



# **CLASS XI ACCOUNTANCY NOTES**

**Accounts from Incomplete  
Records**

**Key Notes and Important Questions with Answers**

# Chapter-10

## ACCOUNTS FROM INCOMPLETE RECORDS

### LEARNING OBJECTIVES

**After studying this lessons you will be able to :**

- *Define the concept of incomplete records :*
- *Distinguish between Double entry system and Accounts from incomplete records.*
- *Ascertain the amount of profit or loss using " Statement of Affairs" method.*
- *Differentiate between Balance Sheet and Statement of Affairs.*
- *Prepare Statement of Affairs using given data.*

### Suggested Methodology

- *Illustration Method*
- *Discussion Method*

### Introduction :

*Some small size business entities do not follow the double entry system of maintaining the accounting records instead they maintains books of accounts under the system Accounting from incomplete records. The system in which no set rules of double entry system are followed is called Accounts from incomplete records. Sometimes, it is also termed as 'Single Entry System'*

*Under this system only the following accounts are maintained:*

- *Cash book*
- *The personal A/C*
- *Some Real A/C according to need*

**Note:** *Nominal accounts are not maintained under this system.*

*Under this system of maintaining accounts :*

- *Both the aspects of only certain transactions are recorded e.g. cash received from debtors or cash paid to creditors.*
- *One aspect of some transactions are recorded e.g. cash paid for the purchase of goods.*

- *Some financial events are not recorded at all e.g. depreciation charged on fixed assets.*

### **Points to remember**

- *Accounting Principles and Accounting Standards are not followed properly under this system.*
- *Original vouchers provide base for preparing the accounts.*
- *This method is highly flexible because it can be adjusted according to the needs of the organisation.*
- *Profit or loss is ascertained by either Statement of Affairs method or 'Conversion into Double entry Method' :*

### **Uses of Incomplete Records**

*Books according to this system can be maintained only by those small entities in the form of sole Proprietorship or Partnership firms that are not bound to keep records of business transactions as per double entry system. Companies cannot maintain books under this system because of legal provisions.*

### **Uses of Reasons for keeping incomplete Records**

1. **Simple Method** : *It is easy and simple as under this method one does not require any special knowledge of the principles for recording of transactions.*
2. **Less Expensive** : *As under this method only few accounts are prepared therefore business firm does not requires more start for recording the transactions.*
3. **Flexible Method** : *This method is highly flexible because it can be adjusted according to the needs of the organisation.*
4. **Suitable for small Concerns** : *This method is most suitable to small business concerns which have mostly cash transactions and very few Assets & Liabilities.*
5. **Easy to calculate profit or / loss** : *It is easier to calculate profit or loss under this method.*

### **Limitations of Incomplete Records**

1. **Incomplete method** : *This method is incomplete method of maintaining the accounting records as the aspects, debits and credits, of every transaction are recorded.*
2. **Arithmetical Accuracy cannot be checked** : *Under this system no real and nominal accounts are maintained. As such a trial balance cannot be prepared to check the arithmetical accuracy of the books of accounts.*

3. **True profit or loss cannot be ascertained :** *As under this system all the accounts are not prepared like Nominal A/C which is the base for calculating actual profit. So the profit ascertained under this method is not reliable.*
4. **True financial position of the business cannot be judged :** *Since real accounts are not maintained. It is not possible to prepare a balance sheet showing the true financial position of the business.*
5. **No recognition in the assessment of income Tax & Sales Tax :** *The system fails to reveal the true profit and sales of a business. As such, the accounts maintained under the system are not accepted by Tax authorities.*
6. **Preparation of Trial Balance not possible :** *This method does not record both the aspect of a transaction. So trial balance is not possible as all debit and credit items was not there.*

### **Distinction between Single Entry System and Double Entry System**

<b>Points of Distinction</b>	<b>Double entry system</b>	<b>Incomplete Records system</b>
(i) <i>Aspects</i>	<i>Both aspects of transactions are recorded.</i>	<i>One aspect of transactions is recorded.</i>
(ii) <i>Types of Accounts</i>	<i>All the three types of accounts personal real and nominal are prepared.</i>	<i>Only personal and cash accounts are prepared.</i>
(iii) <i>Trial Balance</i>	<i>Trial balance is prepared.</i>	<i>Trial balance cannot be prepared.</i>
(iv) <i>Profit &amp; loss</i>	<i>Profit is ascertained by preparing profit and Loss Account.</i>	<i>It is not possible to prepare Profit and Loss Account. Profit is calculated by preparing Statement of profit.</i>
(v) <i>Financial Position</i>	<i>Balance Sheet is prepared to ascertain financial position.</i>	<i>Balance Sheet is not prepared. Statement of affairs gives a rough idea of financial position.</i>
(vi) <i>Proof</i>	<i>Accounting records are treated as proof in the Court of Law.</i>	<i>Accounting records are not treated as proof in the court of Law.</i>
(vii) <i>Tax Authorities</i>	<i>Tax authorities recognise this system.</i>	<i>Tax authorities do not recognise this system.</i>
(viii) <i>Suitability</i>	<i>It is suitable in all the cases.</i>	<i>It is suitable only in case of small business houses.</i>

### **Ascertainment of Profit or Loss**

*The main objective of any business enterprise is to earn profits. In case of organization maintaining accounts under incomplete records the*

*amount of profit or loss can be ascertained by following two method*

- 1) Statement of affaire method or net worth method*
- 2) Conversion in Double entry method (not in syllabus)*

### **Statement of Affairs Method**

*Under this method, Profits or losses of the business are ascertained by comparing the Capital at the end and Capital at the beginning of the accounting period.*

- 1) When Capital at the end is more than the capital in the beginning during an Accounting period (with the necessary adjustment) there will be profit.*

$$\text{Profits} = \text{Closing Capital} - \text{Opening Capital}$$

- 2) When Capital at the beginning is more than capital at the end during an Accounting Period. (with the necessary adjustment) there will be loss.*

$$\text{Losses} = \text{Opening Capital} - \text{Closing Capital}$$

*Capital at the beginning is calculated by preparing an 'Opening statement of Affairs' and similarly, capital at the end is calculated by preparing a 'Closing Statement of Affairs.*

### **Notes**

*Under this method two statements are prepared :*

- 1. Statement of affairs, for calculating opening and closing capital.*
- 2. Statement of profit or loss, for calculating profit or loss.*

### **STATEMENT OF AFFAIRS**

*A Statement of affairs is a statement showing the balances of assets (including cash and bank balance) on the right hand side and the balance of liabilities on the left hand side, on a particulars date. The difference in the total of two sides is known as capital.*

$$\text{Capital} = \text{Total Assets} - \text{Total liabilities}$$

*A statement of affairs is very similar to Balances Sheet as prepared for the business entities maintaining accounts under double entry system, through it should not be described as a Balance Sheet*

**A Statement of Affairs is prepared as follows :**

*Statement of Affairs*

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
<i>Bank Overdraft</i>	<i>XXXX</i>	<i>Cash in Hand</i>	<i>XXXX</i>
<i>Sundry Creditors</i>	<i>XXXX</i>	<i>Cash at Bank</i>	<i>XXXX</i>
<i>Bills Payable</i>	<i>XXXX</i>	<i>Bills Receivables</i>	<i>XXXX</i>
<i>Outstanding Expenses</i>	<i>XXXX</i>	<i>Sundry Debtors</i>	<i>XXXX</i>
<i>Income Received in Advance</i>	<i>XXXX</i>	<i>Stock</i>	<i>XXXX</i>
		<i>Prepaid Expenses</i>	
<i>Capital (Balancing Figure)</i>	<i>XXXX</i>	<i>Accrued Income furniture</i>	<i>XXXX</i>
		<i>Plant &amp; machinery etc.</i>	<i>XXXX</i>

**For ascertainment of profit or loss, the following steps shall be taken :**

- Step 1:** Calculate the amount of 'Opening capital' (If not given in the Question) by preparing Statement of Affairs at the beginning of the accounting period.
- Step 2:** Calculate the amount of 'Closing Capital' by preparing 'Statement of Affair' at the end of the accounting period.
- Step 3:** Calculation of Profit or Loss by preparing Statement of profit or Loss in the following manner

**Statement of Profit or Loss for the year ended.**

<i>Particular Particulars</i>	<i>Details</i>	<i>Amount</i>
<i>Closing Capital</i>	<i>XXX</i>	
<i>Add: Drawing made during the year</i>	<i>XXX</i>	
<i>Less: Additional capital introduced during the year</i>	<i>XXX</i>	
<i>Adjusted capital at the end.</i>		<i>XXX</i>
<i>Less: Opening capital</i>		<i>XXX</i>
<i>Profit or loss during the year (Profit if amount is positive, loss if amount is Negative)</i>		<i>XXX</i>

**Illustration 1:** Nishant Raj Keeps incomplete records of the business. He gives the following information.

	₹
<i>Capital on 1st April 2015</i>	<i>20,000</i>
<i>Capital on 31st march 2015</i>	<i>25,000</i>
<i>Drawings made during the year</i>	<i>4,800</i>

*He sold his investment of 1500 at 3% premium and brought that*

money into the business. You are required to prepare a statement of profit or loss.

**Solution :**

**Statement of Profit  
for two year ended 2015-16**

<i>Particular Particulars</i>	<i>Details</i>	<i>Amount</i>
<i>Closing Capital</i>	<i>25,000</i>	
<i>Add: Drawing made during the year</i>	<i>4,800</i>	
	<i>29,800</i>	
<i>Less: Additional capital introduce (1500+45)</i>	<i>1,545</i>	
<i>Adjusted capital at the end</i>		<i>28,255</i>
<i>Less: Opening capital</i>		<i>20,000</i>
<i>Profit or loss during the year</i>		<i>8,255</i>

**Illustration 2**

2 Mr. Hemant started his business on 1 st April 2015 with a capital of ₹ 1,00,000. He follow a single entry system. At the end of the year i.e. on 31st March, 2016 the position of Assets & Liabilities was :

<i>Cash in hand</i>	<i>20,000</i>
<i>Furniture</i>	<i>30,000</i>
<i>Machinery</i>	<i>45,000</i>
<i>Debtors</i>	<i>15,000</i>
<i>Stock</i>	<i>20,000</i>
<i>Creditors</i>	<i>35,000</i>

During the year, he introduced ₹ 15,000 as additional capital. Calculate profit & loss and prepare statement of affairs as on 31.3.16 .

**Statement of affairs  
(as at 31<sup>st</sup> March, 2016)**

<b>Liabilities</b>	<b>Amt. (₹)</b>	<b>Assets</b>	<b>Amt. (m)</b>
<i>Creditors</i>	<i>35,000</i>	<i>Cash</i>	<i>20,000</i>
<i>Capital</i>	<i>95,000</i>	<i>Furniture</i>	<i>30,000</i>
<i>(Balancing Figure)</i>		<i>Machinery</i>	<i>45,000</i>
		<i>Debtors</i>	<i>15,000</i>
		<i>Stock</i>	<i>20,000</i>
	<i>1,30,000</i>		<i>1,30,000</i>

**Statement of Profit and Loss**  
(for the year ended 31st March 2016)

<i>Particular</i>	<i>Amt.</i>
<i>Closing Capital</i>	<i>95,000</i>
<i>Less: Additional capital</i>	<i>(15,000)</i>
<i>Adjust capital at the end</i>	<i>80,000</i>
<i>Less: Opening capital</i>	<i>(100,000)</i>
<i>Loss during the year</i>	<i>(20,000)</i>

*Aarushi started a business with a capital of ₹ 5,00,000, At the end of the year her position was.*

<i>Particular</i>	<i>Amount (₹)</i>
<i>Cash in Hand</i>	<i>15,000</i>
<i>Cash at Bank</i>	<i>70,000</i>
<i>Sundry Debtors</i>	<i>1,20,000</i>
<i>Stock</i>	<i>2,40,000</i>
<i>Furniture</i>	<i>75,000</i>
<i>Machinery</i>	<i>2,00,000</i>

*Sundry creditors on this date totalled ₹ 80,000. During the year she introduced a further capital m 1,50,000 and withdrew for household expenses ₹ 90,000. A certain her profit and prepare statement of affairs at the end of year.*

<i>Liabilities</i>	<i>(₹)</i>	<i>Assets</i>	<i>(₹)</i>
<i>Sundry Creditors</i>	<i>80,000</i>	<i>Cash in Hand</i>	<i>15,000</i>
<i>Capital (Balancing figure)</i>	<i>6,40,000</i>	<i>Cash at Bank</i>	<i>70,000</i>
		<i>Sundry Debtors</i>	<i>1,20,000</i>
		<i>Stock</i>	<i>2,40,000</i>
		<i>Furniture</i>	<i>75,000</i>
		<i>Machinery</i>	<i>2,00,000</i>
	<i>7,20,000</i>		<i>7,20,000</i>

**Statement of Profit or Loss**

<i>Particular</i>	<i>m</i>
<i>Capital at the end</i>	<i>6,40,000</i>
<i>Add : Drawings (Household Expenses)</i>	<i>90,000</i>
	<i>7,30,000</i>
<i>Less: Additional capital Introduced</i>	<i>1,50,000</i>
<i>Adjust capital at the end</i>	<i>5,80,000</i>
<i>Less: Capital in the beginning</i>	<i>5,00,000</i>
<i>profit for the year</i>	<i>80,000</i>



#### Illustration 4

Miss Pooja runs a business. She was not maintaining her accounts on the double entry system. On April, 2015 She started the business with a capital of ₹ 80,000. On March 31, 2016 her incomplete records could provide the following data.

- (i) Amount due to suppliers of raw materials ₹ 17,500
- (ii) Stock of raw material ₹ 2,000 and finished product ₹ 2,500
- (iii) Fixed assets ₹ 34,000
- (iv) Amount due from customers ₹ 42,000
- (v) She had withdrawn ₹ 2,500 per month for meeting her personal expenses.
- (vi) She had introduced ₹ 7,000 as capital during the year.
- (vii) She has cash at bank ₹ 21,000 and cash in hand ₹ 1,800
- (viii) Outstanding electricity bill ₹ 2,250

Calculate the profit / loss of her business during the year using statement of affairs method.

#### SOLUTIONS

#### STATEMENTS OF AFFAIRS as at 31<sup>st</sup> March 2016

Liabilities	(₹)	Assets	(Amount)
Creditors (Supplier)	17,500	Stock :	
Outstanding Electricity Bill	2,250	Raw Material	2,000
Capital (Balancing figure)	83,550	Finished Products	2,500
		Fixed Assets	34,000
		Debtors	42,000
		Cash at Bank	21,000
		Cash in Hand	1,800
	1,03,300		1,03,300

#### STATEMENTS OF PROFIT AND LOSS for the year ended 31<sup>st</sup> march 2016

Particular	₹
Capital at the end of the year	83,550
Add : Drawings (m 2,500x12)	30,000
	<u>1,13,550</u>
Less: Fresh capital introduced	<u>7,000</u>
Adjust capital at the end	1,06,550
Less: Capital in the beginning	80,000
profit for the period	26,550

**Illustration 5:** Mr. Shiva keeps his book by single entry. His position on 1st April, 2015 was as follows: cash in hand ₹ 1250; Cash at bank ₹ 1,000 Debtors ₹ 2,000; Stock ₹ 2,500. Furniture ₹ 750; Creditors ₹ 1,500; Plant and Machinery ₹ 3,000 His Position on 31st March, 2016 was follows:

Cash ₹ 300, Debtors ₹ 3,000, Stock ₹ 3,500, Furniture ₹ 1,000, Plant and Machines, ₹ 4,500 Creditors ₹ 2,000 Bank Overdraft ₹ 500

During the year he withdrew ₹ 450 for his domestic expenses and introduced ₹ 750 as fresh Capital.

Prepare the Statement of Affairs and ascertain his profit or loss for the year.

### STATEMENT OF AFFAIRS

As on 1st April, 2015

Liabilities	(₹)	Assets	₹
Creditors	1,500	Cash in Hand	1,250
Capital (Balancing figure)	9,000	Cash at Bank	1,000
		Sundry Debtors	2,000
		Stock	2,500
		Furniture	750
		Plant & Machinery	3,000
	<u>1,0,500</u>		<u>10,500</u>

### STATEMENT OF AFFAIRS

As on 1st April, 2016

Liabilities	(₹)	Assets	₹
Creditors	2,000	Cash in Hand	300
Bank overdraft	500	Debtors	3,000
Capital (Balancing figure)	9,800	Stock	3,500
		Furniture	1,000
		Plant & Machinery	4,500
	<u>12,300</u>		<u>12,300</u>

**STATEMENT OF PROFIT OR LOSS**  
for the year ended 31 st march, 2016

Particular	₹
Capital on 31st march 2016	9,800
Add : Drawings	450
	10,250
Less: capital introduced the year	750
Adjust capital at the end	9,500
Less: Capital on 1st April 2015	9,000
	500
Net profit during 2015-16	

**Illustration 6 :** Mr. Naman Jain started business on January 1, 2015 with a capital of ₹ 1,00,000

He immediately bought furniture and fixtures for ₹ 20,000. On 30th June, he borrowed ₹ 50,000 from his wife @ 9% p.a. (interest not yet paid) and introduced a further capital of his own amounting to 11,500. He drew at the rate of 3,000 per month at the end of each month for his household expenses. On 31st December, 2015 his position was as follows:

Liabilities	(₹)	Assets	₹
Cash in hand	30,000	Sundry Debtors	48,000
Stock Creditors	68,000	Bills Receivables	16,000
		Owing for Rent	1,500

Furniture and Fixtures to be depreciated by 10%

Ascertain the profit or loss made by Naman Jain during 2015

**Books of Naman Jain**  
**STATEMENT OF AFFAIRS**  
as on Dec, 31, 2015

Liabilities	(₹)	Assets	₹
Wife is loan	50,000	Furniture and Fixtures	20,000
		Less : Depreciation	2,000
Interest on loan outstanding (for 6 month)	2,250	Cash in hand	30,000
Rent Outstanding	1,500	Debtors	48,000
Creditors	5,000	Stock	68,000
Capital(Bal. fig)	121,250	B/R	16,000
	1,80,000		1,80,000

**STATEMENT OF PROFIT OR LOSS**  
*during 2015*

<i>Particular</i>	<b>₹</b>
<i>Capital on 31st Dec. 2015</i>	1,21,250
<i>Add : Drawings</i>	<u>36,000</u>
	1,57,250
<i>Less: capital introduced the year</i>	
<i>Adjust capital at the end</i>	<u>11,500</u>
<i>Less: Capital as on 1st Jan. 2015</i>	1,45,750
<i>Profit during 2015-16</i>	<u>1,00,000</u>

**Illustration 7 :** *Mr. A a trader does not keep proper books of accounts. However, A provides the following particular.*

	31,30,2015	31,3,2016
	₹	₹
<i>Cash in Hand</i>	300	4,000
<i>Cash in Bank</i>	4500	3,000
<i>Stock</i>	40,000	45,000
<i>Debtors</i>	12,200	20,000
<i>Equipment</i>	5,000	5,000
<i>Creditor</i>	30,000	20,000
<i>Furniture</i>	4000	4,000

*During the year 2009-10, Mr A introduced ₹ 6,000 as additional capital and withdraw ₹ 4,000 as drawings. He writes off 10% on furniture and 5% on equipment as depreciation. Prepare a statement showing the profit or loss made by him for the year ended 31 st March 2016.*

<i>Liabilities</i>	<b>(₹)</b>	<i>Assets</i>	<b>(₹)</b>
<i>Cash in hand</i>	36,000	<i>Furniture</i>	4,000
<i>Creditors</i>	30,000	<i>Equipment</i>	5,000
		<i>Debtors</i>	12,200
		<i>Stock</i>	40,000
		<i>Cash at Bank</i>	4,500
		<i>Cash in hand</i>	300
	<u>66,000</u>		<u>66,000</u>

**STATEMENT OF AFFAIRS**  
as on 31,03,2016

<i>Liabilities</i>	<i>(₹)</i>	<i>Assets</i>		<i>(₹)</i>
<i>Cash in hand</i>	60,350	<i>Furniture</i>	4,000	
<i>Creditors</i>	20,000	<i>Less : Depreciation</i>	400	3,600
		<i>Equipment</i>	5,000	
		<i>Less : Depreciation</i>	250	4,750
		<i>Debtors</i>		20,000
		<i>Stock</i>		45,000
		<i>Cash at Bank</i>		4,000
		<i>Cash in hand</i>		3,000
	80,350			80,350

**STATEMENT OF PROFIT OR LOSS**  
for the year ended 31-3-16

<i>Particular</i>	<i>₹</i>
<i>Closing Capital</i>	60,350
<i>Add : Drawings - ₹ 3,000</i>	4,000
	64,350
<i>Less: Additional Capital</i>	6,000
<i>Adjust capital at the end</i>	58,350
<i>Less: Opening Capital</i>	35,000
<i>profit during 2015</i>	22,350

**EXERCISE**

1. *What is meant by incomplete records systems of accounting ?*
2. *Give any four advantages of single entry system of accounting ?*
3. *State four points of differences between incomplete Records and Double entry system.*
4. *Name the main accounts maintained in 'Accounts from incomplete Records'.*
5. *Write four limitations of Incomplete Records.*

**PRACTICAL PROBLEMS**

- 1) *Himanshu Gupta who keeps his books on single entry, tells you that his capital on 31-03-2016 was Rs. 28,700 and his capital on 1-4-2015 was Rs. 19,200. He further informs you that during the*

year he withdraw for his household purposes Rs. 8,420. He sold his investments of Rs. 10,000 at 2% premium and brought that money into the business. You are required to calculate profit or loss for the year 2016.

Ans. (Profit ₹ 7,720)

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

	Amount (Rs)
Cash in Hand	15,000
Cash in Bank	75,000
Sundry Debtors	1,10,000
Stock	2,30,000
Furniture	55,000
Building	1,75,000

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

Ans. (Capital ₹ 580,000, Profit during the year 40,000)

3) Ravi started business on Jan 01,2015 with a capital of Rs. 4,50,000 On Dec, 31,2015 his position was as under:

	₹
Cash	100,000
Bills Receivable	75,000
Stock	48,000
Land and Building	1,80,000
Furniture	50,000

He owned Rs. 45,000 to her friend Parul on that date. He withdrew Rs. 8,000 per month for household purposes. Ascertain his Profit or loss for the year ended Dec, 31,2005.

Ans. (Closing capital ₹ 4,07,000 Profit ₹ 54000)

4) Ms. Anjam does not keep proper records of business. She provided loss for the year.

	Rs.
Owner's Equity at the beginning of the year	1600,000

<i>Bills Receivable</i>	60,000
<i>Cash in hand</i>	80,000
<i>Furniture</i>	9,00,000
<i>Building</i>	10,00,000
<i>Creditors</i>	6,00,000
<i>Stock in trade</i>	2,00,000
<i>Further capital introduced</i>	3,20,000
<i>Drawing made during the period</i>	80,000

Ans. (Closing Capital ₹ 16,40,000; Loss ₹ 2,00,000)

5) *Mr. Mehta keeps incomplete records his Assets and liabilities were as under.*

	31st March, 2015	31st March, 2016
	₹	₹
<i>Cash</i>	2,000	9,00
<i>Sundry Debtors</i>	39,000	45,000
<i>Stock</i>	34,000	32,000
<i>Plant and Machinery</i>	60200	80,000
<i>Sundry Creditor</i>	15,000	14,000
<i>Bills Payable</i>	-	5,000

*During 20-15-16 he introduced 10,000 as new capital. He withdraw 3,000 every month for his household expenses. Ascertain his Profit for the year ended 31st March 2016*

Ans. Opening Capital ₹ 1,20,000 Closing Capital ₹ 1,38,000 Profit ₹ 44000

6) *Mrs. Pooja started with a capital of ₹ 40,000 on 1st July, 2015. She borrowed from her friend a sum of ₹ 100,000 @ 10% per annum (Interest paid) for business and brought further amount for capital ₹ 7500. On December 31, 2015 her position was :*

	₹
<i>Cash</i>	30,000
<i>Stock</i>	47,000
<i>Deptor</i>	35,000
<i>Crechtors</i>	30,000

She withdraw ₹ 800 per month for the year calculate profit or loss for the year.

Ans. (Closing Capital 45,000, Profit 2300)

7) Problems based on missing information Fill in the missing figures in the following :

**STATEMENT OF AFFAIRS**  
as on 31<sup>st</sup> December, 2015

Liabilities	(₹)	Assets	₹
Creditors	80,000	Cash	.....
loan	.....	Stock	18,0000
Capital at the end	15,0000	Debtors	140,000
	.....		350,000

**STATEMENT OF PROFIT**  
for the year ending  
31<sup>st</sup> December 2015

Particular	₹
Capital at the end	150,000
Add : Drawings	.....
	-----
	1,74,000
Less: Additional Capital	40,000
Less: Opening Capital	.....
	-----
profit made during the year	1,00,000
	.....

Ans. (Profile during the year ₹ 34,000)



**Accounts from incomplete records - Preparation of Trading and profit & Loss A/c and Balance Sheet of conversion Method.**

Sanjay keeps incomplete records. During the year 2012-13 he kept a Cash Book of which the following is an analysis :

<b>Receipts from</b>	<b>Rs.</b>	<b>Payments to</b>	<b>Rs.</b>
Received from Debtors	28800	Paid to Creditors	15,000
Cash sales	21600	Salaries	5,280
Additional Capital Introduced	6,000	Rent	3600
Interest on Investments	1080	General Expenses	2040
		Wages	10500
		Drawings	3180
		Cash Purchases	10800

**Adjustments :**

1. Provide 5% on debtors for doubtful debts.
2. Outstanding salary @ 480.

From the above information, prepare the Trading & Profit & Loss A/c for the year ended 31<sup>st</sup> March, 2013 and a Balance Sheet as at that time.

**Solution :**

<b>Dr.</b>	<b>Cash Book</b>		<b>Cr.</b>
<b>Receipts from</b>	<b>Rs.</b>	<b>Payments to</b>	<b>Rs.</b>
To balance B/d (01.04.2012)	2520	By Payment to Creditors	15000
To Receipt from Debtors	28800	By Salaries	5280
To Cash Sales	21600	By Rent	3600
To Additional Capital	6000	By General Expenses	2040
To Interest on Investments	1080	By Wages	10500
		By Drawings	3180
		By Cash Purchases	10800
		By Balance c/d (Balancing figure on 31.03.2013)	
	<b>60000</b>		<b>60000</b>

**Dr. Total Debtors Account Cr.**

Particulars	Rs.	Particulars	Rs.
To balance b/d (01.04.2012)	4320	By Cash received from Debtors	28800
To Credit sales (balancing Fig.)	31680	By Balance c/d (31.03.2013)	7200
	<b>36000</b>		<b>36000</b>

**Dr. Total Creditors Account Cr.**

Particulars	Rs.	Particulars	Rs.
To Cash paid to Creditors	15000	By Balance b/d (01.04.2012)	3600
To Balance c/d (31.03.2013)	5100	By Credit Purchases	16500
	<b>20100</b>		<b>20100</b>

**Opening Balance Sheet  
as at 1<sup>st</sup> April 2012**

Liabilities	Rs.	Assets	Rs.
Creditors	3600	Cash in hand	2520
Capital (Balancing Figure)	56040	Debtors	4320
		Stock	9000
		Investments	9000
		Furniture	4800
		Machinery	30000
		<b>59640</b>	<b>59640</b>

**Trading And Profit And Loss Account**  
**For the year ending 31st March, 2013**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
To Opening Stock	9000	By Sales	
To Purchases		Cash Sales	21600
Cash Purchases	10800	Credit sales	31680
Credit Purchases	<u>16500</u>	By Closing Stock	14400
To Wages	10500		
To Gross profit c/d	20880		
	<b>67680</b>		<b>67680</b>
To Salaries	5280	By Gross Profit b/d	20880
Add: Outstanding	<u>480</u>	By Interest on Investments	1080
To Rent	3600		
To General Expenses	2040		
To Provision for doubtful Debts	360		
To Net Profit	10200		
	<b>21960</b>		<b>21960</b>

**Balance Sheet**  
**as at 31st March, 2013**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Creditors	5100	Cash in hand	9600
Outstanding Salary	480	Debtos	7200
Capital	56040	Less: provision for	360
		Doubtful Debts	6840
Add: Additional Capital	<u>6000</u>	Stock	14400
	62040	Investments	9000
Add: Net Profit	<u>10200</u>	Furniture	4800
	72240	Machinery	30000
Less: Drawings	3180		
	<b>69060</b>		
	<b>74640</b>		<b>74640</b>

## Illustration

Yashpal does not maintain proper books of account. From the following particulars, prepare the trading and profit and loss account for the year ended 31<sup>st</sup> March 2018 and Balance Sheet as on that date :

<b>Particulars</b>	<b>31.03.2017</b>	<b>31.03.2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Furniture	10000	15000
Stock	98000	132000
Debtors	180000	250000
Creditors	60000	45000

Analysis of other transactions is as follows :

<b>Particulars</b>	<b>Rs.</b>
Cash collected from Debtors	608000
Cash paid to creditors	440000
Salaries	120000
Rent	15000
Office Expenses	18000
Additional Capital Introduced	20000
Drawings	30000
Cash Sales	15000
Cash Purchases	50000
Discount Received	7000
Discount Allowed	3000
Return Inward	10000
Return outward	8000
Bad debts	2000

He had Rs. 50000 as cash Balance in the beginning of the year.

**Trading and Profit and Loss Account**  
for the year ended 31st March, 2018

Particulars	Rs.	Particulars	Rs.
To opening stock	98000	By Sales	
To Purchases		Cash                   15000	
Cash                   50000		Credit               693000	
Credit (WN.4)           440000		(WN-3)	
490000		709000	
Less: Return Outward   8000		Less: Return       10000	
	482000	Inward	698000
To Gross profit c/d	25000	By closing stock	132000
	<b>830000</b>		<b>830000</b>
To Salaries	120000	By Gross profit B/d	250000
To Rent	15000	By Discount Received	7000
To office expenses	18000		
To Discount Allowed	3000		
To bad Debt	2000		
To Net profit			
transfers to Capital A/c	99000		
	<b>257000</b>		<b>257000</b>

**Balance Sheet**  
**as at 31st March, 2018**

<b>Liabilities</b>	<b>Amount Rs.</b>	<b>Assets</b>	<b>Amount Rs.</b>
Creditors	45000	Cash (WN-2)	20000
		Debtors	250000
Creditors for Furniture	5000	Stock	132000
(Rs. 15000 - Rs. 1000)		Furniture	15000
Capital 1.4.2017 (WN-1)			
	278000		
Add: Capital	20000		
Introduced			
Net Profit	<u>99000</u>		
	397000		
Less:			
Drawings	<u>30000</u>		
	367000		
	<b>417000</b>		<b>417000</b>

**Working Notes:****WN-1.** Calculation of Opening Capital.**Balance Sheet as at 31<sup>st</sup> March, 2017**

<b>Liabilities</b>	<b>Amount Rs.</b>	<b>Assets</b>	<b>Amount Rs.</b>
Creditors	60,000	Cash and Bank	60,000
Capital	2,78,000	Balance	50,000
(Balancing Figures)		Debtors	12,0000
		Stock	98,000
		Furniture	1,0000
	<b>3,38,000</b>		<b>3,38,000</b>

**WN-2****Cash Book**

<b>Dr.</b>	<b>Receipts</b>		<b>Payments</b>	<b>Cr.</b>
<b>Particulars</b>	<b>Amount (Rs.)</b>		<b>Particulars</b>	<b>Amount (Rs.)</b>
To Balance B/d	50,000		By Creditors	4,40,000
To Debtors	6,08,000		By Rent	15,1000
To Capital	20,1000		By Salaries	1,20,000
To Sales	15,000		By Drawings	30,000
			By office Expenses	18,000
			By Purchases	50,000
			By balance C/d	20,000
	<b>6,93,000</b>			<b>6,93,000</b>

**WN-3****Total Debtors Account****Dr.****Cr.**

	<b>Amount</b>		
<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Balance B/d	180000	By Cash	608000
To Sales (Credit Sales)	693000	By Discount Allowed	3000
Balancing Figure		By Return Inwards	10000
		By Bad Debts	2000
		By Balance old	250000
	<b>873000</b>		<b>873000</b>

**WN-4****Total Creditors Accounts****Dr.****Cr.**

	<b>Amount Rs.</b>		<b>Amount Rs.</b>
<b>Particulars</b>	<b>Amount Rs.</b>	<b>Particulars</b>	<b>Amount Rs.</b>
To cash	440000	By Balance B/d	60000
To discount Received	7000	By Purchases (Credit purchases)	440000
To Return outward	8000	Balancing Figure	
To Balance c/d	45000		
	<b>500000</b>		<b>500000</b>