

# ACCOUNTS FROM INCOMPLETE RECORDS

*"You don't have to be Great to Start, but you have to Start to be Great."*

## MEANING OF SINGLE-ENTRY

The term "Single Entry System" is popularly used to describe the problems of accounts from incomplete records.

Very often the small sole proprietorship and partnership businesses do not maintain double entry book keeping system. Sometimes they keep record only of the cash transactions and credit transactions. Sometimes they maintain no record of many transactions. But at the end of accounting period they want to know the performance and financial position of their businesses. This creates some special problems to the accountants.

## FEATURES

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| ➤ It is an inaccurate, unscientific and unsystematic method of recording business transactions.  |
| ➤ There is generally no record of real and personal accounts and, in most of the cases; a record is kept for cash transactions and personal accounts.  |
| ➤ Cash book mixes up business and personal transactions of the owners.   |
| ➤ There is no uniformity in maintaining the records and the system may differ from firm to firm depending on the requirements and convenience of each firm.  |
| ➤ Profit under this system is only an estimate and therefore true and correct profits cannot be determined. The same is the case with the financial position in the absence of a proper balance sheet. |

## TYPES

Pure single entry	In this, only personal accounts are maintained with the result that no information is available in respect of cash and bank balances, sales and purchases, etc.. In view of its failure to provide even the basic information regarding cash etc., this method exists only on paper and has no practical application.
Simple single entry	In this, only: (a) personal accounts, and (b) cash book are maintained. Although these accounts are kept on the basis of double entry system, postings from cash book are made only to personal accounts and no

	other account is to be found in the ledger. Cash received from debtors or cash paid to creditors is simply noted on the bills issued or received as the case may be.
Quasi single entry	<p>In this: (a) personal accounts, (b) cash book, and (c) some subsidiary books are maintained.</p> <p>The main subsidiary books kept under this system are Sales book, Purchases book and Bills book. No separate record is maintained for discounts which are entered into the personal accounts. In addition, some scattered information is also available in respect of few important items of expenses like wages, rent, rates, etc. In fact, this is the method which is generally adopted as a substitute for double entry system.</p>

### Difference between Statement of Affairs and Balance Sheet

Basis	Statement of Affairs	Balance Sheet
Source	It is prepared on the basis of transactions partly recorded under the double entry bookkeeping and partly under the single entry. Most of the assets are recorded based on the estimates, assumptions, information gathered from memory rather from the records.	It is based on transactions recorded strictly on the basis of double entry bookkeeping; each item in the balance sheet can be verified from the relevant subsidiary books, ledger and documentary evidences.
Capital	In this statement, capital is merely a balancing figure being excess of assets over liabilities. Hence assets need not be equal to liabilities.	Capital is derived from the capital account in the ledger and therefore the total of assets side will always be equal to the total of liabilities side.
Omission	Since this statement is prepared from incomplete records, it is very difficult, to identify and record those assets and liabilities, if omitted from the books.	There is no possibility of omission of any item of asset and liability since all items are properly recorded. Moreover, it is easy to locate the missing items since the balance sheet will not agree.
Basis of Valuation	The valuation of assets is generally done in an arbitrary manner; therefore, no method of valuation is disclosed	The valuation of assets is done on scientific basis, fixed assets are shown at the original costs less depreciation till date. Any change in the method of valuation is properly disclosed.
Objective	The objective of preparing this statement is to identify the capital figures in the beginning and at the end of the accounting period respectively.	The objective of preparing the balance sheet is to ascertain the financial position on a particular date.

### Profitability

Final Accounts Approach

↓  
Trading and P&L A/c

Capital Approach

- ↓
- \* Finding opening & closing capital
  - \* Making capital A/c or Statement of P&L

### Capital A/c

Particulars	Amount	Particulars	Amount
To Share of Loss	xx	By Bal. b/d (Opening)	xx
To Drawings	xx	By cash / Bank (Additional)	xx
To Interest on Drawings	xx	By Interest on capital	xx
To Bal c/d (Closing)	xx	By Share of Profits	xx

### Statement of Profit & Loss

Particulars	Amount
Capital at the end (Closing capital)	xx
<u>Add:</u> Drawings	xx
<u>Add:</u> Interest on Drawings	xx
<u>Less:</u> capital at the beginning (Opening capital)	(xx)
<u>Less:</u> Additional capital	(xx)
<u>Less:</u> Interest on capital	(xx)
<u>Profit / (Loss)</u> (+ve) (-ve)	xx

### Bills of Exchange

Sale: 10000

A —————→ B

<p>B            10000</p> <p style="padding-left: 20px;">To Sales    10000</p> <p>B/R        10000</p> <p style="padding-left: 20px;">To B        10000</p>	<p>Purchases 10000</p> <p style="padding-left: 20px;">To A        10000</p> <p>A            10000</p> <p style="padding-left: 20px;">To B/P     10000</p>
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### Books of DRAWER (A)

	Held Bill Till Maturity	Discounting with Bank	Endorse to Creditor	Sent to Bank for collection
1) Event	-	Bank 9800 Discount 200 To B/R 10000	Creditor/C 10000 To B/R 10000	BSFC 10000 To B/R 10000
2) Maturity				
a) Honour	Bank 10000 To B/R 10000	-	-	Bank 10000 To BSFC 10000
b) Dishonour (Noting charges 100)	B 10100 To B/R 10000 To Bank 100	B 10100 To Bank 10100	B 10100 To C 10100	B 10100 To BSFC 10000 To Bank 100

### Books of DRAWEE (B)

In all 4 cases, same entries to be passed :

<p style="color: green;">Honour</p> <p>B/P A/c - Dr 10000</p> <p style="padding-left: 20px;">To Bank A/c 10000</p>	<p style="color: green;">Dishonour</p> <p>B/P A/c - Dr 10000</p> <p style="padding-left: 20px;">Noting charges A/c - Dr 100</p> <p style="padding-left: 40px;">To A 10100</p>
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## Debtors A/c

Particulars	Amount	Particulars	Amount
To Balance b/d		By Cash A/c	
To Sales (Credit)		By Bank A/c	
To Interest charged		By B/R A/c	
Dishonour of B/R {	To B/R (Normal)	By Discount Allowed A/c	
	To Bank (Discounted)	By Bad debts A/c	
	To Creditors (Endorsed)	By Sales Return A/c	
		By Balance c/d	

## Creditors A/c

Particulars	Amount	Particulars	Amount
To Purchase Return A/c		By Balance b/d	
To Cash A/c		By Purchases (Credit)	
To Bank A/c		By B/P [Dishonoured]	
To Discount Received		By Noting charges	
To B/P A/c		By Debtors A/c	
To B/R (Endorsed)		[Endorsed B/R Dish.]	
To Balance c/d		By Interest A/c	

## Bills Receivable (B/R) A/c

Particulars	Amount	Particulars	Amount
To Balance b/d		By Bank (Discounted By Discount with Bank)	
To Debtors A/c		By Creditors (Endorsed)	
		By Bank (Payment Rec.)	
		By Debtors (Dishonour)	
		By Balance c/d	

## Bills Payable (B/P) A/c

Particulars	Amount	Particulars	Amount
To Bank (Paid)		By Balance b/d	
To Creditors (Dishonour)		By Creditors	
To Balance c/d			

## ASSIGNMENT QUESTIONS

### TOPIC 1: CAPITAL COMPARISON / STATEMENT OF AFFAIRS METHOD

**Question 1** *(ICAI Study Material)* \_\_\_\_\_ Pg no. \_\_\_\_\_

Raju does not maintain proper records of his business. However, he provides the following information:

Opening capital	10,000
Closing capital	12,500
Drawings during the year	3,000
Capital added during the year	3,750

You are required to calculate the profit or loss for the year.

**Question 2** *(ICAI Study Material)* \_\_\_\_\_ Pg no. \_\_\_\_\_

Rakesh started his business on 1st of April 2022. He invested a capital of ₹ 1,00,000. On 31st March 2023, he has the following information available as per the Single-entry system maintained by him.

Cash balance (counted)	3,200
Inventory (physically verified)	34,800
Receivable from Ajay against credit sales	31,000
Machine	85,000
Payable to Vinod towards credit purchase	12,000
Loan taken from Bank	10,000
Drawings made during the year	24,000

You are required to calculate the profit or loss earned by Rakesh for the year ended 31st March 2023.

**Question 3** *(ICAI Study Material)* \_\_\_\_\_ Pg no. \_\_\_\_\_

Assets and Liabilities of Mr. X as on 31-03-2022 and 31-03-2023 are as follows:

Particulars		31-03-2022	31-03-2023
Assets	Building	1,00,000	-
	Furniture	50,000	-
	Inventory	1,20,000	2,70,000
	Sundry Debtors	40,000	90,000
	Cash at Bank	70,000	85,000
	Cash in Hand	1,200	3,200
Liabilities	Loans	1,00,000	80,000
	Sundry Creditors	40,000	70,000

Decided to depreciate building by 2.5% & furniture by 10%. One Life Insurance Policy of the Proprietor was matured during the period and the amount ₹ 40,000 is retained in the business. Proprietor took @ ₹ 2,000 p.m. for meeting family expenses.

Prepare Statement of Affairs as on 31-03-2022 & 31-03-2023 and compute profit for the year ended 31-03-2023.

**Question 4** \_\_\_\_\_ Pg no. \_\_\_\_\_

Assets & Liabilities of Ms. Shreya, who runs Beauty Saloon as on 31-03-2022 & 31-03-2023 are as follows

	31-03-2022	31-03-2023
<b>Assets:</b>		
Machinery & Tools	25,000	30,000
Furniture & Fixtures	50,000	60,000
Stock of Consumables	60,000	1,35,000
Sundry Debtors	20,000	45,000
Cash at Bank	35,000	42,500
Cash in Hand	2,150	3,750
<b>Liabilities:</b>		
Loans (Principal)	50,000	40,000
Sundry Creditors	20,000	35,000

Depreciation on Machinery & Tools and Furniture & Fixture to be provided on W.D.V. method @ 10% p.a. during FY 2022-23. Shreya has purchased Machinery & Tools amounting to ₹ 5,000 on 01-07-2022. She has also purchased Furniture & Fixture amounting to ₹ 10,000 on 01-01-2023.

Loan amount of ₹ 10,000 was partly paid by her on 31-03-2023. Interest on Loan to be provided @ 12 p.a. and same is unpaid as on 31-03-2023. No interest of earlier period is outstanding.

During FY 2022-23, Shreya participated in a competition and won a prize of ₹ 20,000. Same is retained by her in the business. Monthly withdrawals of Shreya were ₹ 1,000 during FY 2022-23.

Prepare Statement of Affairs and determine Profit for the FY ending as on 31-03-2023 by applying the method of the Capital Comparison.

**Question 5**

Pg no. \_\_\_\_\_

Mr. X had ₹ 1,65,000 in the bank account on 1.1.2022 when he started his business. He closed his accounts on 31st March, 2023. His single entry books (in which he did not maintain any account for the bank) showed his position as follows:

Particulars	31.03.2022 (₹)	31.03.2023 (₹)
Cash in hand	1,100	1,650
Stock in trade	10,450	15,950
Debtors	550	1,100
Creditors	2,750	1,650

On and from 1.2.2022, he began drawings ₹ 385 per month for his personal expenses from the cash box of the business. His account with the bank had the following entries.

	Deposits (₹)	Withdrawals (₹)
01.01.2022	1,65,000	-
01.01.2022 to 31.03.2022		1,22,650
01.04.2022 to 31.03.2023	1,26,500	1,48,500

The above withdrawals included payment by cheque of ₹ 1,10,000 and ₹ 33,000 respectively during the period from 1.1.2022 to 31.3.2022 and from 1.4.2022 to 31.3.2023 respectively for the purchase of machineries for the business. The deposits after 1.1.2022 consisted wholly of sale price received from the customers by cheques.

Draw up Mr. X's statement of affairs as at 31.3.2022 and 31.3.2023 respectively and work out his profit or loss for the year ended 31.3.2023.

## TOPIC 2: FINAL ACCOUNTS METHOD

### Question 6

Pg no. \_\_\_\_\_

Calculate the credit sales from the below information:

Opening balance of Debtors	10,00,000
Closing balance of Debtors	6,00,000
Payments collected in cash	13,00,000
Discount allowed	30,000
Bad debts	10,000

### Question 7 (ICAI Study Material)

Pg no. \_\_\_\_\_

Calculate the bad debts from the below information:

Opening balance of Debtors	5,00,000
Closing balance of Debtors	7,00,000
Amount received in Cash	6,00,000
Discount allowed	10,000
Credit Sales	11,40,000
Bills Receivable	3,00,000
Bad Debts	??

### Question 8 (ICAI Study Material)

Pg no. \_\_\_\_\_

Calculate the credit purchases from the below information:

Opening balance of Creditors	4,00,000
Closing balance of Creditors	5,00,000
Payments made in Cash	8,50,000
Discount received	20,000

### Question 9 (ICAI Study Material)

Pg no. \_\_\_\_\_

A. Admajee keeps his books on single entry basis. The analysis of the cash book for the year ended on 31st March, 2023 is given below:

Receipts	₹	Payments	₹
Bank Balance as on 1st April, 2022	2,800	Payments to Sundry creditors	35,000
Received from Sundry Debtors	48,000	Salaries	6,500
Cash Sales	11,000	General expenses	2,500
Capital brought during year	6,000	Rent and Taxes	1,500
Interest on Investments	200	Drawings	3,600
		Cash purchases	12,000
		Balance at Bank on 31st Mar, 2023	6,400
		Cash in hand on 31st Mar, 2023	500
	68,000		68,000

Particulars of other assets and liabilities are as follows:

Particulars	01-04-2022 (Amount in ₹)	31-03-2023 (Amount in ₹)
Sundry Debtors	14,500	17,600
Sundry Creditors	5,800	7,900
Machinery	7,500	7,500

Furniture	1,200	1,200
Stock	3,900	5,700
Investments	5,000	5,000

Prepare final accounts for the year ending 31st March, 2023 after providing depreciation at 10 percent on machinery and furniture and ₹ 800 against doubtful debts.

**Question 10** *(ICAI Study Material)* Pg no. \_\_\_\_\_

From the following data furnished by Mr. Manoj, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2023 and a Balance Sheet as at that date.

Assets & Liabilities	As on 1st April, 2022	As on 31st March, 2023
Creditors	15,770	12,400
Sundry expenses outstanding	600	330
Sundry Assets	11,610	12,040
Inventory in trade	8,040	11,120
Cash in hand and at bank	6,960	8,080
Trade debtors	?	17,870
Details relating to transactions in the year:		
Cash & discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400
Additional capital-paid into Bank		8,500
Realisations from debtors-paid into Bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from Bank		3,180
Cash paid into Bank		5,000
Cash drawn from Bank		9,240
Cash in hand on 31-3-2023		1,200
Cheques issued to trade creditors		60,270

**Question 11** Pg no. \_\_\_\_\_

Ms. Rashmi furnishes you with the following information relating to her business:

Particulars	1.1.2023	31.12.2023
Sundry Debtors	32,000	?
Furniture (W.D.V.)	12,000	12,700
Prepaid Expenses	1,200	1,400
Sundry Creditors	22,000	30,000
Stock	16,000	14,000
Unpaid Expenses	4,000	3,600
Cash in Hand & at Bank	2,400	1,250

Receipts and Payments during 2023:

- a) Collections from debtors, after allowing discount of ₹ 3,000 (discount of 2.5%) amounted to ₹ 1,17,000

- b) Collections on discounting of bills of exchange, after deduction of discount of ₹ 250 (Discounted at an average of 2%) by the bank, totalled to ₹ 12,250.
- c) Creditors of ₹ 80,000 were paid ₹ 78,400 (discount of 2%) in full settlement of their dues.
- d) Payment for freight inwards ₹ 6,000.
- e) Amount withdrawn for personal use ₹ 14,000.
- f) Payment for office furniture ₹ 2,000.
- g) Investment carrying annual interest of 4% were purchased at ₹ 192 (face value ₹ 200) on 1st July, 2023 and payment made therefor.
- h) Expenses including salaries paid ₹ 29,000.
- i) Miscellaneous receipts ₹ 1,000.
- j) Bills of exchange drawn on and accepted by customers during the year amounted to ₹ 20,000. Of these, bills of exchange of ₹ 4,000 were endorsed in favour of creditors. An endorsed bill of exchange of ₹ 800 was dishonoured.
- k) Goods costing ₹ 1,800 were used as advertising materials.
- l) Goods are invariably sold to show a gross profit of 33-1/3% on sales.
- m) Difference in cash book, if any, is to be treated as further drawing or introduction of capital.
- n) Provide at 2.5% for doubtful debts on closing debtors.
- Prepare Trading and Profit & Loss A/c for the year ended 31st December, 2023 and the Balance Sheet.

**Question 12**

Pg no. \_\_\_\_\_

A trader keeps his books of account under single entry system. On 31st March, 2022 his statement of affairs stood as follows:

Liabilities	₹	Assets	₹
Trade Creditors	5,80,000	Furniture, Fixtures & Fittings	1,00,000
Bills Payable	1,25,000	Stock	6,10,000
Outstanding Expenses	45,000	Trade Debtors	1,48,000
Capital Account	2,50,000	Bills Receivable	60,000
		Unexpired Insurance	2,000
		Cash in Hand & At Bank	80,000
	10,00,000		10,00,000

The following was the summary of Cash-book for the year ended 31st March, 2023:

Receipts	₹	Payments	₹
Cash & Bank on 1st April,22	80,000	Payments to Trade Creditors	75,07,000
Cash Sales	73,80,000	Payments for Bills payable	8,15,000
Receipts from Trade Debtors	15,10,000	Sundry Expenses paid	6,20,700
Receipts for Bills Receivable	3,40,000	Drawings	2,40,000
		Cash & Bank on 31st Mar,23	1,27,300
	93,10,000		93,10,000

Discount allowed to trade debtors & received from trade creditors amounted to ₹ 36,000 and ₹ 28,000 respectively. Bills endorsed amounted to ₹ 15,000. Annual Fire Insurance premium of ₹ 6,000 was paid every year on 1st August for the renewal of the policy. Furniture, fixtures and fittings were subject to depreciation @ 15% per annum on diminishing balances method.

You are also informed about the following balances as on 31st March, 2023:

Particulars	₹
Stock	6,50,000
Trade Debtors	1,52,000
Bills Receivable	75,000
Bills Payable	1,40,000
Outstanding Expenses	5,000

The trader maintains a steady gross profit ratio of 10% on sales.

Prepare Trading and Profit & Loss A/c for the year ended 31st March, 2023 & Balance Sheet.

### Question 13

Pg no. \_\_\_\_\_

'X' and 'Y' are in partnership sharing profits and losses equally. They keep their books by single entry system.

The following balances are available from their books as on 31.3.2022 and 31.3.2023

Particulars	31.03.2022 (₹)	31.03.2023 (₹)
Building	1,50,000	1,50,000
Equipments	2,40,000	2,72,000
Furniture	25,000	25,000
Debtors	?	1,00,000
Creditors	65,000	?
Stock	?	70,000
Bank Loan	45,000	35,000
Cash	60,000	?

The transactions during the year ended 31.3.2023 were the following:

Collection from Debtors	3,80,000
Payment to Creditors	2,50,000
Cash Purchases	65,000
Expenses paid	40,000
Drawings by 'X'	30,000

- On 1.4.2022 an equipment of book value ₹ 20,000 was sold for ₹ 15,000. On 1.10.2022, some equipments were purchased.
- Cash sales amounted to 10% of sales. Credit sales amounted to ₹ 4,50,000.
- Credit purchases were 80% of total purchases.
- The firm sells goods at cost plus 25%.
- Discount allowed ₹ 5,500 during the year. Discount earned ₹ 4,800 during the year.
- Outstanding expenses ₹ 3,000 as on 31.3.2023.
- Capital of 'X' as on 31.3.2022 was ₹ 15,000 more than the capital of 'Y', equipments and furniture to be depreciated at 10% p.a. and building @ 2% p.a.

You are required to prepare:

- Trading and Profit and Loss account for the year ended 31.3.2023 and
- Balance Sheet as on that date.

### Question 14 (RTP Nov 2019)

Pg no. \_\_\_\_\_

Following are the incomplete information of Moonlight Traders:

Balances	31.03.2022	31.03.2023
Land and Building	5,00,000	5,00,000
Plant and Machinery	2,20,000	3,30,000
Office equipment	1,05,000	85,000

Debtors (before charging for bad debts)	?	2,25,000
Creditors for purchases	95,000	?
Creditors for office expenses	20,000	15,000
Stock	?	65,000
Long term loan from SBI @ 12%.	1,60,000	1,00,000
Bank	25,000	?

Other Information	₹
Collection from debtors	9,25,000
Payment to creditors for purchases	5,25,000
Payment of office expenses (excluding interest on loan)	42,000
Salary paid	32,000
Selling expenses	15,000
Cash sales	2,50,000
Credit sales (80% of total sales)	
Credit purchases	5,40,000
Cash purchases (40% of total purchases)	
GP Margin at cost plus 25%	
Discount Allowed	5,500
Discount Received	4,500
Bad debts (2% of closing debtors)	
<b>Depreciation to be provided as follows</b>	
Land and Building	5%
Plant and Machinery	10%
Office Equipment	15%

Other adjustments:

- On 01.10.22 they sold machine having Book Value ₹ 40,000 (as on 31.03.2022) at a loss of ₹ 15,000. New machine was purchased on 01.01.2023.
  - Office equipment was sold at its book value on 01.04.2022.
  - Loan was partly repaid on 31.03.23 together with interest for the year.
- Prepare Trading P & L A/c and Balance Sheet as on 31.03.2023.

**Question 15** *(ICAI Study Material)*

Pg no. \_\_\_\_\_

Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balances:

Particulars	31-03-2022	31-03-2023
Sundry debtors	70,000	92,000
Bills receivable	15,000	6,000
Bills payable	12,000	14,000
Sundry creditors	40,000	56,000
Inventory	1,10,000	1,90,000
Bank	90,000	87,000
Cash	5,200	5,300

Summary of cash transactions during the year 2022-23:

- Deposited to bank after payment of shop expenses @ ₹ 600 p.m., salary @ ₹ 9,200 p.m. and personal expenses @ ₹ 1,400 p.m. ₹ 7,62,750.
- Cash Withdrawn from Bank ₹ 1,21,000

- c) Cash payment to suppliers ₹ 77,200 for supplies and ₹ 25,000 for furniture.
- d) Cheques collected from customers but dishonoured ₹ 5,700.
- e) Bills accepted by customers ₹ 40,000.
- f) Bills endorsed ₹ 10,000.
- g) Bills discounted ₹ 20,000, discount ₹ 750.
- h) Bills matured and duly collected ₹ 16,000.
- i) Bills accepted ₹ 24,000.
- j) Paid suppliers by cheque ₹ 3,20,000.
- k) Received ₹ 20,000 on maturity of one LIC policy of the proprietor by cheque.
- l) Rent received ₹ 14,000 by cheque for the premises owned by the proprietor.
- m) A building was purchased on 30-11-2022 for opening a branch for ₹ 3,50,000 & some expenses were incurred on this building, details of which are not maintained.
- n) Electricity and telephone bills paid by cash ₹ 18,700, due ₹ 2,200.

Other transactions:

- (i) Claim against the firm for damage ₹ 1,55,000 is under legal dispute. Legal expenses ₹ 17,000. The firm anticipates defeat in the suit.
- (ii) Goods returned to suppliers ₹ 4,200.
- (iii) Goods returned by customers ₹ 1,200.
- (iv) Discount offered by suppliers ₹ 2,700.
- (v) Discount offered to the customers ₹ 2,400.
- (vi) The business is carried on at the rented premises for an annual rent of ₹ 20,000 which is outstanding at the year end.

Prepare Trading and Profit & Loss Account of Mr. Anup for year ended 31-03-2023 and Balance Sheet as on that date.

### TOPIC 3: FINAL ACCOUNTS METHOD: TIME LAG / CREDIT PERIOD

#### Question 16

Pg no. \_\_\_\_\_

A company sold 25% of the goods on cash basis and the balance on credit basis. Debtors are allowed 2 months credit and their balance as on 31.3.2023 is ₹1,40,000. Assume that sale is uniform throughout the year. Calculate total sales for the year ended 31.3.2023.

#### Question 17 *(CA Inter July 2021) (10 Marks) / (ICAI Study Material) (Similar)*

Pg no. \_\_\_\_\_

Mr. Arun runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 2022 was as follows:

Liabilities	₹	Assets	₹
Capital A/c	5,05,000	Furniture	50,000
Creditors	1,02,500	Closing Stock	3,50,000
		Debtors	1,25,000
		Cash in Hand	35,000
		Cash at Bank	47,500
	6,07,500		6,07,500

You are furnished with following information :

- 1) His sales, for the year ended 31st March, 2023 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.
- 2) Total Sales during the year 2021-22 were ₹ 6,25,000
- 3) Payments for all the purchases were made by cheques only.
- 4) Goods were sold for cash and credit both. Credit customers pay by cheques only.

- 5) Depreciation on furniture is to be charged 10% p.a.  
 6) Mr. Arun sent to the bank the collection of the month at the last date of each month after paying salary of ₹ 2,500 to the clerk, office expenses ₹ 1,500 and personal expenses ₹ 625.

Analysis of bank pass book for the year ending 31st March, 2023 disclosed the following:

	₹
Payment to creditors	3,75,000
Payment to rent up to 31st March, 2023	20,000
Cash deposited into bank during the year	1,00,000

The following are the balances on 31st March, 2023:

	₹
Stock	2,00,000
Debtors	1,50,000
Creditors for goods	1,82,500

On the evening of 31st March, 2023, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2023 and Balance Sheet as on that date. All the working should form part of the answer.

**Question 18** *(RTP May 2022) (Similar)*

Pg no. \_\_\_\_\_

The following is the Balance Sheet of Sri Dev as on 31st March, 2022:

Liabilities	₹	Assets	₹
Capital Account	2,52,500	Machinery	1,20,000
Sundry Creditors for Purchases	45,000	Furniture	20,000
		Stock	33,000
		Debtors	1,00,000
		Cash in Hand	8,000
		Cash at Bank	16,500
	2,97,500		2,97,500

Riots occurred and fire broke out on the evening of 31st March, 2023, destroying the books of account and Furniture. The cashier was grievously hurt and the cash available in the cash box was stolen.

The trader gives you the following information:

- Sales are effected as 25% for cash and the balance on credit. His total sales for the year ended 31st March, 2023 were 20% higher than the previous year. All the sales and purchases of goods were evenly spread throughout the year (as also in the last year).
- Terms of credit
  - Debtors 2 Months
  - Creditors 1 Month
- Stock level was maintained at ₹ 33,000 all throughout the year.
- A steady Gross Profit rate of 25% on the turnover was maintained throughout. Creditors are paid by cheque only, except for cash purchase of ₹ 50,000.
- His private records and the Bank Pass-book disclosed the following transactions for the year.

- i. Miscellaneous Business expenses ₹ 1,57,500 (including ₹ 5,000 paid by cheque and ₹ 7,500 was outstanding as on 31st March, 2023)
  - ii. Repairs ₹ 3,500 (paid by cash)
  - iii. Addition to Machinery ₹ 60,000 (paid by cheque)
  - iv. Private drawings ₹ 30,000 (paid by cash)
  - v. Travelling expenses ₹ 18,000 (paid by cash)
  - vi. Introduction of additional capital by depositing into the Bank ₹ 5,000
- f. Collection from debtors were all through cheques.  
 g. Depreciation on Machinery is to be provided @ 15% on the Closing Book Value.  
 h. The Cash stolen is to be charged to the Profit and Loss Account.  
 i. Loss of furniture is to be adjusted from the Capital Account.
- Prepare Trading, Profit and Loss Account for the year ended 31st March, 2023 and a Balance Sheet as on that date. Make appropriate assumptions whenever necessary.

**Question 19**

Pg no. \_\_\_\_\_

The following is the Balance Sheet of a concern on 31st March, 2022:

Liabilities	₹	Assets	₹
Capital	10,00,000	Fixed Assets	4,00,000
Creditors (Trade)	1,40,000	Stock	3,00,000
Profit & Loss A/c	60,000	Debtors	1,50,000
		Cash & Bank	3,50,000
	12,00,000		12,00,000

The management estimates the purchases and sales for the year ended 31st March, 2023 as under:

	Upto 28.02.23 (₹)	March 2023 (₹)
Purchases	14,10,000	1,10,000
Sales	19,20,000	2,00,000

It was decided to invest ₹ 1,00,000 in purchases of fixed assets, which are depreciated @ 10% on cost.

The time lag for payment to Trade Creditors for purchase and receipt from Sales is one month. The business earns a gross profit of 30% on turnover. The expenses against gross profit amount to 10% of the turnover. The amount of depreciation is not included in these expenses.

Draft a Balance Sheet as at 31st March, 2023 assuming that creditors are all Trade Creditors for purchases and debtors for sales and there is no other item of current assets and liabilities apart from stock and cash and bank balances. Assume that all sales and purchases are on credit basis.

**Question 20 (RTP Nov 2020)**

Pg no. \_\_\_\_\_

The following is the Balance Sheet of Manish and Suresh as on 1st April 2022:

Liabilities	₹	Assets	₹
Capital:		Building	1,00,000
Manish	1,50,000	Machinery	65,000
Suresh	75,000	Stock	40,000
Creditors for Goods	30,000	Debtors	50,000
Creditors for Expenses	25,000	Bank	25,000
	2,80,000		2,80,000

They give you the following additional information:

- a) Sales & purchases for the year ended 31st March 2022 were ₹ 3,00,000 and ₹ 2,40,000 respectively.
  - b) Stock Level is maintained uniformly in value throughout all over the year.
  - c) Depreciation on Machinery is charged @ 10%, Depreciation on Building @ 5% in the current year.
  - d) Sales in the current year will increase by 43.75% in volume.
  - e) Rate of Gross Profit remains the same.
  - f) Business Expenditures are ₹ 50,000 for the year. All Expenditures are paid off in cash.
  - g) All sales and purchases are on credit basis and there are no cash purchases and sales.
- Prepare Trading and Profit and Loss Account for the year ending 31.03.2023.

## PRACTICE QUESTIONS

### MULTIPLE CHOICE QUESTIONS

1. In case of net worth method, profit is determined by
  - (a) Preparing a trading and profit and loss account.
  - (b) Comparing the capital in the beginning with the capital at the end of the accounting period
  - (c) Comparing the net assets in the beginning with the net assets at the end of the accounting period.
  
2. Single entry system can be followed by
  - (a) Small firms.
  - (b) Joint stock companies.
  - (c) Co-operative societies.
  
3. Closing capital is calculated as
  - (a) Opening capital +Additional capital -Drawings
  - (b) Opening capital +Additional capital -Drawings + Profit.
  - (c) Opening capital +Additional capital +Drawings - Profit
  
4. Under single entry system, only personal accounts are kept and, in some cases
  - (a) Cash book is maintained
  - (b) Fixed assets' accounts are maintained
  - (c) Liabilities' accounts are maintained.
  
5. The closing capital of Mr. B as on 31.3.2023 was ₹ 4,00,000. On 1.4.2022 his capital was ₹ 3,50,000. His net profit for the year ended 31.3.2023 was ₹ 1,00,000. He introduced ₹ 30,000 as additional capital in February, 2023 Find out the amount drawn by Mr. B for his domestic expenses.
  - (a) ₹ 1,00,000
  - (b) ₹ 80,000
  - (c) ₹ 1,20,000
  
5. Given information:
 

Opening capital:	60,000
Drawings:	5,000
Capital introduced during the period:	10,000
Closing capital:	90,000
Profit earned during the period.	?

  - (a) ₹ 20,000
  - (b) ₹ 25,000
  - (c) ₹ 30,000

### ANSWERS MCQs

1. (b)      2. (a)      3. (b)      4. (a)      5. (b)      6. (b)

**TRUE / FALSE**

State with reasons whether the following are true or false:

- 1) A Trial Balance cannot be drawn up from books kept under Single Entry.
- 2) Nominal Accounts are kept under Single Entry System.
- 3) Single Entry System can be adopted by small firms
- 4) Profit under single entry system is always correct and accurate.
- 5) Profits computed under single entry system by different business entities are not comparable.

**Solution**

- 1) True: Since incomplete records are maintained, trial balance cannot be prepared
- 2) False: Under the single entry system of bookkeeping, generally cash book and personal accounts of creditors and debtors are maintained, and no other ledger is maintained.
- 3) True: A single entry system is the one where financial transactions are recorded as a single entry in a log and is usually used by new small businesses.
- 4) False: Profit under single entry system is only an estimate based on available information and correct profits cannot be determined.
- 5) True: Since entry system has no fixed set of principles for recording the financial transaction, different organizations maintain records as per their needs. Hence their accounts are not comparable.

## HOMEWORK QUESTIONS

### TOPIC 1: CAPITAL COMPARISON / STATEMENT OF AFFAIRS METHOD

#### Question 1

Pg no. \_\_\_\_\_

Lakhan keeps his books of account by single entry system. Following is the list of his assets and liabilities in the beginning as well as at the end of the year.

Particulars	On 1st April, 2022 (₹)	On 31st March, 2023 (₹)
Cash in hand	1,750	1,400
Cash at bank	20,000	-
Bank Overdraft	-	1,800
Bills Receivable	15,000	25,000
Stock	93,500	98,700
Debtors	60,000	70,000
Furniture and Fittings	65,000	65,000
Creditors	45,000	31,000
Bills Payable	5,000	Nil

Lakhan introduced ₹ 10,000 as fresh capital on 1st October, 2022. He also withdrew ₹ 5,000 every month for his household expenses. During the year, there was no sale or fresh purchase of furniture and fittings. Ascertain the profit earned by Lakhan during the year ended 31st March, 2023 after depreciating furniture and fittings @ 10% per annum and creating a provision for bad debts @ 5% on debtors

#### Question 2 *(ICAI Study Material)*

Pg no. \_\_\_\_\_

The Income Tax Officer, on assessing the income of Shri Moti for the financial years 2020-2021 and 2021-2022 feels that he has not disclosed full income. He gives you the following particulars of assets and liabilities of Shri Moti as on 1st April, 2020 and 1st April, 2022

1-4-2020	Assets	Cash in Hand	25,500
		Inventory	56,000
		Sundry Debtors	41,500
		Land & Building	1,90,000
		Wife's Jewellery	75,000
1-4-2020	Liabilities	Owing to Moti's Brother	40,000
		Sundry Creditors	35,000
1-4-2022	Assets	Cash in Hand	16,000
		Inventory	91,500
		Sundry Debtors	52,500
		Land & Building	1,90,000
		Motor Car	1,25,000
		Wife's Jewellery	1,25,000
	Loan to Moti's Brother	20,000	
1-4-2022	Liabilities	Sundry Creditors	55,000

During the two years the domestic expenditure was ₹ 4,000 p.m. The declared income of the financial years were ₹ 1,05,000 for 2020-2021 & ₹ 1,23,000 for 2021-2022 respectively. State whether the Income-tax Officer's contention is correct. Explain by giving your workings.

**Question 3** (CA Inter Nov 2022) (10 Marks)

Pg no. \_\_\_\_\_

Ramesh had ₹ 3,30,000 in the bank account on 1<sup>st</sup> January, 2021 when he started his business. He closed his accounts on 31<sup>st</sup> March, 2022. His single-entry books (in which he did not maintain any bank account for the bank) showed his position as follows:

Particulars	31.3.2021	31.3.2022
Stock	20,900	31,900
Debtors	1,100	3,200
Cash	2,200	3,300
Creditors	5,500	4,300

On and from 1<sup>st</sup> February, 2021, he began drawings at ₹ 770 per month for his personal expenses from the cash box of the business. His account with the bank had the following entries:

Particular	Deposits	Withdrawals
1.1.2021 to 31.3.2021	-	2,45,300
1.4.2021 to 31.3.2022	2,53,000	2,97,000

- The above withdrawals included payment by cheque of ₹ 2,20,000 and ₹ 66,000 during the period from 1<sup>st</sup> January, 2021 to 31<sup>st</sup> March, 2021 and from 1<sup>st</sup> April, 2021 to 31<sup>st</sup> March, 2022 respectively for the purchase of Machines for the business.
- The deposits after 1<sup>st</sup> January, 2021 consisted wholly of sale proceeds received from the customers by cheques.
- One customer (Suresh) had directly deposited a cheque of ₹ 2,700 on 25<sup>th</sup> March, 2022 into bank account of Ramesh. Ramesh has no knowledge of this and this cheque is not included in the deposits for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 given above.

You are required to draw up Ramesh's Statement of Affairs as at 31<sup>st</sup> March, 2021 and 31<sup>st</sup> March, 2022 respectively and work out his Profit or Loss for the year ended 31<sup>st</sup> March, 2021 and 31<sup>st</sup> March, 2022.

**TOPIC 2: FINAL ACCOUNTS METHOD****Question 4** (RTP May 2020)

Pg no. \_\_\_\_\_

Balance sheet position of RukRukMaan is as follows:

	31.03.2022	31.03.2023
Furniture & fixtures	2,60,000	2,34,000
Stock	2,45,000	3,20,000
Debtors	1,25,000	?
Cash in Hand & at bank	1,10,000	?
Creditors	1,35,000	1,90,000
Bills payable	70,000	80,000
Outstanding salaries	19,000	20,000

An analysis of the cash book revealed the following:

Cash sales	16,20,000
Collection from debtors	10,58,000
Discount allowed to debtors	20,000
Cash purchases	6,15,000
Payment to creditors	9,73,000

Discount received from creditors	32,000
Payment for bills payable	4,30,000
Drawings for domestic expenses	1,20,000
Salaries paid	2,36,000
Rent paid	1,32,000
Sundry trade expenses	81,000

Depreciation is provided on furniture & fixtures @10% p.a. on diminishing balance method. RukRukMaan maintains a steady gross profit rate of 25% on sales.

You are required to prepare Trading and Profit and Loss account for the year ended 31st March, 2023 and Balance Sheet as on that date.

**Question 5** (RTP Nov 2021)

Pg no. \_\_\_\_\_

From the following furnished by Mittalji, prepare Trading and Profit and Loss account for the year ended 31.3.2023. Also draft his Balance Sheet as at 31.3.2023.

Assets & Liabilities	As on 1st April,2022	As on 31st March,2023
Creditors	3,15,400	2,48,000
Sundry expenses outstanding	12,000	6,600
Plant & Machinery	2,32,200	2,40,800
Stock in trade	1,60,800	2,22,400
Cash in hand	59,200	24,000
Cash at bank	80,000	1,37,600
Trade debtors	3,30,600	?
Details relating to transactions in year:		
Cash and discount credited to debtors		12,80,000
Return from Debtors		29,000
Bad debts		8,400
Sales (cash and credit)		14,36,200
Discount allowed by creditors		14,000
Returns to Creditors		8,000
Capital introduced by Cheque		1,70,000
Collection from debtors (Deposited into bank after receiving cash)		12,50,000
Cash purchases		20,600
Expenses paid by cash		1,91,400
Drawings by cheque		8,600
Machinery acquired by cheque		63,600
Cash deposited into Bank		1,00,000
Cash withdrawn from Bank		1,84,800
Cash Sales		92,000
Payment to creditors by cheque		12,05,400

Note: Mittalji has not sold any machinery during the year.

**Question 6** (ICAI Study Material) / (RTP May 2021)

Pg no. \_\_\_\_\_

Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹ 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales. Following information is given to you:

Assets & Liabilities	As on 01.04.2022	As on 31.03.2023
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000(Cr.)	80,000(Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?
Ram's Capital	3,00,000	

Analysis of his bank pass book reveals the following information:

- Payment to creditors ₹ 7,00,000
- Payment for business expenses ₹ 1,20,000
- Receipts from debtors ₹ 7,50,000
- Loan ₹ 1,00,000 taken on 1.10.2022 at 10% per annum
- Cash deposited in the bank ₹ 1,00,000

He informs you that he paid creditors for goods ₹ 20,000 in cash and salaries ₹ 40,000 in cash. He has drawn ₹ 80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales. All purchases are on credit basis.

Prepare: Trading and Profit & Loss A/c for the year ended 31.3.2023 and Balance Sheet as at 31st March, 2023.

**Question 7** (RTP May 2019) / (RTP Nov 2023) (Similar)

Pg no. \_\_\_\_\_

From the following information in respect of Mr. X, prepare Trading and Profit and Loss Account for the year ended 31st March, 2023 and a Balance Sheet as at that date:

	Particulars	31-03-2022 (₹)	31-03-2023 (₹)
1.	<b>Liabilities and Assets:</b>		
	Stock in trade	1,60,000	1,40,000
	Debtors for sales	3,20,000	?
	Bills receivable	-	?
	Creditors for purchases	2,20,000	3,00,000
	Furniture at written down value	1,20,000	1,27,000
	Expenses outstanding	40,000	36,000
	Prepaid expenses	12,000	14,000
	Cash on hand	4,000	3,000
	Bank Balance	20,000	1,500
2.	<b>Receipts and Payments during 2022-2023:</b>		
	Collections from Debtors (after allowing 2-1/2% discount)		11,70,000
	Payments to Creditors (after receiving 2% discount)		7,84,000
	Proceeds of Bills receivable discounted at 2%		1,22,500
	Proprietor's drawings		1,40,000
	Purchase of furniture on 30.09.2022		20,000
	12% Government securities purchased on 1-10-22		2,00,000
	Expenses		3,50,000
	Miscellaneous Income		10,000
3.	Sales are effected so as to realize a gross profit of 50% on cost.		
4.	Capital introduced during year by proprietor by cheques was omitted to be recorded in Cash Book, though bank balance of 1,500 on 31st Mar, 2023 (as shown above), is after taking same into account		
5.	Purchases and Sales are made only on credit.		

6	During the year, Bills Receivable of ₹ 2,00,000 were drawn on debtors. Of these, Bills amounting to ₹ 40,000 were endorsed in favour of creditors. Out of this latter amount, a Bill for ₹ 8,000 was dishonoured by the debtor.
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**Question 8** (RTP Nov 2018) / (RTP May 2023) Pg no. \_\_\_\_\_

The following information relates to the business of ABC Enterprises, who requests you to prepare a Trading and Profit & Loss A/c for the year ended 31st March, 2023 and a Balance Sheet as on that date.

(a) Assets and Liabilities as on:

	01.04.2022	31.03.2023
Furniture	60,000	63,500
Stock	80,000	70,000
Sundry Debtors	1,60,000	??
Sundry Creditors	1,10,000	1,50,000
Prepaid Expenses	6,000	7,000
Outstanding Expenses	20,000	18,000
Cash in Hand & Bank Balance	12,000	26,250

(b) Cash transaction during the year:

- (i) Collections from debtors, after allowing discount of ₹ 15,000 amounted to ₹ 5,85,000
- (ii) Collections on discounting of bills of exchange, after deduction of discount of ₹ 1,250 by the bank, totalled to ₹ 61,250.
- (iii) Creditors of ₹ 4,00,000 were paid ₹ 3,92,000 in full settlement of their dues.
- (iv) Payment for freight inwards ₹ 30,000.
- (v) Amount withdrawn for personal use ₹ 70,000.
- (vi) Payment for office furniture ₹ 10,000.
- (vii) Investment carrying annual interest of 6% were purchased at ₹ 95 (200 shares, Face value ₹ 100 each) on 1st October, 2022 and payment made thereof.
- (viii) Expenses including salaries paid ₹ 95,000.
- (ix) Miscellaneous receipts ₹ 5,000.
- (x) Bills of exchange drawn on and accepted by customers during the year amounted to ₹ 1,00,000. Of these, bills of exchange of ₹ 20,000 were endorsed in favour of creditors. An endorsed bill of exchange of ₹ 4,000 was dishonoured.
- (xi) Goods costing ₹ 9,000 were used as advertising materials.
- (xii) Goods are invariably sold to show a gross profit of 20% on sales.
- (xiii) Difference in cash book, if any, is to be treated as further drawing or introduction of capital by proprietor of ABC Enterprises.
- (xiv) Provide at 2% for doubtful debts on closing debtors.

**Question 9** (CA Inter Jan 2021) (10 Marks) Pg no. \_\_\_\_\_

Mr. Prakash furnishes following information for his readymade garments business:

Receipts and Payments during 2022-23:

Receipts	Amount	Payments	Amount
Bank Balance as on 1-4-22	16,250	Payment to Sundry Creditors	3,43,000
Received from Sundry Debtors	4,81,000	Salaries	75,000
Cash sales	1,70,800	General Expenses	22,500
Capital brought in the business during the year	50,000	Rent and Taxes	11,800
Interest on Investment received	9,750	Drawings	96,000
		Cash Purchases	1,22,750

		Balance at Bank on 31-03-23	36,600
		Cash in hand on 31-03-23	20,150
	7,27,800		7,27,800

Particulars of other Assets and Liabilities are as follows:

	1st April, 2022	31st March, 2023
	(₹)	(₹)
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Stock	38,600	55,700
12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

Additional information:

- 20% of Total sales and 20% of total purchases are in cash.
  - Of the Debtors, a sum of 7,200 should be written off as Bad debt and further a reserve for doubtful debts is to be provided @ 2%.
  - Provide depreciation @ 10% p.a. on Machinery and Furniture.
- You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2023, and Balance Sheet as on that date.

### Question 10

Pg no. \_\_\_\_\_

Mr. Vivek keeps his books under single entry system. On 31st March, 2022 his Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Capital of Mr. Vivek	4,50,000	Fixed Assets	2,25,000
Creditors	8,70,000	Stock	9,15,000
Bills Payable	1,87,500	Debtors	2,22,000
Expenses Outstanding	67,500	Bills Receivable	90,000
		Prepaid Insurance	3,000
		Cash/Bank Balance	1,20,000
	15,75,000		15,75,000

- (i) Following are the summary of cash and bank transactions for the year ended 31st March, 2023

Cash sales	1,10,70,000
Collection from debtors	22,65,000
Payments to creditors	1,12,60,500
Paid for bills payable	12,22,500
Sundry expenses paid	9,31,050
Drawings for domestic expenses by Mr.Vivek	3,60,000
Cash and bank balance as on 31.3.2023	1,90,950

- (i) Following further details are furnished:

Gross profit on sales @ 10%	
Bills receivable from debtors during the year	6,52,500
Discount allowed to debtors	54,000
Discount received from creditors	42,000
Bills receivable endorsed to creditors	22,500

Annual fire insurance premium paid (This is paid on 1st August every year)	9,000
Depreciate fixed assets @ 10%	

(ii) Balances as on 31.3.2023 are given below:

Stock in hand	9,75,000
Debtors	2,28,000
Bills Receivable	2,10,000
Bills Payable	2,10,000
Outstanding Expenses	7,500

Prepare Trading, Profit and Loss Account for the year ended 31st March, 2023 and Balance Sheet on that date.

**Question 11** *(CA Inter Nov 2019) (10 Marks)* Pg no. \_\_\_\_\_

Archana Enterprises maintain their books of accounts under single entry system. The Balance Sheet as on 31st March, 2022 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	6,75,000	Furniture & fixtures	1,50,000
Trade creditors	7,57,500	Stock	9,15,000
Outstanding exp.	67,500	Trade debtors	3,12,000
		Prepaid insurance	3,000
		Cash in hand & at bank	1,20,000
	15,00,000		15,00,000

The following was the summary of cash and bank book for year ended 31st March, 2023:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1st April, 2022	1,20,000	Payment to trade creditors	1,24,83,000
Cash sales	1,10,70,000	Sundry expenses paid	9,31,050
Receipts from trade debtors	27,75,000	Drawings	3,60,000
		Cash in hand & at Bank on 31st March, 2023	1,90,950
	1,39,65,000		1,39,65,000

Additional Information:

- Discount allowed to trade debtors and received from trade creditors amounted to ₹ 54,000 and ₹ 42,500 respectively. (for the year ended 31st March, 2023)
- Annual fire insurance premium of ₹ 9,000 was paid every year on 1st August for the renewal of the policy.
- Furniture & fixtures were subject to depreciation @ 15% p.a. on diminishing balance method.
- The following are the balances as on 31st March, 2023:
  - Stock ₹ 9,75,000
  - Trade debtors ₹ 3,43,000
  - Outstanding expenses ₹ 55,200
- Gross profit ratio of 10% on sales is maintained throughout the year.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2023, and Balance Sheet as on that date.

**Question 12** (CA Inter May 2022) (12 Marks)

Pg no. \_\_\_\_\_

Stevie and Alicia are in partnership sharing profits and losses equally. They maintain their books on Single Entry System. The following balances are available from their books as on 31.3.2021 and 31.3.2022:

Particulars	31.3.2021 ₹	31.3.2022 ₹
Building	3,00,000	3,00,000
Equipment	4,80,000	5,44,000
Furniture	50,000	50,000
Debtors	?	2,00,000
Creditors	1,30,000	?
Stock	?	1,40,000
Bank loan	90,000	70,000
Cash	1,20,000	?

The transactions during the year ended 31.3.2022 were the following:

Collection from Debtors	7,60,000
Payment to Creditors	5,00,000
Expenses Paid	80,000
Drawings by Stevie	60,000
Discount allowed	11,000
Discount received	9,600

Other information:

- On 1.4.2021, an equipment of book value ₹ 40,000 was sold for ₹ 30,000. On 1.10.2021, some more equipment were purchased.
- Cash sales amounted to 10% of total sales.
- Credit sales amounted to ₹ 9,00,000.
- Credit purchases were 80% of total purchases.
- Cash Purchases amounted to ₹ 1,30,000.
- The firm sells goods at cost plus 25%.
- Outstanding expenses were ₹ 6,000 as on 31.3.2022.
- Capital of Stevie as on 31.3.2021 was ₹ 30,000 more than the capital of Alicia, equipment and furniture to be depreciated at 10% p.a. and building @ 2% p.a. (apply depreciation of new equipment for 1/2 year)

You are required to prepare:

- Trading and Profit and Loss Account for the year ended 31.3.2022 and;
- Balance Sheet as on that date.

**Question 13** (CA Inter May 2019) (12 Marks)

Pg no. \_\_\_\_\_

The following balances appeared in the books of M/s Sunshine Traders:

	As on 31-03-2022 (₹)	As on 31-03-2023 (₹)
Land and Building	2,50,000	2,50,000
Plant and Machinery	1,10,000	1,65,000
Office Equipment	52,500	42,500
Sundry Debtors	77,750	1,10,250
Creditors for Purchases	47,500	?
Provision for office expenses	10,000	7,500
Stock	?	32,500
Long Term loan from ABC Bank @ 10% p.a.	62,500	50,000

Bank	12,500	?
Capital	4,65,250	?

Other information was as follows:

Collection from Sundry Debtors	4,62,500
Payments to Creditors for Purchases	2,62,500
Payment of office Expenses	21,000
Salary paid	16,000
Selling Expenses paid	7,500
Total sales	6,25,000
Credit sales (80% of Total Sales)	
Credit Purchases	2,70,000
Cash Purchases (40% of Total Purchases)	
Gross Profit Margin was 25% on cost	
Discount Allowed	2,750
Discount Received	2,250
Bad debts	2,250
Depreciation to be provided as follows:	
Land and Building	5% per annum
Plant and Machinery	10% per annum
Office Equipment	15% per annum

- (a) On 01.10.2022 the firm sold machine having Book Value ₹ 20,000 (as on 31.03.2022) at a loss of ₹ 7,500. New machine was purchased on 01.01.2023.
- (b) Office equipment was sold at its book value on 01.04.2022.
- (c) Loan was partly repaid on 31.03.2023 together with interest for the year.
- You are required to prepare:
- (i) Trading and Profit & Loss account for the year ended 31st March, 2023.
- (ii) Balance Sheet as on 31st March 2023.

**Question 14** (CA Inter May 2023) (10 Marks)

Pg no. \_\_\_\_\_

Mr. Takewood keeps his books on single entry system. The following information of Mr. Takewood is given:

- a) Balances as on 1<sup>st</sup> April, 2022:

Cash in Hand	₹ 4,000	Stock	₹ 35,000
Cash in Bank	₹ 28,000	Fixed Assets	₹ 20,000
Sundry Creditors	₹ 15,000	Sundry Debtors	₹ 23,000
Capital Account	₹ 95,000		

- b) During the year 2022-2023 Sundry Creditors were paid ₹ 26,000 in cash and ₹ 1,55,000 by cheque and received ₹ 55,000 in cash & ₹ 1,90,000 by cheque from Sundry Debtors.
- c) All Sales and Purchases were on credit.
- d) Balances as on 31<sup>st</sup> March, 2023: Sundry Debtors ₹ 27,000 & Sundry Creditors ₹ 35,000
- e) All expenses which are debited to profit and loss accounts were disbursed by cheques except petty expenses amounting to ₹ 7,500 paid in cash.
- f) Outstanding expenses as on 31<sup>st</sup> March 2023 were ₹ 2,000,
- g) Net Profit for the year was ₹ 41,000 after allowing 10% depreciation on fixed assets.
- h) Closing Stock was valued at ₹ 75,000.
- i) His Drawings during the year were ₹ 10,000 in cash and ₹ 14,000 by cheques.

You are required to prepare Profit and Loss Account for the year ended 31<sup>st</sup> March 2023 and Balance Sheet as at that date.

**TOPIC 3: FINAL ACCOUNTS METHOD: TIME LAG / CREDIT PERIOD**
**Question 15** *(ICAI Study Material)*

Pg no. \_\_\_\_\_

A Firm sold 20% of the goods on cash basis and the balance on credit basis. Debtors are allowed 1½ month's credit and their balance as on 31.03.2023 is ₹ 1,25,000. Assume that the sale is uniform through out the year. Calculate credit sales and total sales of the company for the year ended 31.03.2023.

**Question 16** *(CA Inter Dec 2021) (5 Marks)*

Pg no. \_\_\_\_\_

A company sold 20% of the goods on cash basis and balance on credit basis. Debtors allowed 1.5 month's credit and their balance as on 31st March, 2023 is ₹1,50,000. Assume that sale is evenly spread throughout the year. Purchase during the year ₹9,50,000. Closing stock is ₹10,000 less than the opening stock. Average stock maintained during year is ₹60,000. Direct expenses amounted to ₹35,000. Calculate Credit sales, Total sales and Gross profit for the year ended 31st March, 2023.

**Question 17**

Pg no. \_\_\_\_\_

The following is the Balance Sheet of retail business of Sri Srinivas as at 31st Dec, 2022:

Liabilities	₹	Assets	₹
Sri Srinivas's capital	1,00,000	Furniture	10,000
Liabilities for Goods	20,500	Stock	70,000
Rent	1,000	Debtors	25,000
		Cash in Hand	2,000
		Cash at Bank	14,500
	1,21,500		1,21,500

You are furnished with the following information:

- Sri Srinivas sells his goods at a profit of 20% on sales.
- Goods are sold for cash and credit. Credit customers pay by cheques only.
- Payments for purchases are always made by cheques.
- It is the practice of Sri Srinivas to send to bank every weekend the collections of the week after paying every week, salary of ₹ 300 to the clerk, Sundry expenses of ₹ 50 and personal expenses ₹ 100.

Analysis of the Bank Pass-Book for the 13 weeks period ending 31st March, 23 disclosed the following:

Particulars	Amount (In ₹)
Payments to creditors	75,000
Payments of rent upto 31.3.2023	4,000
Amounts deposited into the bank (include ₹ 30,000 received from debtors by cheques)	1,25,000

The following are the balances on 31st March, 2023:

Stock	40,000
Debtors	30,000
Creditors for goods	36,500

On the evening of 31st March, 2023 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.

You are required to prepare a statement showing the amount of cash defalcated by the Cashier and also a Profit and Loss Account for the period ended 31st March, 2023 and a Balance Sheet as on that date.

**Question 18** *(CA Inter Nov 2018) (15 Marks) / (RTP Nov 2022)*

Pg no. \_\_\_\_\_

Aman, a readymade garment trader, keeps his books under single entry system. On the closing date, i.e. on 31st March, 2022 his statement of affairs stood as follows:

Liabilities	₹	Assets	₹
Aman's capital	4,80,000	Building	3,25,000
Loan	1,50,000	Furniture	50,000
Creditors	3,10,000	Motor car	90,000
		Stock	2,00,000
		Debtors	1,70,000
		Cash in hand	20,000
		Cash at bank	85,000
	9,40,000		9,40,000

Riots occurred and a fire broke out on the evening of 31st March, 2023, destroying the books of accounts. On that day, the cashier had absconded with the available cash. You are furnished with the following information:

- Sales for the year ended 31st March, 2023 were 20% higher than the previous year's sales, out of which, 20% sales were for cash. He always sells his goods at cost plus 25%. There were no cash purchases.
- Collection from debtors amounted to ₹ 14,00,000, out of which ₹ 3,50,000 was received in cash.
- Business expenses amounted to ₹ 2,00,000, of which ₹ 50,000 were outstanding on 31st March, 2023 and ₹ 60,000 paid by cheques.
- Gross profit as per last year's audited accounts was ₹ 3,00,000.
- Provide depreciation on building and furniture at 5% each and motor car at 20%.
- His private records and the Bank Pass Book disclosed the following transactions for the year 2022-23:

Payment to creditors (paid by cheques)	13,75,000
Personal drawings (paid by cheques)	75,000
Repairs (paid by cash)	10,000
Travelling expenses (paid by cash)	15,000
Cash deposited in bank	7,15,000
Cash withdrawn from bank	1,20,000

- Stock level was maintained at ₹ 3,00,000 all throughout the year.
- The amount defalcated by the cashier is to be written off to the Profit and Loss Account. You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2023 and Balance Sheet as on that date of Aman. All the workings should form part of the answer.

**Question 19** *(CA Inter Nov 2020) (10 Marks)*

Pg no. \_\_\_\_\_

M/s Rohan & Sons runs a business of Electrical goods on wholesale basis. The Balance Sheet as on 31st March, 2022 is as follows:

Liabilities	₹	Assets	₹
Capital	12,50,000	Fixed Assets	6,50,000
Trade Creditors	1,90,000	Closing stock	3,75,000
Profit & Loss A/c	1,45,000	Trade Debtors	3,65,000
		Cash & Bank	1,95,000
	15,85,000		15,85,000

Management estimates the purchase & sales for year ended 31<sup>st</sup> March, 2023 as under:

Particulars	Upto 31.01.2023 (₹)	February 2023 (₹)	March 2023 (₹)
Purchases	16,20,000	1,40,000	1,25,000
Sales	20,75,000	2,10,000	1,75,000

All Sales and Purchases are on credit basis. It was decided to invest ₹ 1,50,000 in purchase of Fixed assets, which are depreciated @ 10% on book value. A Fixed Asset of book value as on 01.04.2022; ₹ 60,000 was sold for ₹ 56,000 on 31st March, 2023.

The time lag for payment to Trade Creditors for purchases is one month and receipt, from Trade debtors for sales is two months. The business earns a gross profit of 25% on turnover. The expenses against gross profit amounts to 15% of the turnover. The amount of depreciation is not included in these expenses.

Prepare Trading & profit & Loss Account for the year ending 31st March, 2023 and draft a Balance Sheet as at 31st March, 2023 assuming that creditors are all Trade creditors for purchases and debtors are all Trade debtors for sales and there is no other current assets and liabilities apart from stock and cash and bank balances. Also, prepare Cash & Bank account and Fixed Assets account for the year ending 31st March, 2023.