include bad debtors ₹ 1,000.

(c) Fixed assets include property rented out for which rent of ₹ 500 was received for the year and utilised for personal use.

(d) Repairs to premises amount to ₹ 600 which remained unpaid on 31.12.14.

(e) All sales receipts were banked after meeting business expenses of ₹ 5,000 and personal experience of ₹ 3,000.

(f) All business payments are made by cheques.

(g) Cash purchases and cash sales amounted to ₹ 1,000 and ₹ 2,000 respectively.

(h) Account with bankers reveals that withdrawals amounted to ₹ 70,000 and deposits ₹ 90,000 for the year.

(Ans.: G.P. – ₹ 31,000; N.P. – ₹ 24,900; B/S total – ₹ 85,000)

13. Ranbow Co. carried on a business without maintaining a proper set of books of accounts. An analysis of its cash book revealed the following figures for the year ended 30.6.2015.

Analysis of cash book:

Particulars	Amt ₹	Particulars	Amt ₹
Paid for credit purchase	1,34,000	Other payments:	
Received for credit sales	1,55,000	Salaries	20,000
Received for cash sales	21,050	Rent paid up to May 2015	
Further capital introduced	10,000	for the months	6,000
Purchases of furniture	21,050	Sundry Experience	2,500
(on 1 <sup>st</sup> April 2015)	2,000	Electric charges	3,000
Purchases of investment		Drawings	8,000
(on 1 <sup>st</sup> April, 2015)	10,000	Motor Car Upkeep	2,375

The following further information is given to you:

	As on 30.6.2014 ₹	As on 30.6.2015 ₹
Cash in hand and at bank	2,905	-
Stock-in-trade	22,500	31,255
Sundry Debtors	15,800	17,900
Sundry creditors	10,550	13,755
Furniture (depreciation @ 5%)	10,000	-
Motor car (depreciation @ 15%)	15,000	-

Bad debts during the year amounted to ₹ 400. Discount allowed was ₹ 250 and discount received was ₹ 125. Provision should be created on sundry debtors at @ 5% on 30<sup>th</sup> June, 2015. Salaries were outstanding to the extent of ₹ 2,550, while advance of salary amounts to ₹ 1,500. The rate of interest on investment is 6%.

Prepare Trading and Profit and Loss Account of Rainbow Co. for the year ended 30<sup>th</sup> June, 2015 and the balance sheet as on that date.

(Ans.: Opening capital – ₹ 55,155; Gross profit – ₹ 50,725; Net profit – ₹ 13,230; B/S total 87,190)

14. Atmacharan keeps his books by single-entry and the position of his business as on 1<sup>st</sup> January, 2015 is as follows:

Particulars	₹
Capital	70,000
Sundry Creditors	10,000
Bills Payable	7,000
Freehold Premises	50,000
Stock	25,000
Debtors	15,000
Furniture	2,000
Bills Receivable	5,000

His transaction during the year were as follows:

Receipts	Amt. ₹	Payments	Amt. ₹
Sundry Debtors & Bills Receivable	15,000	Bank Overdraft (as on 1.1.2015)	10,000
Cash Sales	80,000	Drawings	23,000
		Expenses	5,000
		Payments to Creditors & Bills Payable	20,000
		Balance:	
		Cash in hand	2,000
		At Bank	35,000
	<b>95,000</b>		<b>95,000</b>

You are asked to prepare a trading and P & L A/c for the year ended 31.12.2015 and a balance sheet as on that date. The following additional information is supplied:

Closing stock ₹ 30,000; Closing Debtors 20,000 ₹ Bills Receivable ₹ 5,000. No additional has been made during the year to freehold premises and furniture but they are to be depreciated as under:

Freehold Premises 10% and Furniture 15%.

A bad and doubtful debts provision at 2½% is to be raised against closing debtors.

There were balance of bills payable account ₹ 3,000 and creditors account ₹ 4,000. Expenses were outstanding to ₹ 200.

*(IPCC Modified)*

**(Ans.: G.P. – ₹ 95,000; N.P. – ₹ 84,000; B/S total – ₹ 1,38,200)**

(Hint: Prepare combined account for B/R And for B/P and creditors).

15. From the following particulars, prepare a trading and profit and loss account for the year ended 30<sup>th</sup> June 2015 and Balance Sheet as on that date:

(a) Assets and Liabilities:

Particulars	1.7.2011 ₹	30.6.2015 ₹
Furniture	8,000	9,000
Stock	10,000	9,000
Debtors	20,000	?
Creditors	14,000	18,000
Unpaid expenses	2,200	2,000
Cash at book	1,800	1,225

(b) Receipts and Payments during the year:

	₹
Receipts from debtors	1,17,000
Creditors paid	78,400
Freight paid (Inward)	6,000
Furniture purchases	1,800
Expenses paid	29,000
Miscellaneous Receipts	5,000

(c) Goods costing ₹ 2,000 were used as advertising materials.

(d) Goods are sold to show profit 33 1/3 % on sales.

(e) Difference in Bank, if any, is to be treated as drawing or introduction by the proprietor.

*(CIMA London Modified)*

**(Ans.: G.P. – ₹ 43,700; N.P. – ₹ 17,100; B/S total – ₹ 53,325; Sales – ₹ 1,31,100; debtors – ₹ 34,100)**

### Answer in One Sentence

1. Single-entry accounting system
2. Book keeping
3. Cash account
4. Statement of affairs
5. Balance sheet
6. Financial transactions
7. Double-entry System
8. Bad debts
9. Bills Recivable
10. Creditor account

### Objective Type Questions

#### 1. Fill in the Blanks:

- (i) Single-entry accounting system is a method of book keeping relying on a \_\_\_\_\_ accounting entry to maintain financial information.
- (ii) The \_\_\_\_\_ is really no system at all for keeping accounts..
- (iii) Cash received from him will be recorded both in the cash account and \_\_\_\_\_.
- (iv) No trial balance can be taken out from \_\_\_\_\_.
- (v) Chances of mischief or fraud remaining undetected are \_\_\_\_\_.
- (vi) single-entry is nowadays known as \_\_\_\_\_ from incomplete records.
- (vii) Single-entry system is an \_\_\_\_\_ of recording financial transactions.
- (viii) Purchase of machinery on credit will \_\_\_\_\_ at all till payment is made.
- (ix) \_\_\_\_\_ is called statement of affairs.
- (x) Prepare a \_\_\_\_\_ to verify arithmetical accuracy.

(Ans.: (i) One-sided, (ii) Single-entry System, (iii) Customer Account, (iv) Single-entry System, (v) High, (vi) Preparation of Account, (vii) Economical System, (viii) Not be Recorded, (ix) Balance Sheet, (x) Trial Balance.)

#### 2. State Whether True or False:

- (i) Limited companies also can adopt single-entry system.
- (ii) Single-entry system is suitable to small organisations.
- (iii) Trial Balance can be prepared under single entry system.
- (iv) Nominal accounts are maintained under single entry system.
- (v) Statement of affairs shows financial position on a certain date under single-entry system.
- (vi) Single-entry system follows the basic principles of accounting.

- (vii) Trial Balance is prepared under single-entry system to verify accuracy.
- (viii) Gross profit cannot be ascertained under single-entry system.
- (ix) Under single-entry system, only single entry is made in the books of accounts.
- (x) Credit sales can be ascertained from debtors account.
- (xi) Credit purchases can be ascertained from creditors account.
- (xii) Under single entry, cash account is maintained with receipts and payments.
- (xiii) Single-entry system is followed by large sized companies.
- (xiv) Closing stock is ascertained by preparing stock register.
- (xv) Limited companies have to maintain their accounts as per single-entry system.
- (xvi) Under single-entry system, personal accounts of debtors and creditors are maintained.
- (xvii) Under conversion method, credit purchases are ascertained from Creditors Account.
- (xviii) Under single-entry system, opening capital is ascertained by preparing statement of affairs.
- (xix) Collection from debtors is ascertained from debtors account.
- (xx) Payment to suppliers is ascertained from creditors account.
- (xxi) Credit sales are ascertained by preparing sales register.

(Ans.: False, (ii) True, (iii) False, (iv) False, (v) True, (vi) False, (vii) False, (viii) True, (ix) True, (x) True, (xi) True, (xii) True, (xiii) False, (xiv) False, (xv) False, (xvi) True, (xvii) True, (xviii) True, (xix) True, (xx) True, (xxi) False.)

### 3. Match the Columns:

(A)            Group A	Group B
(i) Balance Sheet	(a) Single-entry System
(ii) Single-entry System	(b) A Daily Summary of Cash
(iii) Bad Debts	(c) Double-entry System
(iv) Disclosure of Policy	(d) Statements of Affairs
(v) Cash Book	(e) Debtors
(vi) Account from Incomplete Records	

(Ans.: (i) – (b), (ii) – (b), (iii) – (a), (iv) – (b), (v) – (b), (vi) – (b).)

### 4. Multiple Choice Questions:

- (i) Capital in the beginning of the year is ascertained by the preparing:
  - (a) Cash account
  - (b) Opening statement of affairs
  - (c) Total debtors

- (ii) Capital at the end of the year is ascertained by the preparing:
  - (a) Cash account
  - (b) Closing statements of affairs
  - (c) Total Creditors A/c
- (iii) Opening Stock can ascertained by the preparing:
  - (a) Memorandum Trading A/c
  - (b) Total Creditors A/c
  - (c) Opening statements of affairs
- (iv) Closing balance on Creditors A/c can be ascertained from:
  - (a) Cash account
  - (b) Total Creditors Account
  - (c) Balance Sheet at the end of the year
- (v) Credit Sale can be ascertained from:
  - (a) Cash account
  - (b) Total Debtors Account
  - (c) Balance Sheet
- (vi) If the rate of gross profit is 25% on sales and the cost of goods sold is ₹ 1,00,000 the gross profit will be :
  - (a) ₹ 25,000
  - (b) ₹ 33,333
  - (c) ₹ 28,000

**(Ans.:** (i) – (b), (ii) – (b), (iii) – (a), (iv) – (b), (v) – (b), (vi) – (b).)