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## Accounts from Incomplete Records

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We have so far studied accounting records of firms, which follow the double entry system of book keeping. This gives us an impression that all business units follow this system. However, in practice, all firms do not maintain accounting records strictly as per the double entry system. Many small size enterprises keep incomplete records of their transactions. But, they also have to ascertain the profit or loss for the year and the financial position of the firm as at the end of the year. This chapter deals with the ascertainment of profit or loss and financial position of the firm that have not been maintaining records as per double entry book-keeping or whose records are otherwise incomplete.

### LEARNING OBJECTIVES

After studying this chapter, you will be able to :

- state the meaning and features of incomplete records;
- calculate profit or loss using the statement of affairs method;
- distinguish between balance sheet and statement of affairs;
- prepare trading and profit and loss account and balance sheet from incomplete records; and
- detect the missing figures/information by preparing relevant accounts.

### 11.1 Meaning of Incomplete Records

Accounting records, which are not strictly kept according to double entry system are known as incomplete records. Many authors describe it as single entry system. However, single entry system is a misnomer because there is no such system of maintaining accounting records. It is also not a 'short cut' method as an alternative to double entry system. It is rather a mechanism of maintaining records whereby some transactions are recorded with proper debits and credits while in case of others, either one sided or no entry is made. Normally, under this system records of cash and personal accounts of debtors and creditors are properly maintained, while the information relating to assets, liabilities, expenses and revenues is partially recorded. Hence, these are usually referred as incomplete records.

### **11.1.1 Features of Incomplete Records**

Incomplete records may be due to partial recording of transactions as is the case with small shopkeepers such as grocers and vendors. In case of large sized organisations, the accounting records may be rendered to the state of incompleteness due to natural calamity, theft or fire. The features of incomplete records are as under :

- (a) It is an unsystematic method of recording transactions.
- (b) Generally, records for cash transactions and personal accounts are properly maintained and there is no information regarding revenue and/or gains, expenses and/or losses, assets and liabilities.
- (c) Personal transactions of owners may also be recorded in the cash book.
- (d) Different organisations maintain records according to their convenience and needs, and their accounts are not comparable due to lack of uniformity.
- (e) To ascertain profit or loss or for obtaining any other information, necessary figures can be collected only from the original vouchers such as sales invoice or purchase invoice, etc. Thus, dependence on original vouchers is inevitable.
- (f) The profit or loss for the year cannot be ascertained under this system with high degree of accuracy as only an estimate of the profit earned or loss incurred can be made. The balance sheet also may not reflect the complete and true position of assets and liabilities.

### **11.2 Reasons of Incompleteness and Its Limitations**

It is observed, that many businessmen keep incomplete records because of the following reasons :

- (a) This system can be adopted by people who do not have the proper knowledge of accounting principles;
- (b) It is an inexpensive mode of maintaining records. Cost involved is low as specialised accountants are not appointed by the organisations;
- (c) Time consumed in maintaining records is less as only a few books are maintained; and
- (d) It is a convenient mode of maintaining records as the owner may record only important transactions according to the need of the business.

However, the mechanism of incomplete records suffers from a number of limitations. This is due to the basic nature of this mechanism. Broadly speaking, unless a systematic approach to maintenance of records is followed, reliable financial statements cannot be prepared.

The limitations of incomplete records are as follows :

- (a) As double entry system is not followed, a trial balance cannot be prepared and accuracy of accounts cannot be ensured.
- (b) Correct ascertainment and evaluation of financial result of business operations can not be made.
- (c) Analysis of profitability, liquidity and solvency of the business cannot be done. This may cause a problem in raising funds from outsiders and planning future business activities.
- (d) The owners face great difficulty in filing an insurance claim with an insurance company in case of loss of inventory by fire or theft.
- (e) It becomes difficult to convince the income tax authorities about the reliability of the computed income.

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

Every business firm wishes to ascertain the results of its operations to assess its efficiency and success and failures. This gives rise to the need for preparing the financial statements to disclose:

- (a) the profit made or loss sustained by the firm during a given period; and
- (b) the amount of assets and liabilities as at the closing date of the accounting period.

Therefore, the problem faced in this situation is how to use the available information in the incomplete records to ascertain the profit or loss for the particular accounting year and to determine the financial position of a entity as at the end of the year. This can be done in two ways :

1. Preparing the Statement of Affairs as at the beginning and as at the end of the accounting period, called statement of affairs or net worth method.
2. Preparing Trading and Profit and Loss Account and the Balance Sheet by putting the accounting records in proper order, called conversion method.

#### **11.3.1 Preparing Statement of Affairs**

Under this method, statement of asset and liabilities as at the beginning and at the end of the relevant accounting period are prepared to ascertain the amount of change in the capital during the period. Such a statement is known as statement of affairs, shows assets on one side and the liabilities on the other just as in case of a balance sheet. The difference between the totals of the two sides (balancing figure) is the capital (refer figure 11.1). Though statement of affairs resembles balance sheet, it is not called a balance sheet because the data is not wholly based on ledger balances. The amount of items like fixed assets, outstanding expenses, bank balances, etc. are ascertained from the relevant documents and physical count.

**Statement of Affairs as at —**

| <i>Liabilities</i>          | <i>Amount<br/>₹</i> | <i>Assets</i>               | <i>Amount<br/>₹</i> |
|-----------------------------|---------------------|-----------------------------|---------------------|
| Bills payable               | ....                | Land and Building           | ....                |
| Creditors                   | ....                | Machinery                   | ....                |
| Outstanding expenses        | ....                | Furniture                   | ....                |
| Capital (balancing figure)* | ....                | Stock                       | ....                |
|                             |                     | Debtors                     | ....                |
|                             |                     | Cash and Bank               | ....                |
|                             |                     | Prepaid expenses            | ....                |
|                             |                     | Capital (balancing figure)* | ....                |
|                             | XXX X               |                             | XXXX                |

Note: \* where the total of liabilities side is more than total of assets side, capital would be shown in assets side and it represents debit balance of capital.

**Fig. 11.1 :** Format of statement of affairs

Once the amount of capital, both at the beginning and at the end is computed with the help of statement of affairs, a *statement of profit and loss* is prepared to ascertain the exact amount of profit or loss made during the year. The difference between the opening and closing capital represents its increase or decrease which is to be adjusted for withdrawals made by the owner or any fresh capital introduced by him during the accounting period in order to arrive at the amount of profit or loss made during the period. The statement of profit and loss is prepared as shown in figure 11.2.

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

| <i>Particulars</i> |  | <i>Amount<br/>₹</i> |
|--------------------|--|---------------------|
|                    | Capital as at the end of year (computed from statement of affairs as at the end of year)             | ....                |
| <i>Add</i>         | Drawings during the year   | ....                |
| <i>Less</i>        | Additional capital introduced during the year  | (....)              |
|                    | Adjusted capital at the end of year  | ....                |
| <i>Less</i>        | Capital as at the beginning of year (computed from statement of affairs as at the beginning of year) | (....)              |
|                    | Profit or Loss made during the year  | ....                |

**Fig. 11.2 :** Format of statement of profit or loss

If the net result of above computation is a positive amount, it represents the profit earned during the year. In case the net result is a negative amount, it would represent the loss sustained during the year. The same computation can be done in the form of an equation as follows :

$$\text{Profit or Loss} = \text{Capital at end} - \text{Capital at beginning} + \text{Drawings during the year} - \text{Capital introduced during the year.}$$

For example, consider the following information extracted from the records of Ms. Sheetu :

|   |          |
|---|----------|
| Capital at the beginning of year, i.e. April 01, 2016 | 1,20,000 |
| Capital at the end of year, i.e. on March 31, 2017    | 2,00,000 |
| Capital brought in by the proprietor during the year  | 50,000   |
| Withdrawals by the proprietor during the year         | 30,000   |

The profit for the year will be calculated as follows :

The profit earned or loss incurred during a given period will be computed as follows :

| <i>Particulars</i> |  | <i>Amount</i><br>₹ |
|--------------------|--|--------------------|
| <i>Add</i>         | Capital as on March 31, 2017                     | 2,00,000           |
|                    | Drawings during the year                         | 30,000             |
|                    |  | 2,30,000           |
| <i>Less</i>        | Additional capital introduced during the year    | (50,000)           |
|                    | Adjusted capital at the end, i.e. March 31, 2017 | 1,80,000           |
| <i>Less</i>        | Capital in the beginning, i.e. April 01, 2016    | (1,20,000)         |
|                    | Profit made during the year                      | 60,000             |

#### Illustration 1

Mr. Mehta started his readymade garments business on April 1, 2016 with a capital of ₹ 50,000. He did not maintain his books according to double entry system. During the year he introduced fresh capital of ₹ 15,000. He withdrew ₹ 10,000 for personal use. On March 31, 2017, his assets and liabilities were as follows :

Total creditors ₹ 90,000 ; Total debtors ₹ 1,25,600 ; Stock ₹ 24,750 ; Cash at bank ₹ 24,980.

Calculate profit or loss made by Mr. Mehta during the first year of his business using the statement of affairs method.

#### Solution

#### Books of Mr. Mehta Statement of Affairs as on March 31, 2017

| <i>Liabilities</i>            | <i>Amount</i><br>₹ | <i>Assets</i> | <i>Amount</i><br>₹ |
|-------------------------------|--------------------|---------------|--------------------|
| Creditors                     | 90,000             | Cash at bank  | 24,980             |
| Capital<br>(balancing figure) | 85,330             | Debtors       | 1,25,600           |
|                               |                    | Stock         | 24,750             |
|                               | 1,75,330           |               | 1,75,330           |

**Statement of Profit or Loss for the year ended March 31, 2017**

| <i>Particulars</i> |  | <i>Amount</i><br>₹ |
|--------------------|--|--------------------|
| <i>Add</i>         | Capital as on March 31, 2017                                 | 85,330             |
|                    | Drawings during the year                                     | <u>10,000</u>      |
|                    |  | 95,330             |
| <i>Less</i>        | Additional capital introduced during the year                | <u>(15,000)</u>    |
|                    | Adjusted capital at end of the year, i.e. March 31, 2017     | 80,330             |
| <i>Less</i>        | Actual capital at the beginning of year, i.e. April 01, 2016 | (50,000)           |
|                    | Profit made during the year                                  | <u>30,330</u>      |

*Illustration 2*

Mrs. Vandana runs a small printing firm. She was maintaining only some records, which she thought, were sufficient to run the business. On April 01, 2016, available information from her records indicated that she had the following assets and liabilities: Printing Press ₹ 5,00,000, Buildings ₹ 2,00,000, Stock ₹ 50,000, Cash at bank ₹ 65,600, Cash in hand ₹ 7,980, Dues from customers ₹ 20,350, Dues to creditors ₹ 75,340 and Outstanding wages ₹ 5,000. She withdrew ₹ 8,000 every month for meeting her personal expenses. She had also introduced ₹ 15,000 during the year as additional capital. On March 31, 2017 her position was as follows :

Press ₹ 5,25,000, Buildings ₹ 2,00,000, Stock ₹ 55,000, Cash at bank ₹ 40,380, Cash in hand ₹ 15,340, Dues from customers ₹ 17,210, Dues to creditors ₹ 65,680.

Calculate the profit made by Mrs. Vandana during the year using statement of affairs method.

*Solution*

**Books of Mrs. Vandana**  
**Statement of Affairs as on April 1, 2016**  
**and as on March 31, 2017**

| <i>Liabilities</i> | <i>Apr. 01, 16</i><br>₹ | <i>Mar. 31, 17</i><br>₹ | <i>Assets</i>  | <i>Apr. 01, 16</i><br>₹ | <i>Mar. 31, 17</i><br>₹ |
|--------------------|-------------------------|-------------------------|----------------|-------------------------|-------------------------|
| Creditors          | 75,340                  | 65,680                  | Printing press | 5,00,000                | 5,25,000                |
| Wages outstanding  | 5,000                   | –                       | Buildings      | 2,00,000                | 2,00,000                |
| Capital            | 7,63,590                | 7,87,250                | Debtors        | 20,350                  | 17,210                  |
| (balancing figure) |                         |                         | Stock          | 50,000                  | 55,000                  |
|                    |                         |                         | Cash at bank   | 65,600                  | 40,380                  |
|                    |                         |                         | Cash in hand   | 7,980                   | 15,340                  |
|                    | <u>8,43,930</u>         | <u>8,52,930</u>         |                | <u>8,43,930</u>         | <u>8,52,930</u>         |

**Statement of Profit or Loss for the year ended on March 31, 2017**

| <i>Particulars</i> |   | <i>Amount</i><br>₹ |
|--------------------|---|--------------------|
| <i>Add</i>         | Capital as on March 31, 2017                          | 7,87,250           |
|                    | Drawings during the year                              | <u>96,000</u>      |
|                    |   | 8,83,250           |
| <i>Less</i>        | Additional capital introduced during the year         | <u>(15,000)</u>    |
|                    | Adjusted capital at the end of the year (31. 3. 2017) | 8,68,250           |
| <i>Less</i>        | Capital as on April 01, 2016                          | <u>(7,63,590)</u>  |
|                    | Profit made during the year                           | <u>1,04,660</u>    |

**11.3.2 Difference between Statement of Affairs and Balance Sheet**

Both statement of affairs and balance sheet show the assets and liabilities of a business entity on a particular date. However, there are some fundamental differences between the two. A statement of affairs is prepared from incomplete records where most of the assets are recorded on the basis of estimates as compared to a balance sheet which is prepared from records maintained on the basis of double entry book-keeping and all assets and liabilities can be verified from the ledger accounts. Hence, a balance sheet is more reliable than a statement of affairs. The objective of preparing a statement of affairs is to ascertain the amount of capital account as on that date whereas a balance sheet is prepared to know the financial position of the business at a particular date. In statement of affairs, an item of assets or liabilities may get omitted and this omission may remain unknown because the effect of this omission gets adjusted in the capital account balance and the total of both sides of statement match. However, in case of a balance sheet the possibility of omission of any item is remote because in case of an omission, the balance sheet will not agree and the accountant will trace the missing item from accounting records. These differences have been shown in a tabular form as under :

| <i>Basis of difference</i> | <i>Statement of affairs</i>   | <i>Balance sheet</i>   |
|----------------------------|---|--|
| Reliability                | It is less reliable as it is prepared from incomplete records.  | It is more reliable as it is prepared from double entry records.   |
| Objective                  | The objective of preparing statement of affairs is to estimate the balance in capital account on a particular date. | The objective of preparing balance sheet is to show the true financial position of an entity on a particular date. |
| Omission                   | Omission of assets or liabilities cannot be discovered easily.  | Omissions of assets or liabilities can be discovered easily and can be traced from accounting records.             |

**Fig. 11.3 :** Showing comparison between statement of affairs and balance sheet

**Do It Yourself**

Identify a small shopkeeper in your locality, ask him about the accounting records maintained by him. If he is not maintaining the records as per double entry system, list the reasons thereof and ask him how does he compute profit or loss.

**11.4 Preparing Trading and Profit and Loss Account and the Balance Sheet**

To prepare proper trading and profit and loss account and the balance sheet one needs complete information regarding expenses, incomes, assets and liabilities. In case of incomplete records, details of some items like creditors, cash purchases, debtors, cash sales, other cash payments and such receipts are easily available, but there are a number of items the details of which will have to be ascertained in an indirect manner by using the logic of double entry. The most common items that are missing and have to be worked out as such are :

- Opening capital
- Credit purchases
- Credit sales
- Bills payable accepted
- Bills receivable received
- Payments to creditors
- Payments to debtors
- Any other cash/bank related items.

You know that opening capital can be worked out by preparing the statement of affairs at the beginning of the year. For other items we have explained as to how available information can be used to ascertain their missing figures with the help of total debtors and total creditors, total bills receivable and total bills payable accounts and summary of cash.

**11.4.1 Ascertaining Credit Purchases**

The credit purchases figure is not usually available from the incomplete records. It is quite possible that some other information related to creditors may also be missing. Therefore, by preparing the total creditors account, a proforma of which is given in figure 11.4, credit purchases or any other missing figure related to creditors, as the case may be, can be ascertained as the balancing figure.



| <b>Total Creditors Account</b> |                                   |      |             |            |                                      |      |             |
|--------------------------------|-----------------------------------|------|-------------|------------|--------------------------------------|------|-------------|
| <b>Dr.</b>                     |                                   |      |             | <b>Cr.</b> |                                      |      |             |
| Date                           | Particulars                       | J.F. | Amount<br>₹ | Date       | Particulars                          | J.F. | Amount<br>₹ |
|                                | Cash paid                         |      | ....        |            | Balance b/d                          |      | ....        |
|                                | Bank<br>(cheques issued)          |      | ....        |            | Bank (cheques<br>dishonoured)        |      | ....        |
|                                | Bills payable<br>(bills accepted) |      | ....        |            | Bills payable<br>(bills dishonoured) |      | ....        |
|                                | Discount received                 |      | ....        |            | Credit purchases                     |      | ....        |
|                                | Purchases return                  |      | ....        |            |                                      |      |             |
|                                | Balance c/d                       |      | ....        |            |                                      |      |             |
|                                |                                   |      | xxxxxxx     |            |                                      |      | xxxxxxx     |

**Fig. 11.4 :** Showing format of creditors account

For example, consider the following transactions relating to M/s Kisan Food Suppliers:

|                              |        |
|------------------------------|--------|
|                              | ₹      |
| Opening balance of creditors | 40,000 |
| Closing balance of creditors | 50,000 |
| Payment made in cash         | 85,000 |
| Discount received            | 2,000  |

The total creditors account will be prepared as follows :

**Books of Kisan  
Food Suppliers  
Total Creditors Account**

| <b>Dr.</b> |             |      |             | <b>Cr.</b> |  |      |             |
|------------|-------------|------|-------------|------------|--|------|-------------|
| Date       | Particulars | J.F. | Amount<br>₹ | Date       | Particulars                            | J.F. | Amount<br>₹ |
|            | Cash        |      | 85,000      |            | Balance b/d                            |      | 40,000      |
|            | Discount    |      | 2,000       |            | Credit purchases<br>(balancing figure) |      | 97,000      |
|            | Balance c/d |      | 50,000      |            |  |      |             |
|            |             |      | 1,37,000    |            |  |      | 1,37,000    |

### 11.4.2 Ascertainment of Credit Sales

The figure of credit sales is also not usually available from incomplete records. Some other information on related to debtors may also be missing. Therefore, if the total debtors account is prepared as shown in figure 11.5, credit sales or any other missing figure, as the case may be, can be traced out as the balancing figure.

| <b>Total Debtors Account</b> |   |             |                     |             |                                      |             |                     |
|------------------------------|---|-------------|---------------------|-------------|--------------------------------------|-------------|---------------------|
| <b>Dr.</b>                   |   |             |                     | <b>Cr.</b>  |                                      |             |                     |
| <i>Date</i>                  | <i>Particulars</i>                      | <i>J.F.</i> | <i>Amount<br/>₹</i> | <i>Date</i> | <i>Particulars</i>                   | <i>J.F.</i> | <i>Amount<br/>₹</i> |
|                              | Balance b/d                             |             | ....                |             | Cash<br>(cash received)              |             | ....                |
|                              | Bills receivable<br>(bills dishonoured) |             | ....                |             | Bank (cheque<br>received)            |             | ....                |
|                              | Bank (cheque<br>dishonoured)            |             | ....                |             | Discount allowed                     |             | ....                |
|                              | Credit sales<br>(balancing figure)      |             | ....                |             | Bad debts                            |             | ....                |
|                              |   |             |                     |             | Sales return                         |             | ....                |
|                              |   |             |                     |             | Bills receivable<br>(bills received) |             | ....                |
|                              |   |             |                     |             | Balance c/d                          |             | ....                |
|                              |   |             | xxx                 |             |                                      |             | xxx                 |

**Fig. 11.5 :** Showing format of debtors account

From the credit sales as ascertained from total debtors account, the sales returns should be deducted from gross credit sales to get net credit sales. For example, the following information is obtained from the books of Mohanlal Traders :

|                            | ₹      |
|----------------------------|--------|
| Debtors on April 01, 2016  | 50,000 |
| Debtors on March 31, 2017  | 70,000 |
| Cash received from debtors | 60,000 |
| Discount allowed           | 1,000  |
| Bills receivable           | 30,000 |
| Bad debts                  | 3,000  |

The total debtors account will be prepared as follows :

| <b>Mohan Lal Traders<br/>Total Debtors Account</b> |                                    |             |                     |                 |                    |             |                     |
|--|------------------------------------|-------------|---------------------|-----------------|--------------------|-------------|---------------------|
| <b>Dr.</b>   |                                    |             |                     | <b>Cr.</b>      |                    |             |                     |
| <i>Date</i>  | <i>Particulars</i>                 | <i>J.F.</i> | <i>Amount<br/>₹</i> | <i>Date</i>     | <i>Particulars</i> | <i>J.F.</i> | <i>Amount<br/>₹</i> |
| 2016<br>Apr. 01                                    | Balance b/d                        |             | 50,000              |                 | Cash               |             | 60,000              |
|  | Credit sales<br>(balancing figure) |             | 1,14,000            |                 | Discount           |             | 1,000               |
|  |                                    |             |                     |                 | Bills receivable   |             | 30,000              |
|  |                                    |             |                     | 2017<br>Mar. 31 | Bad debts          |             | 3,000               |
|  |                                    |             |                     |                 | Balance c/d        |             | 70,000              |
|  |                                    |             | 1,64,000            |                 |                    |             | 1,64,000            |

**11.4.3 Ascertainment of Bills Receivable and Bills payable**

Quite often, while all details relating to bills receivable and bills payable are available but the figures of the bills received and bills accepted during the year are not given. In such a situation, total bills receivable account and total bills payable account can be prepared and the missing figures ascertained as the balancing figures. The proforma of total bills receivable account and total bills payable account is shown in figure 11.6 and figure 11.7.

| <b>Total Bills Receivable Account</b> |                                    |      |             | <b>Cr.</b> |                                       |      |             |
|---------------------------------------|------------------------------------|------|-------------|------------|---------------------------------------|------|-------------|
| <b>Dr.</b>                            |                                    |      |             | <b>Cr.</b> |                                       |      |             |
| Date                                  | Particulars                        | J.F. | Amount<br>₹ | Date       | Particulars                           | J.F. | Amount<br>₹ |
|                                       | Balance b/d                        |      | ....        |            | Bank<br>(bills honoured)              |      | ....        |
|                                       | Sundry debtors<br>(bills received) |      | ....        |            | Sundry debtors<br>(bills dishonoured) |      | ....        |
|                                       |                                    |      | XXX         |            | Balance c/d                           |      | ....        |
|                                       |                                    |      |             |            |                                       |      | XXX         |

**Fig. 11.6 :** Showing format of bills receivable account

| <b>Total Bills Payable Account</b> |   |      |             | <b>Cr.</b> |                                      |      |             |
|------------------------------------|---|------|-------------|------------|--------------------------------------|------|-------------|
| <b>Dr.</b>                         |   |      |             | <b>Cr.</b> |                                      |      |             |
| Date                               | Particulars                             | J.F. | Amount<br>₹ | Date       | Particulars                          | J.F. | Amount<br>₹ |
|                                    | Bank<br>(bills matured)                 |      | ....        |            | Balance b/d                          |      | ....        |
|                                    | Sundry creditors<br>(bills dishonoured) |      | ....        |            | Sundry creditors<br>(bills accepted) |      | ....        |
|                                    | Balance c/d                             |      | ....        |            |                                      |      | ....        |
|                                    |   |      | XXX         |            |                                      |      | XXX         |

**Fig. 11.7 :** Showing format of bills payable account

For example consider the following data available from the records of M/s S.S. Senapati

|                                 |        |
|---------------------------------|--------|
|                                 | ₹      |
| Opening bills receivable        | 5,000  |
| Opening bills payable           | 37,500 |
| Bills receivable dishonoured    | 2,000  |
| Bills payable dishonoured       | 66,750 |
| Closing bills payable           | 52,500 |
| Bills collected during the year | 12,000 |
| Closing bills receivable        | 4,000  |

The bills receivable and bills payable will be prepared as follows :

**Total Bills Receivable Account**

| Dr.  |  |      |               | Cr.  |                                       |      |               |
|------|--|------|---------------|------|---------------------------------------|------|---------------|
| Date | Particulars  | J.F. | Amount<br>₹   | Date | Particulars                           | J.F. | Amount<br>₹   |
|      | Balance b/d  |      | 5,000         |      | Sundry debtors<br>(bills dishonoured) |      | 2,000         |
|      | Sundry debtors<br>(bills received)<br>(balancing figure) |      | 13,000        |      | Bank<br>(bills collected)             |      | 12,000        |
|      |  |      | 18,000        |      | Balance c/d                           |      | 4,000         |
|      |  |      | <u>18,000</u> |      |                                       |      | <u>18,000</u> |

**Total Bills Payable Account**

| Dr.  |                  |      |                 | Cr.  |  |      |                 |
|------|------------------|------|-----------------|------|--|------|-----------------|
| Date | Particulars      | J.F. | Amount<br>₹     | Date | Particulars  | J.F. | Amount<br>₹     |
|      | Bill dishonoured |      | 66,750          |      | Balance b/d  |      | 37,500          |
|      | Balance c/d      |      | 52,500          |      | Sundry Creditors<br>(bills accepted)<br>(balancing figure) |      | 81,750          |
|      |                  |      | 1,19,250        |      |  |      | 1,19,250        |
|      |                  |      | <u>1,19,250</u> |      |  |      | <u>1,19,250</u> |

**Test Your Understanding - I**

**Tick the correct answer :**

- Incomplete record mechanism of book keeping is :  
 (a) Scientific (b) Unscientific  
 (c) Unsystematic (d) both (b) and (c)
- Opening capital is ascertained by preparing :  
 (a) Total debtors account (b) Total creditors account  
 (c) Cash account (d) Opening statement of affairs
- Credit purchase, during the year is ascertained by preparing :  
 (a) Total creditors account (b) Total debtors account  
 (c) Cash account (d) Opening statement of affairs
- If opening capital is ₹ 60,000, drawings ₹ 5,000, capital introduced during the period ₹ 10,000, closing capital ₹ 90,000. The value of profit earned during the period will be :  
 (a) ₹ 20,000 (b) ₹ 25,000  
 (c) ₹ 30,000 (d) ₹ 40,000

#### 11.4.4 Ascertainment of Missing Information through Summary of Cash

Sometimes, the amount paid to creditors or the amount received from debtors or the opening or closing cash or bank balance may be missing. To ascertain any missing item of receipt or payment, we may prepare a cash book summary showing all receipts and payments during the year and the balancing figure is taken as the amount of missing item.

If however, both amount paid to creditors and that received from debtors are missing, then any one of these may be obtained first through the total creditors or total debtors account, as the case may be, and the other missing information ascertained from the cash book summary in the same way as stated earlier.

After the missing figures have been traced out, the final accounts may be prepared straight away or after the preparation of the trial balance. The components of the trial balance and their sources of information are summarised below :

|     |  |   |
|-----|--|---|
| 1.  | Closing assets (except stock) and liabilities            | Closing list  |
| 2.  | Opening assets (including opening stock) and liabilities | Opening list  |
| 3.  | Purchases  | Credit purchases from total creditors account and cash purchases from summary of cash |
| 4.  | Sales  | Credit sales from total debtors account and cash sales from summary of cash           |
| 5.  | Opening capital  | Opening statement of affairs  |
| 6.  | Expenses and Revenues                                    | As per cash summary of cash plus subsidiary information                               |
| 7.  | Losses and Gains   | From all the accounts and scattered information                                       |
| 8.  | Bills receivable received                                | Total bills receivable account  |
| 9.  | Bills payable accepted                                   | Total bills payable account   |
| 10. | Cash/Bank balance  | Summary of cash   |

**Fig. 11.7 :** Detecting the missing information

#### Illustration 3

Compute the amount of total purchases and total sales of Mr. Amit from the following information for the year ending on March 31, 2017.

|                                       | Amount<br>₹ |
|---------------------------------------|-------------|
| Total debtors as on April 01, 2016    | 40,000      |
| Total creditors as on April 01, 2016  | 50,000      |
| Bills receivable as on April 01, 2016 | 30,000      |
| Bills payable as on April 01, 2016    | 45,000      |
| Discount received                     | 5,000       |
| Bad debts                             | 2,000       |
| Return inwards                        | 4,000       |
| Discount allowed                      | 3,000       |

|  |          |
|--|----------|
| Cash sales                             | 10,000   |
| Cash purchases                         | 8,000    |
| Total debtors as on March 31, 2017     | 80,000   |
| Cash received from debtors             | 1,00,000 |
| Cash paid to creditors                 | 80,000   |
| Cash received against bills receivable | 25,000   |
| Payment made against bills receivable  | 40,000   |
| Total creditors as on March 31, 2017   | 40,000   |
| Bills payable as on March 31, 2017     | 50,000   |
| Bills receivable as on March 31, 2017  | 35,000   |

*Solution*

**Total Bills Receivable Account**

| Dr.  |                                     |      |             | Cr.  |             |      |             |
|------|-------------------------------------|------|-------------|------|-------------|------|-------------|
| Date | Particulars                         | J.F. | Amount<br>₹ | Date | Particulars | J.F. | Amount<br>₹ |
|      | Balance b/d                         |      | 30,000      |      | Cash        |      | 25,000      |
|      | Total debtors<br>(balancing figure) |      | 30,000      |      | Balance c/d |      | 35,000      |
|      |                                     |      | 60,000      |      |             |      | 60,000      |

**Total Bills Payable Account**

| Dr.  |             |      |             | Cr.  |                                       |      |             |
|------|-------------|------|-------------|------|---------------------------------------|------|-------------|
| Date | Particulars | J.F. | Amount<br>₹ | Date | Particulars                           | J.F. | Amount<br>₹ |
|      | Cash        |      | 40,000      |      | Balance b/d                           |      | 45,000      |
|      | Balance c/d |      | 50,000      |      | Total creditors<br>(balancing figure) |      | 45,000      |
|      |             |      | 90,000      |      |                                       |      | 90,000      |

**Total Debtors Account**

| Dr.  |                             |      |             | Cr.  |   |      |             |
|------|-----------------------------|------|-------------|------|---|------|-------------|
| Date | Particulars                 | J.F. | Amount<br>₹ | Date | Particulars   | J.F. | Amount<br>₹ |
|      | Balance b/d                 |      | 40,000      |      | Bad debts   |      | 2,000       |
|      | Sales<br>(balancing figure) |      | 1,79,000    |      | Return inwards  |      | 4,000       |
|      |                             |      |             |      | Discount allowed  |      | 3,000       |
|      |                             |      |             |      | Cash  |      | 1,00,000    |
|      |                             |      |             |      | Bills receivable<br>(Transfer from bills<br>receivable account) |      | 30,000      |
|      |                             |      |             |      | Balance c/d   |      | 80,000      |
|      |                             |      | 2,19,000    |      |   |      | 2,19,000    |

**Total Creditors Account**

| Dr.  |   |      |                 | Cr.  |                    |      |                       |
|------|---|------|-----------------|------|--------------------|------|-----------------------|
| Date | Particulars   | J.F. | Amount<br>₹     | Date | Particulars        | J.F. | Amount<br>₹           |
|      | Discount received   |      | 5,000           |      | Balance b/d        |      | 50,000                |
|      | Cash  |      | 80,000          |      | Purchases (credit) |      | 1,20,000 <sup>2</sup> |
|      | Bills payable (transfer<br>from bills payable<br>account) |      | 45,000          |      | (balancing figure) |      |                       |
|      | Balance c/d   |      | 40,000          |      |                    |      |                       |
|      |   |      | <u>1,70,000</u> |      |                    |      | <u>1,70,000</u>       |

*Working Notes*

- (i) Credit purchases have been computed from total creditors account as ₹ 1,20,000<sup>2</sup>. Cash purchases given are ₹ 8,000. Total purchases will be ₹ 1,20,000 + ₹ 8,000 = ₹ 1,28,000.
- (ii) Credit sales have been computed from total debtors account as ₹ 1,79,000 and cash sales are given as ₹ 10,000. Total sales will be ₹ 1,79,000 + ₹ 10,000 = ₹ 1,89,000.

*Illustration 4*

From the following information supplied by Ms. Sudha, calculate the amount of 'Net Sales'

|  | ₹        |
|--|----------|
| Debtors on April 01, 2016                                | 65,000   |
| Debtors on March 31, 2017                                | 50,000   |
| Opening balance of bills receivable as on April 01, 2016 | 23,000   |
| Closing balance of bills receivable as on March 31, 2017 | 29,000   |
| Cash received from debtors                               | 3,02,000 |
| Discount allowed   | 8,000    |
| Cash received against bills receivable                   | 21,000   |
| Bad debts  | 14,000   |
| Bill receivables (dishonoured)                           | 20,000   |
| Cash sales   | 2,25,000 |
| Sales return   | 17,000   |

**Total Bills Receivable Account**

| Dr.  |  |      |               | Cr.  |                                 |      |               |
|------|--|------|---------------|------|---------------------------------|------|---------------|
| Date | Particulars                                      | J.F. | Amount<br>₹   | Date | Particulars                     | J.F. | Amount<br>₹   |
|      | Opening balance                                  |      | 23,000        |      | Cash (bills honoured)           |      | 21,000        |
|      | Debtors (Bills receivable)<br>(balancing figure) |      | 47,000        |      | Bills receivable<br>dishonoured |      | 20,000        |
|      |  |      | <u>70,000</u> |      | Closing balance                 |      | 29,000        |
|      |  |      |               |      |                                 |      | <u>70,000</u> |

**Total Debtors Account**

| Dr.             |                                   |      |             | Cr.            |   |      |             |
|-----------------|-----------------------------------|------|-------------|----------------|---|------|-------------|
| Date            | Particulars                       | J.F. | Amount<br>₹ | Date           | Particulars   | J.F. | Amount<br>₹ |
| 2016<br>Apr. 01 | Opening balance                   |      | 65,000      |                | Cash received   |      | 3,02,000    |
|                 | Bills receivable<br>(dishonoured) |      | 20,000      |                | Discount allowed  |      | 8,000       |
|                 | Sales (balancing<br>figure)       |      | 3,53,000    |                | Sales return  |      | 17,000      |
|                 |                                   |      |             |                | Bad debts   |      | 14,000      |
|                 |                                   |      |             |                | Bills receivable<br>(transferred from<br>bills receivable<br>account) |      | 47,000      |
|                 |                                   |      |             | 2017<br>Mar.31 | Closing balance   |      | 50,000      |
|                 |                                   |      | 4,38,000    |                |   |      | 4,38,000    |

(Working Notes)

With the preparation of total debtors account and total bills receivable account, the net sales will be computed as follows :

$$\begin{aligned}
 \text{Net Sales} &= \text{Cash Sales} + \text{Credit Sales} - \text{Sales return} \\
 &= ₹ 2,25,000 + ₹ 3,53,000 - ₹ 1,7000 \\
 &= ₹ 5,61,000
 \end{aligned}$$

**Illustration 5**

Mr. Om Prakash did not keep his books of accounts under double entry system. From the following information available from his records, prepare profit and loss account for the year ending on March 31, 2017 and a balance sheet as at that date, depreciating the washing equipment @ 10%.

**Summary of Cash Book**

| Dr.                   |             | Cr.               |             |
|-----------------------|-------------|-------------------|-------------|
| Receipts              | Amount<br>₹ | Payments          | Amount<br>₹ |
| Balance b/d           | 8,000       | Cash purchases    | 14,000      |
| Cash sales            | 40,000      | Paid to creditors | 20,000      |
| Received from debtors | 30,000      | Sundry expenses   | 6,000       |
|                       |             | Cartage           | 2,000       |
|                       |             | Drawings          | 8,000       |
|                       |             | Balance c/d       | 28,000      |
|                       | 78,000      |                   | 78,000      |



Other information :

**March 31, 2017**

|                                   | March 31, 2016<br>₹ | March 31, 2017<br>₹ |
|-----------------------------------|---------------------|---------------------|
| Debtors                           | 9,000               | 12,000              |
| Creditors                         | 14,400              | 6,800               |
| Stock of materials                | 10,000              | 16,000              |
| Washing equipment                 | 40,000              | 40,000              |
| Furniture                         | 3,000               | 3,000               |
| Discount allowed during the year  |                     | 1,400               |
| Discount received during the year |                     | 1,700               |

Solution

**Books of Om Prakash  
Trading and Profit and Loss Account  
for the year ended on March 31, 2017**

| Expenses/losses                             | Amount<br>₹ | Revenues/gains    | Amount<br>₹ |
|---|-------------|-------------------|-------------|
| Opening stock                               | 10,000      | Sales             | 74,400      |
| Purchases                                   | 28,100      | Closing stock     | 16,000      |
| Cartage                                     | 2,000       |                   |             |
| Gross profit c/d                            | 50,300      |                   |             |
|   | 90,400      |                   | 90,400      |
| Sundry expenses                             | 6,000       | Gross profit b/d  | 50,300      |
| Discount allowed                            | 1,400       | Discount received | 1,700       |
| Depreciation                                | 4,000       |                   |             |
| Net profit (transferred to capital account) | 40,600      |                   |             |
|   | 52,000      |                   | 52,000      |

**Balance Sheet as at March 31, 2017**

| Liabilities   | Amount<br>₹ | Assets             | Amount<br>₹ |
|---------------|-------------|--------------------|-------------|
| Capital       | 55,600      | Washing equipment  | 40,000      |
| Add Profit    | 40,600      | Less Depreciation  | (4,000)     |
|               | 96,200      |                    | 36,000      |
| Less Drawings | (8,000)     | Furniture          | 3,000       |
| Creditors     | 6,800       | Stock of materials | 16,000      |
|               |             | Debtors            | 12,000      |
|               |             | Cash               | 28,000      |
|               | 88,200      |                    | 95,000      |
|               | 95,000      |                    | 95,000      |

Working Notes :

**Total Debtors Account**

| Dr.  |                    |      |             | Cr.  |                  |      |             |
|------|--------------------|------|-------------|------|------------------|------|-------------|
| Date | Particulars        | J.F. | Amount<br>₹ | Date | Particulars      | J.F. | Amount<br>₹ |
|      | Balance b/d        |      | 9,000       |      | Cash             |      | 30,000      |
|      | Sales (credit)     |      | 34,400      |      | Discount allowed |      | 1,400       |
|      | (balancing figure) |      |             |      | Balance c/d      |      | 12,000      |
|      |                    |      | 43,400      |      |                  |      | 43,400      |
|      |                    |      |             |      |                  |      |             |

**Total Creditors Account**

| Dr.  |                   |      |             | Cr.  |                    |      |             |
|------|-------------------|------|-------------|------|--------------------|------|-------------|
| Date | Particulars       | J.F. | Amount<br>₹ | Date | Particulars        | J.F. | Amount<br>₹ |
|      | Cash              |      | 20,000      |      | Balance b/d        |      | 14,400      |
|      | Discount received |      | 1,700       |      | Purchases (credit) |      | 14,100      |
|      | Balance c/d       |      | 6,800       |      | (balancing figure) |      |             |
|      |                   |      | 28,500      |      |                    |      | 28,500      |
|      |                   |      |             |      |                    |      |             |

**Statement of Affairs as at March 31, 2016**

| Liabilities        | Amount<br>₹ | Assets            | Amount<br>₹ |
|--------------------|-------------|-------------------|-------------|
| Creditors          | 14,400      | Washing equipment | 40,000      |
| Capital            | 55,600      | Furniture         | 3,000       |
| (balancing figure) |             | Stock of material | 10,000      |
|                    |             | Debtors           | 9,000       |
|                    |             | Cash              | 8,000       |
|                    | 70,000      |                   | 70,000      |
|                    |             |                   |             |

**Illustration 6**

Mrs. Surabhi started business on April 01, 2016 with cash of ₹ 50,000, furniture of ₹ 10,000, goods of 2,000 and machinery worth 20,000. During the year she further introduced ₹ 20,000 in her business by opening a bank account. From the following information extracted from her books, you are required to prepare final accounts for the ended March 31, 2017.

|                             | ₹      |
|-----------------------------|--------|
| Receipt from debtors        | 57,500 |
| Cash sales                  | 45,000 |
| Cash purchases              | 25,000 |
| Wages paid                  | 5,000  |
| Salaries to staff           | 17,500 |
| Trade expenses              | 6,500  |
| Electricity bill of factory | 7,500  |
| Drawings of Surabhi         | 3,000  |
| Cash paid to creditors      | 42,000 |
| Discount allowed            | 1,200  |
| Discount received           | 3,000  |
| Bad debts written-off       | 1,300  |
| Cash balance at end of year | 20,000 |

Mrs. Surabhi used goods worth 2,500 for private purposes, which is not recorded in the books. Charge depreciation on furniture 10% and machinery 20% p.a. on March 31, 2017 her debtors were worth 70,000 and creditors ₹ 35,000, stock in trade was valued on that date at ₹ 25,000.

*Solution*

**Books of Mrs. Surabhi**  
**Trading and Profit and Loss Account**  
**for the year ended March 31, 2017**

| <i>Dr.</i>                                  |                     | <i>Cr.</i>                                      |               |
|---|---------------------|---|---------------|
| <i>Expenses/Losses</i>                      | <i>Amount</i><br>₹  | <i>Revenues/Gains</i><br><br><i>Amount</i><br>₹ |               |
| Opening stock                               | 20,000              | Sales   | 45,000        |
| Purchases :                                 |                     | Credit  | 1,30,000      |
| Cash  | 25,000              | Closing stock                                   | 25,000        |
| Credit                                      | 80,000 <sup>2</sup> |   |               |
|   | 1,05,000            |   |               |
| Less Goods used for private use             | (2,500)             |   |               |
| Wages                                       | 5,000               |   |               |
| Electricity bill of factory                 | 7,500               |   |               |
| Gross profit c/d                            | 65,000              |   |               |
|   | <u>2,00,000</u>     |   |               |
| Salaries                                    | 17,500              | Gross profit b/d                                | 65,000        |
| Trade expenses                              | 6,500               | Discount received                               | 3,000         |
| Discount allowed                            | 1,200               |   |               |
| Bad debts                                   | 1,300               |   |               |
| Depreciation:                               |                     |   |               |
| Furniture                                   | 1,000               |   |               |
| Machinery                                   | 4,000               |   |               |
| Net profit (transferred to capital account) | 36,500              |   |               |
|   | <u>68,000</u>       |   |               |
|   |                     |   | <u>68,000</u> |

**Balance Sheet of Mrs. Surabhi as at March 31, 2017**

| <i>Liabilities</i>     |               | <i>Amount</i><br>₹ | <i>Assets</i>     |                | <i>Amount</i><br>₹ |
|------------------------|---------------|--------------------|-------------------|----------------|--------------------|
| Creditors              |               | 35,000             | Cash              |                | 20,000             |
| Capital                | 1,00,000      |                    | Bank              |                | 13,000             |
| Add Net profit         | <u>36,500</u> |                    | Stock             |                | 25,000             |
|                        | 1,36,000      |                    | Debtors           |                | 70,000             |
| Add Additional capital | <u>20,000</u> |                    | Furniture         | 10,000         |                    |
|                        | 1,56,500      |                    | Less Depreciation | <u>(1,000)</u> | 9,000              |
| Less Drawings          |               |                    | Machinery         | 20,000         |                    |
| Cash                   | 36,000        |                    | Less Depreciation | <u>(4,000)</u> | 16,000             |
| Goods                  | <u>2,500</u>  | <u>(38,500)</u>    |                   |                |                    |
|                        |               | 1,18,000           |                   |                |                    |
|                        |               | <u>1,53,000</u>    |                   |                | <u>1,53,000</u>    |

Working Notes :

**(i) Total Debtors Account**

| <b>Dr.</b>  |                    |             |                    | <b>Cr.</b>  |                    |             |                    |
|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|
| <i>Date</i> | <i>Particulars</i> | <i>J.F.</i> | <i>Amount</i><br>₹ | <i>Date</i> | <i>Particulars</i> | <i>J.F.</i> | <i>Amount</i><br>₹ |
|             | Balance b/d        |             | NIL                |             | Cash               |             | 57,500             |
|             | Sales (credit)     |             | 1,30,000           |             | Discount allowed   |             | 1,200              |
|             | (balancing figure) |             |                    |             | Bad debts          |             | 1,300              |
|             |                    |             |                    |             | Balance c/d        |             | 70,000             |
|             |                    |             | <u>1,30,000</u>    |             |                    |             | <u>1,30,000</u>    |

**(ii) Total Creditors Account**

| <b>Dr.</b>  |                    |             |                    | <b>Cr.</b>  |                    |             |                    |
|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|
| <i>Date</i> | <i>Particulars</i> | <i>J.F.</i> | <i>Amount</i><br>₹ | <i>Date</i> | <i>Particulars</i> | <i>J.F.</i> | <i>Amount</i><br>₹ |
|             | Cash               |             | 42,000             |             | Balance b/d        |             | NIL                |
|             | Discount received  |             | 3,000              |             | Purchase credit    |             | 80,000             |
|             | Balance c/d        |             | 35,000             |             | (balancing figure) |             |                    |
|             |                    |             | <u>80,000</u>      |             |                    |             | <u>80,000</u>      |

**(iii) Statement of Affair as on March 31, 2016**

| <i>Liabilities</i>         | <i>Amount</i><br>₹ | <i>Assets</i> | <i>Amounts</i><br>₹ |
|----------------------------|--------------------|---------------|---------------------|
| Capital (balancing figure) | 1,00,000           | Cash          | 50,000              |
|                            |                    | Stock         | 20,000              |
|                            |                    | Furniture     | 10,000              |
|                            |                    | Machinery     | 20,000              |
|                            | <u>1,00,000</u>    |               | <u>1,00,000</u>     |

**(iv) Summary of Cash**

| <b>Dr.</b><br><i>Receipts</i> | <i>Amount</i><br>₹ | <i>Payments</i>                | <b>Cr.</b><br><i>Amount</i><br>₹ |
|-------------------------------|--------------------|--------------------------------|----------------------------------|
| Balance b/d                   | 50,000             | Purchases                      | 25,000                           |
| Capital(bank)                 | 20,000             | Wages                          | 5,000                            |
| Debtors                       | 57,500             | Salaries                       | 17,500                           |
| Sales                         | 45,000             | Trade expenses                 | 6,500                            |
|                               |                    | Electric bill                  | 7,500                            |
|                               |                    | Drawings                       | 36,000                           |
|                               |                    | Creditors                      | 42,000                           |
|                               |                    | Balance c/d—cash               | 20,000                           |
|                               |                    | Closing bank(balancing figure) | 13,000                           |
|                               | <u>1,72,500</u>    |                                | <u>1,72,500</u>                  |

**Test Your Understanding - II****Write the correct word(s) :**

- Credit sales can be ascertained as the balancing figure in the.....account.
- Excess of .....over.....represents loss sustained during the period.
- To ascertain the profit, closing capital is to be adjusted by deducting .....and adding .....
- Incomplete records are generally used by .....

**Illustration 7**

Mr. Bahadur does not know how to keep books of account. From his various records, the following particulars have been made available prepare the final Accounts, after providing for doubtful debts 5 per cent of debtors outstanding and depreciating the motor car @ 20 per cent.

**(i) Balance Sheet as on April 1, 2016**

| <i>Liabilities</i> | <i>Amount<br/>₹</i> | <i>Assets</i>    | <i>Amount<br/>₹</i> |
|--------------------|---------------------|------------------|---------------------|
| Capital            | 92,500              | Motor Car        | 71,700              |
| Bills payable      | 32,800              | Stock            | 51,500              |
| Creditors          | 84,200              | Debtors          | 49,500              |
|                    |                     | Bills receivable | 24,400              |
|                    |                     | Cash in hand     | 12,400              |
|                    | <u>2,09,500</u>     |                  | <u>2,09,500</u>     |

**(ii) Cash Transactions during the year**

| <i>Dr.</i>           |                     |                      | <i>Cr.</i>          |
|----------------------|---------------------|----------------------|---------------------|
| <i>Receipts</i>      | <i>Amount<br/>₹</i> | <i>Payments</i>      | <i>Amount<br/>₹</i> |
| Balance b/d          | 12,400              | Furniture            | 30,000              |
| Receipt from debtors | 1,15,000            | Wages                | 9,400               |
| Bills receivable     | 14,200              | Purchases            | 40,500              |
| Sales                | 1,03,000            | Drawings             | 24,000              |
|                      |                     | Bills payable        | 30,700              |
|                      |                     | General expenses     | 20,700              |
|                      |                     | Payment to creditors | 80,800              |
|                      |                     | Balance c/d          | 8,500               |
|                      | <u>2,44,600</u>     |                      | <u>2,44,600</u>     |

**(iii) Other Information**

| <i>Particulars</i>                | <i>Amount<br/>₹</i> |
|-----------------------------------|---------------------|
| Bills receivable drawn (received) | 6,300               |
| Discount to customers             | 2,300               |
| Discount from suppliers           | 700                 |
| Credit purchases                  | 29,600              |
| Closing stock                     | 41,700              |
| Closing balance of debtor         | 55,000              |
| Closing balance of bills payable  | 10,200              |

**Solution**

Cash sales and cash purchases are available from cash transactions. Credit purchase is also given. But credit sale is to be ascertained by the opening debtors account. Though the credit purchase is available, the closing balance of creditors is not known. That is why the creditors account also has to be opened. As there are bills payable and bills receivable, those accounts also have to be opened, otherwise the creditors and debtors accounts will not be complete.

**Books of Mr. Bahadur**  
**Trading and Profit and Loss Account**  
**for the year ended March 31, 2017**

| <i>Dr.</i>                |               | <i>Amount</i>   | <i>Cr.</i>            |                 |
|---------------------------|---------------|-----------------|-----------------------|-----------------|
| <i>Expenses/Losses</i>    |               | <i>₹</i>        | <i>Revenues/Gains</i> | <i>₹</i>        |
| Opening stock             |               | 51,500          | Sales                 |                 |
| purchases                 |               |                 | Cash                  | 1,03,000        |
| Cash                      | 40,500        |                 | Credit                | <u>1,29,100</u> |
| Credit                    | <u>29,600</u> | 70,100          | Closing stock         | 41,700          |
| Wages                     |               | 9,400           |                       |                 |
| Gross profit c/d          |               | 1,42,800        |                       |                 |
|                           |               | <u>2,73,800</u> |                       | <u>2,73,800</u> |
| General expenses          |               | 20,700          | Gross profit b/d      | 1,42,800        |
| Discount allowed          |               | 2,300           | Discount received     | 700             |
| Depreciation on motor car |               | 14,340          |                       |                 |
| Reserve for bad debts     |               | 2,750           |                       |                 |
| Net profit                |               | 1,03,410        |                       |                 |
|                           |               | <u>1,43,500</u> |                       | <u>1,43,500</u> |

**Balance Sheet as March 31, 2017**

| <i>Liabilities</i> |                 | <i>Amount</i>   | <i>Assets</i>     |                 |
|--------------------|-----------------|-----------------|-------------------|-----------------|
|                    |                 | <i>₹</i>        |                   | <i>₹</i>        |
| Capital            | 92,500          |                 | Motor car         | 71,700          |
| Add Net profit     | <u>1,03,410</u> |                 | Less depreciation | <u>(14,340)</u> |
|                    | 1,95,910        |                 | Furniture         | 30,000          |
| Less Drawings      | <u>(24,000)</u> | 1,71,910        | Stock             | 41,700          |
| Creditors          |                 | 24,200          | Debtors           | 55,000          |
| Bills payable      |                 | 10,200          | Less Provision    | <u>(2,750)</u>  |
|                    |                 |                 | Bills receivable  | 16,500          |
|                    |                 |                 | Cash              | 8,500           |
|                    |                 | <u>2,06,310</u> |                   | <u>2,06,310</u> |

Working Notes:

**(i) Total Bills Receivable Account**

| <i>Dr.</i> |             |                    | <i>Amount</i> |             | <i>Cr.</i>         |               |
|------------|-------------|--------------------|---------------|-------------|--------------------|---------------|
|            | <i>Date</i> | <i>Particulars</i> | <i>₹</i>      | <i>Date</i> | <i>Particulars</i> | <i>₹</i>      |
|            |             | Balance b/d        | 24,400        |             | Cash (receipt)     | 14,200        |
|            |             | Debtors            | 6,300         |             | Balance c/d        | 16,500        |
|            |             | (bills drawn)      |               |             | (balancing figure) |               |
|            |             |                    | <u>30,700</u> |             |                    | <u>30,700</u> |

**(ii) Total Debtors Account**

| Dr.  |                    |      |             | Cr.  |                  |      |             |
|------|--------------------|------|-------------|------|------------------|------|-------------|
| Date | Particulars        | J.F. | Amount<br>₹ | Date | Particulars      | J.F. | Amount<br>₹ |
|      | Balance b/d        |      | 49,500      |      | Cash (receipt)   |      | 1,15,000    |
|      | Credit sales       |      | 1,29,100    |      | Bills (drawn)    |      | 6,300       |
|      | (balancing figure) |      |             |      | Discount allowed |      | 2,300       |
|      |                    |      |             |      | Balance c/d      |      | 55,000      |
|      |                    |      | 1,78,600    |      |                  |      | 1,78,600    |

**(iii) Total Bills payable Account**

| Dr.  |             |      |             | Cr.  |                    |      |             |
|------|-------------|------|-------------|------|--------------------|------|-------------|
| Date | Particulars | J.F. | Amount<br>₹ | Date | Particulars        | J.F. | Amount<br>₹ |
|      | Cash (paid) |      | 30,700      |      | Balance b/d        |      | 32,800      |
|      | Balance c/d |      | 10,200      |      | Creditors          |      |             |
|      |             |      |             |      | (bills accepted)   |      | 8,100       |
|      |             |      | 40,900      |      | (balancing figure) |      | 40,900      |

**(iv) Total Creditors Account**

| Dr.  |                    |      |             | Cr.  |                  |      |             |
|------|--------------------|------|-------------|------|------------------|------|-------------|
| Date | Particulars        | J.F. | Amount<br>₹ | Date | Particulars      | J.F. | Amount<br>₹ |
|      | Cash               |      | 80,800      |      | Balance b/d      |      | 84,200      |
|      | Bills payable      |      | 8,100       |      | Credit purchases |      | 29,600      |
|      | Discount received  |      | 700         |      |                  |      |             |
|      | Balance c/d        |      | 24,200      |      |                  |      |             |
|      | (balancing figure) |      |             |      |                  |      |             |
|      |                    |      | 1,13,800    |      |                  |      | 1,13,800    |

**Illustration 8**

Dinesh does not keep systematic books of account due to lack of Knowledge about the double entry system of accounting. He supplies you the following information :

**(i) Assets and Liabilities  
March 31, 2017**

|                  | April, 2016 | March 31, 2017 |
|------------------|-------------|----------------|
|                  | ₹           | ₹              |
| Sundry debtors   | 45,000      | 48,600         |
| Sundry creditors | 24,000      | ?              |



|                        |        |   |
|------------------------|--------|---|
| Cash                   | 4,500  | ? |
| Furniture and Fixtures | 15,000 | ? |
| Stock                  | 25,000 | ? |
| Motor Van              | 16,000 | ? |

**(ii) Transaction during the year**

|                               |        |
|-------------------------------|--------|
|                               | ₹      |
| Cash received from debtors    | 80,000 |
| Discount allowed to debtors   | 1,400  |
| Bad debts written off         | 1,800  |
| Cash paid to creditors        | 63,000 |
| Discount allowed by creditors | 1,000  |
| Sales return                  | 3,000  |
| Purchases return              | 2,000  |
| Expenses paid                 | 6,000  |
| Drawings                      | 5,000  |
| Rent paid                     | 2,500  |

**(iii) Other Information**

Outstanding expenses ₹ 1,200. Charge 10 per cent depreciation on furniture and 5 per cent on motor van. Dinesh informs that he sells goods at cost plus 40 per cent. A provision of 5 per cent on debtors is to be created. Prepare his trading and profit and loss account and balance sheet as on March 31, 2017

**Books of Dinesh**  
**Trading and Profit and Loss Account**  
**for the year ending March 31, 2017**

| Dr.   |                     | Cr.                   |
|---|---------------------|-----------------------|
| <i>Expenses/Losses</i>                      | <i>Amount<br/>₹</i> | <i>Revenues/Gains</i> |
| Opening stock                               | 25,000              | Sales                 |
| Purchases                                   | 69,000              | 89,800                |
| Less Returns                                | <u>(2,000)</u>      | Less Returns          |
| Gross profit c/d                            | 24,800              | <u>(3,000)</u>        |
|   | 1,16,800            | Closing stock         |
|   | 1,16,800            | 30,000                |
| Discount allowed                            | 1,400               | Gross profit b/d      |
| Bad debts                                   | 1,800               | 24,800                |
| Expenses paid                               | 6,000               | Discount received     |
| Add Outstanding expenses                    | <u>1,200</u>        | 1,000                 |
| Rent paid                                   | 2,500               |                       |
| Depreciation on Furniture                   | 1,500               |                       |
| Motor van                                   | <u>800</u>          |                       |
| Provision for doubtful debts                | 2,430               |                       |
| Net profit (transferred to capital account) | 8,170               |                       |
|   | <u>25,800</u>       |                       |
|   | 25,800              |                       |

**Balance Sheet as on March 31, 2017**

| <i>Liabilities</i>   |         | <i>Amount</i><br>₹ | <i>Assets</i>        |         | <i>Amount</i><br>₹ |
|----------------------|---------|--------------------|----------------------|---------|--------------------|
| Outstanding expenses |         | 1,200              | Cash                 |         | 8,000              |
| Creditors            |         | 27,000             | Debtors              | 48,600  |                    |
| Capital              | 81,500  |                    | Less Provision       | (2,430) | 46,170             |
| Less Drawings        | (5,000) |                    | Closing stock        |         | 30,000             |
|                      | 76,500  |                    | Furniture & Fixtures | 15,000  |                    |
| Add Net profit       | 8,170   | 84,670             | Less Depreciation    | (1,500) | 13,500             |
|                      |         |                    | Motor van            | 16,000  |                    |
|                      |         |                    | Less Depreciation    | (800)   | 15,200             |
|                      |         | <u>1,12,870</u>    |                      |         | <u>1,12,870</u>    |

Working Notes :

**(i) Total Debtors Account**

| <b>Dr.</b>  |                    |             |                    | <b>Cr.</b>  |                    |             |                    |
|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|
| <i>Date</i> | <i>Particulars</i> | <i>J.F.</i> | <i>Amount</i><br>₹ | <i>Date</i> | <i>Particulars</i> | <i>J.F.</i> | <i>Amount</i><br>₹ |
|             | Balance b/d        |             | 45,000             |             | Cash received      |             | 80,000             |
|             | Sales              |             | 89,800             |             | Discount allowed   |             | 1,400              |
|             |                    |             |                    |             | Bad debts          |             | 1,800              |
|             |                    |             |                    |             | Sales return       |             | 3,000              |
|             |                    |             |                    |             | Balance c/d        |             | 48,600             |
|             |                    |             | <u>1,34,800</u>    |             |                    |             | <u>1,34,800</u>    |

**(ii) Total Creditors Account**

| <b>Dr.</b>  |                    |             |                    | <b>Cr.</b>  |                    |             |                    |
|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|
| <i>Date</i> | <i>Particulars</i> | <i>J.F.</i> | <i>Amount</i><br>₹ | <i>Date</i> | <i>Particulars</i> | <i>J.F.</i> | <i>Amount</i><br>₹ |
|             | Cash paid          |             | 63,000             |             | Balance b/d        |             | 24,000             |
|             | Discount received  |             | 1,000              |             | Purchases          |             | 69,000             |
|             | Purchases return   |             | 2,000              |             |                    |             |                    |
|             | Balance c/d        |             | 27,000             |             |                    |             |                    |
|             |                    |             | <u>93,000</u>      |             |                    |             | <u>93,000</u>      |

**(iii) Summary of Cash**

| <b>Dr.</b>      |                    | <b>Cr.</b>      |                    |
|-----------------|--------------------|-----------------|--------------------|
| <i>Receipts</i> | <i>Amount</i><br>₹ | <i>Payments</i> | <i>Amount</i><br>₹ |
| Balance b/d     | 4,500              | Creditors       | 63,000             |
| Debtors         | 80,000             | Expenses paid   | 6,000              |
|                 |                    | Drawings        | 5,000              |
|                 |                    | Rent paid       | 2,500              |
|                 |                    | Balance c/d     | 8,000              |
|                 | <u>84,500</u>      |                 | <u>84,500</u>      |

**(iv) Statement of Affairs as on March 31, 2016**

| <i>Liabilities</i>                             | <i>Amount</i><br>₹ | <i>Assets</i>          | <i>Amount</i><br>₹ |
|--|--------------------|------------------------|--------------------|
| Creditors                                      | 24,000             | Debtors                | 45,000             |
|  |                    | Cash                   | 4,500              |
| Capital in the beginning<br>(Balancing figure) | 81,500             | Stock                  | 25,000             |
|  |                    | Furniture and Fixtures | 15,000             |
|  |                    | Motor Van              | 16,000             |
|  | <u>1,05,500</u>    |                        | <u>1,05,500</u>    |

**(v) Calculation of Closing Stock**

|   |                 |
|---|-----------------|
| Total sales   | ₹ 89,800        |
| Less Sales return   | (3,000)         |
| Net sales   | 86,800          |
| Total purchases   | 69,000          |
| Less Purchases returns  | (2,000)         |
|   | <u>(67,000)</u> |
| Rate of gross profit on cost                                  | 40%             |
| Suppose cost of goods sold is                                 | 100             |
| Then, Gross profit equals to                                  | 40              |
| Sales equals to   | 140             |
| Hence, Cost of goods sold will be                             |                 |
| Sales = Rs. 86,800 = $\frac{100}{140} \times 86,800 = 62,000$ |                 |
| The amount of closing stock will be calculated as :           |                 |
| Net Purchases   | 67,000          |
| Add Closing stock   | <u>25,000</u>   |
| Cost of goods available for sale                              | 92,000          |
| Less Cost of goods sold                                       | <u>(62,000)</u> |
| Closing stock   | 30,000          |

**Key Terms Introduced in the Chapter**

- Incomplete records
- Statement of Affairs

**Summary with Reference to Learning Objectives**

1. *Incomplete records* : Incomplete records refer to, lack of accounting records according to the double entry system. Degree of incompleteness may vary from highly disorganised records to organised, but still not complete.
2. *Difference between statement of affairs and balance sheet* : A statement of affairs is a statement showing various assets and liabilities of a firm on date, with

difference between the two sides denoting capital. Since, the records are incomplete, the values of assets and liabilities are normally estimates based on information available. They are not the balances taken from properly maintained ledger like in case of balance sheet. The balance sheet is derived from a set of books maintained on the basis of double entry system.

3. *Computation of profit and loss from incomplete records* : The statement of affairs is used to compute capital when a firm has a highly disorganised set of incomplete records. To the difference between the closing and opening capital, any sum withdrawn from business are added back and any additional capital introduced during the year are deducted to find out profit and loss made for the period.
4. *Preparation of profit and loss account and balance sheet* : When cash summary of a firm is available along with information about personal accounts of creditors and customers, an attempt can be made to prepare the profit and loss account and balance sheet. Missing figures about purchases, sales, debtors and creditors can be obtained by preparing proforma accounts of debtors, creditors, bills receivable and bills payable using the logic of double entry system. Once a profit and loss account and balance sheet are prepared, it will be possible for the firm to start a complete accounting system for future.

### **Questions for Practice**

#### *Short Answers*

1. State the meaning of incomplete records?
2. What are the possible reasons for keeping incomplete records?
3. Distinguish between statement of affairs and balance sheet.
4. What practical difficulties are encountered by a trader due to incompleteness of accounting records?

#### *Long Answers*

1. What is meant by a 'statement of affairs'? How can the profit or loss of a trader be ascertained with the help of a statement of affairs?
2. 'Is it possible to prepare the profit and loss account and the balance sheet from the incomplete book of accounts kept by a trader'? Do you agree? Explain.
3. Explain how the following may be ascertained from incomplete records:
  - (a) Opening capital and closing capital
  - (b) Credit sales and credit purchases
  - (c) Payments to creditors and collection from debtors
  - (d) Closing balance of cash.

#### *Numerical Questions*

Ascertainment of profit or loss by statement of affairs method

1. Following information is given below prepare the statement of profit or loss:

|                                      |          |
|--------------------------------------|----------|
|                                      | ₹        |
| Capital at the end of the year       | 5,00,000 |
| Capital in the beginning of the year | 7,50,000 |

|                                 |          |
|---------------------------------|----------|
| Drawings made during the period | 3,75,000 |
| Additional Capital introduced   | 50,000   |

[Ans : Profit : ₹ 75,000].

2. Manveer started his business on April 01, 2016 with a capital of ₹ 4,50,000. On March 31, 2017 his position was as under:

|                   |          |
|-------------------|----------|
|                   | ₹        |
| Cash              | 99,000   |
| Bills receivable  | 75,000   |
| Plant             | 48,000   |
| Land and Building | 1,80,000 |
| Furniture         | 50,000   |

He owned ₹ 45,000 from his friend Susheel on that date. He withdrew ₹ 8,000 per month for his household purposes. Ascertain his profit or loss for this year ended March 31, 2017

[Ans : Profit : ₹53,000].

3. From the information given below ascertain the profit for the year :

|   |        |
|---|--------|
|   | ₹      |
| Capital at the beginning of the year          | 70,000 |
| Additional capital introduced during the year | 17,500 |
| Stock   | 59,500 |
| Sundry debtors                                | 25,900 |
| Business premises                             | 8,600  |
| Machinery                                     | 2,100  |
| Sundry creditors                              | 33,400 |
| Drawings made during the year                 | 26,400 |

[Ans : Profit : ₹1,600].

4. From the following information, Calculate Capital at the beginning :

|  |          |
|--|----------|
|  | ₹        |
| Capital at the end of the year           | 4,00,000 |
| Drawings made during the year            | 60,000   |
| Fresh Capital introduced during the year | 1,00,000 |
| Profit of the current year               | 80,000   |

[Ans : Capital at the beginning of the year : ₹2,60,000].

5. Following information is given below : calculate the closing capital

|                  |                |                |
|------------------|----------------|----------------|
|                  | April 01, 2016 | March 31, 2017 |
|                  | ₹              | ₹              |
| Creditors        | 5,000          | 30,000         |
| Bills payable    | 10,000         | —              |
| Loan             | —              | 50,000         |
| Bills receivable | 30,000         | 50,000         |
| Stock            | 5,000          | 30,000         |
| Cash             | 2,000          | 20,000         |

[Ans : Closing capital : ₹20,000].

Calculation of profit or loss and ascertainment of statement of affairs at the end of the year (Opening Balance is given)

6. Mrs. Anu started firm with a capital of ₹ 4,00,000 on 1st October, 2016. She borrowed from her friends a sum of ₹ 1,00,000 @ 10% per annum (interest

paid) for business and brought a further amount to capital ₹ 75,000 on March 31, 2017, her position was :

|           |          |
|-----------|----------|
|           | ₹        |
| Cash      | 30,000   |
| Stock     | 4,70,000 |
| Debtors   | 3,50,000 |
| Creditors | 3,00,000 |

He withdrew ₹ 8,000 per month for the year. Calculate profit or loss for the year and show your working clearly.

[Ans : Profit : ₹23,000].

7. Mr. Arnav does not keep proper records of his business he provided following information, you are required to prepare a statement showing the profit or loss for the year.

|                                      |           |
|--------------------------------------|-----------|
|                                      | ₹         |
| Capital at the beginning of the year | 15,00,000 |
| Bills receivable                     | 60,000    |
| Cash in hand                         | 80,000    |
| Furniture                            | 9,00,000  |
| Building                             | 10,00,000 |
| Creditors                            | 6,00,000  |
| Stock in trade                       | 2,00,000  |
| Further capital introduced           | 3,20,000  |
| Drawings made during the period      | 80,000    |

[Ans : Loss : ₹ 1,00,000].

Ascertainment of statement of affairs at the beginning and at the end of the year and calculation of profit or loss.

8. Mr. Akshat keeps his books on incomplete records following information is given below :

|                   | April 01, 2016 | March 31, 2017 |
|-------------------|----------------|----------------|
|                   | ₹              | ₹              |
| Cash in hand      | 1,000          | 1,500          |
| Cash at bank      | 15,000         | 10,000         |
| Stock             | 1,00,000       | 95,000         |
| Debtors           | 42,500         | 70,000         |
| Business premises | 75,000         | 1,35,000       |
| Furniture         | 9,000          | 7,500          |
| Creditors         | 66,000         | 87,000         |
| Bills payable     | 44,000         | 58,000         |

During the year he withdrew ₹ 45,000 and introduced ₹ 25,000 as further capital in the business compute the profit or loss of the business.

[Ans : Profit : ₹ 61,500].

9. Gopal does not keep proper books of account. Following information is given below:

|              | April 01, 2016 | March 31, 2017 |
|--------------|----------------|----------------|
|              | ₹              | ₹              |
| Cash in hand | 18,000         | 12,000         |
| Cash at bank | 1,500          | 2,000          |

|                    |        |        |
|--------------------|--------|--------|
| Stock in trade     | 80,000 | 90,000 |
| Sundry debtors     | 36,000 | 60,000 |
| Sundry creditors   | 60,000 | 40,000 |
| Loan               | 10,000 | 8,000  |
| Office equipments  | 25,000 | 30,000 |
| Land and Buildings | 30,000 | 20,000 |
| Furniture          | 10,000 | 10,000 |

During the year he introduced ₹ 20,000 and withdrew ₹ 12,000 from the business. Prepare the statement of profit or loss on the basis of given information

[Ans : Profit : ₹ 53,500].

10. Mr. Muneesh maintains his books of accounts from incomplete records. His books provide the information :

|                  | April 01, 2016<br>₹ | March 31, 2017<br>₹ |
|------------------|---------------------|---------------------|
| Cash             | 1,200               | 1,600               |
| Bills receivable | —                   | 2,400               |
| Debtors          | 16,800              | 27,200              |
| Stock            | 22,400              | 24,400              |
| Investment       | —                   | 8,000               |
| Furniture        | 7,500               | 8,000               |
| Creditors        | 14,000              | 15,200              |

He withdrew ₹ 300 per month for personal expenses. He sold his investment of ₹ 16,000 at 2% premium and introduced that amount into business.

[Ans : Profit : ₹ 9,780].

11. Mr. Girdhari Lal does not keep full double entry records. His balance as on April 01, 2016 is as.

| Liabilities      | Amount<br>₹ | Assets         | Amount<br>₹ |
|------------------|-------------|----------------|-------------|
| Sundry creditors | 35,000      | Cash in hand   | 5,000       |
| Bills payable    | 15,000      | Cash at bank   | 20,000      |
| Capital          | 40,000      | Sundry debtors | 18,000      |
|                  |             | Stock          | 22,000      |
|                  |             | Furniture      | 8,000       |
|                  |             | Plant          | 17,000      |
|                  | 90,000      |                | 90,000      |

His position at the end of the year is :

|              | ₹      |
|--------------|--------|
| Cash in hand | 7,000  |
| Stock        | 8,600  |
| Debtors      | 23,800 |
| Furniture    | 15,000 |

|               |        |
|---------------|--------|
| Plant         | 20,350 |
| Bills payable | 20,200 |
| Creditors     | 15,000 |

He withdrew ₹ 500 per month out of which to spent ₹ 1,500 for business purpose. Prepare the statement of profit or loss.

[Ans : Profit : ₹ 4,050].

12. Mr. Ashok does not keep his books properly. Following information is available from his books.

|                   | April 01, 2016 | March 31, 2017 |
|-------------------|----------------|----------------|
|                   | ₹              | ₹              |
| Sundry creditors  | 45,000         | 93,000         |
| Loan from wife    | 66,000         | 57,000         |
| Sundry debtors    | 22,500         | —              |
| Land and Building | 89,600         | 90,000         |
| Cash in hand      | 7,500          | 8,700          |
| Bank overdraft    | 25,000         | —              |
| Furniture         | 1,300          | 1,300          |
| Stock             | 34,000         | 25,000         |

During the year Mr. Ashok sold his private car for ₹ 50,000 and invested this amount into the business. He withdrew from the business ₹ 1,500 per month upto October 31, 2016 and thereafter ₹ 4,500 per month as drawings. You are required to prepare the statement of profit or loss and statement of affair as on March 31, 2017.

[Ans : Loss : ₹ 57,900].

13. Krishna Kulkarni has not kept proper books of accounts prepare the statement of profit or loss for the year ending March 31, 2016 from the following information:

|                  | April 01, 2016 | March 31, 2017 |
|------------------|----------------|----------------|
|                  | (₹)            | (₹)            |
| Cash in hand     | 10,000         | 36,000         |
| Debtors          | 20,000         | 80,000         |
| Creditors        | 10,000         | 46,000         |
| Bills receivable | 20,000         | 24,000         |
| Bills payable    | 4,000          | 42,000         |
| Car              | —              | 80,000         |
| Stock            | 40,000         | 30,000         |
| Furniture        | 8,000          | 48,000         |
| Investment       | 40,000         | 50,000         |
| Bank balance     | 1,00,000       | 90,000         |

The following adjustments were made :

- Krishna withdrew cash ₹ 5,000 per month for private use.
- Depreciation @ 5% on car and furniture @10% .
- Outstanding Rent ₹ 6,000.
- Fresh Capital introduced during the year ₹30,000.

[Ans : Profit : ₹ 1,41,200 ; Statement of affairs with adjusted : ₹ 4,29,200].



14. M/s Saniya Sports Equipment does not keep proper records. From the following information find out profit or loss and also prepare balance sheet for the year ended March 31, 2017

|                  | March 31, 2016 | March 31, 2017 |
|------------------|----------------|----------------|
|                  | ₹              | ₹              |
| Cash in hand     | 6,000          | 24,000         |
| Bank overdraft   | 30,000         | —              |
| Stock            | 50,000         | 80,000         |
| Sundry creditors | 26,000         | 40,000         |
| Sundry debtors   | 60,000         | 1,40,000       |
| Bills payable    | 6,000          | 12,000         |
| Furniture        | 40,000         | 60,000         |
| Bills receivable | 8,000          | 28,000         |
| Machinery        | 50,000         | 1,00,000       |
| Investment       | 30,000         | 80,000         |

Drawing ₹10,000 p.m. for personal use, fresh capital introduced during the year ₹2,00,000. A bad debts of ₹2,000 and a provision of 5% is to be made on debtors outstanding salary ₹2,400, prepaid insurance ₹700, depreciation charged on furniture and machine @ 10% p.a.

[ Ans : Profit : ₹ 1,71,300 ; Statement of affairs with adjustment : ₹ 4,87,700].

#### Ascertainment of Missing Figures

15. From the following information calculate the amount to be paid to creditors:

|                                       | ₹        |
|---------------------------------------|----------|
| Sundry creditors as on March 31, 2017 | 1,80,425 |
| Discount received                     | 26,000   |
| Discount allowed                      | 24,000   |
| Return outwards                       | 37,200   |
| Return inward                         | 32,200   |
| Bills accepted                        | 1,99,000 |
| Bills endorsed to creditors           | 26,000   |
| Creditors as on April 01, 2016        | 2,09,050 |
| Total purchases                       | 8,97,000 |
| Cash purchases                        | 1,40,000 |

[Ans : Cash paid to creditors : ₹ 4,40,175].

16. Find out the credit purchases from the following:

|                                     | ₹        |
|-------------------------------------|----------|
| Balance of creditors April 01, 2016 | 45,000   |
| Balance of creditors March 31, 2017 | 36,000   |
| Cash paid to creditors              | 1,80,000 |
| Cheque issued to creditors          | 60,000   |
| Cash purchases                      | 75,000   |
| Discount received from creditors    | 5,400    |
| Discount allowed                    | 5,000    |
| Bills payable given to creditors    | 12,750   |
| Return outwards                     | 7,500    |
| Bills payable dishonoured           | 3,000    |

|  |       |
|--|-------|
| Bills receivable endorsed to creditors             | 4,500 |
| Bills receivable endorsed to creditors dishonoured | 1,800 |
| Return inwards                                     | 3,700 |

[Ans : Credit purchases : ₹ 2, 56,350].

17. From the following information calculate total purchases.

|                                  |          |
|----------------------------------|----------|
|                                  | ₹        |
| Creditors April 01, 2016         | 30,000   |
| Creditors March 31, 2017         | 20,000   |
| Opening balance of Bills payable | 25,000   |
| Closing balance of Bills payable | 35,000   |
| Cash paid to creditors           | 1,51,000 |
| Bills discharged                 | 44,500   |
| Cash purchases                   | 1,29,000 |
| Return outwards                  | 6,000    |

[Ans : Total purchases : ₹ 3,30,500].

18. The following information is given

|                        |        |
|------------------------|--------|
|                        | ₹      |
| Opening creditors      | 60,000 |
| Cash paid to creditors | 30,000 |
| Closing creditors      | 36,000 |
| Returns Inward         | 13,000 |
| Bill matured           | 27,000 |
| Bill dishonoured       | 8,000  |
| Purchases return       | 12,000 |
| Discount allowed       | 5,000  |

Calculate credit purchases during the year

[Ans : Credit purchases : ₹ 37,000].

19. From the following, calculate the amount of bills accepted during the year.

|   |          |
|---|----------|
|   | ₹        |
| Bills payable as on April 01, 2016        | 1,80,000 |
| Bills payable as on March 31, 2017        | 2,20,000 |
| Bills payable dishonoured during the year | 28,000   |
| Bills payable honoured during the year    | 50,000   |

[Ans : Bills accepted : ₹ 1,18,000].

20. Find out the amount of bills matured during the year on the basis of information given below ;

|                                  |        |
|----------------------------------|--------|
|                                  | ₹      |
| Bills payable dishonoured        | 37,000 |
| Closing balance of Bills payable | 85,000 |
| Opening balance of Bills payable | 70,000 |
| Bills payable accepted           | 90,000 |
| Cheque dishonoured               | 23,000 |

[Ans : Bills matured : ₹ 38,000].

21. Prepare the bills payable account from the following and find out missing figure if any :

|                                       |          |
|---------------------------------------|----------|
|                                       | ₹        |
| Bills accepted                        | 1,05,000 |
| Discount received                     | 17,000   |
| Purchases returns                     | 9,000    |
| Return inwards                        | 12,000   |
| Cash paid to accounts payable         | 50,000   |
| Bills receivable endorsed to creditor | 45,000   |
| Bills dishonoured                     | 17,000   |
| Bad debts                             | 14,000   |
| Balance of accounts payable (closing) | 85,000   |
| Credit purchases                      | 2,15,000 |

[Ans : Opening balance of creditors : ₹ 79,000].

22. Calculate the amount of bills receivable during the year.

|  |          |
|--|----------|
|  | ₹        |
| Opening balance of bills receivable    | 75,000   |
| Bill dishonoured                       | 25,000   |
| Bills collected (honoured)             | 1,30,000 |
| Bills receivable endorsed to creditors | 15,000   |
| Closing balance of bills receivable    | 65,000   |

[Ans : ₹ 1,60,000].

23. Calculate the amount of bills receivable dishonoured from the following information.

|                                     |          |
|-------------------------------------|----------|
|                                     | ₹        |
| Opening balance of bills receivable | 1,20,000 |
| Bills collected (honoured)          | 1,85,000 |
| Bills receivable endorsed           | 22,800   |
| Closing balance of bills receivable | 50,700   |
| Bills receivable received           | 1,50,000 |

[Ans : ₹ 11,500].

24. From the details given below, find out the credit sales and total sales.

|                              |          |
|------------------------------|----------|
|                              | ₹        |
| Opening debtors              | 45,000   |
| Closing debtors              | 56,000   |
| Discount allowed             | 2,500    |
| Sales returns                | 8,500    |
| Irrecoverable amount         | 4,000    |
| Bills receivables received   | 12,000   |
| Bills receivable dishonoured | 3,000    |
| Cheque dishonoured           | 7,700    |
| Cash sales                   | 80,000   |
| Cash received from debtors   | 2,30,000 |
| Cheque received from debtors | 25,000   |

[Ans : Total sales : ₹ 3,62,300].

25. From the following information, prepare the bills receivable account and total debtors account for the year ended March 31, 2017.

|   | ₹         |
|---|-----------|
| Opening balance of debtors                            | 1,80,000  |
| Opening balance of bills receivable                   | 55,000    |
| Cash sales made during the year                       | 95,000    |
| Credit sales made during the year                     | 14,50,000 |
| Return inwards  | 78,000    |
| Cash received from debtors                            | 10,25,000 |
| Discount allowed to debtors                           | 55,000    |
| Bills receivable endorsed to creditors                | 60,000    |
| Cash received (bills matured)                         | 80,500    |
| Irrecoverable amount                                  | 10,000    |
| Closing balance of bills receivable on March 31, 2017 | 75,500    |

[Ans : Bills received : ₹ 1,61,000 ; Closing balance of debtors : ₹ 3,01,000].

26. Prepare the suitable accounts and find out the missing figure if any.

|   | ₹         |
|---|-----------|
| Opening balance of debtors                | 14,00,000 |
| Opening balance of bills receivable       | 7,00,000  |
| Closing balance of bills receivable       | 3,50,000  |
| Cheque dishonoured                        | 27,000    |
| Cash received from debtors                | 10,75,000 |
| Cheque received and deposited in the bank | 8,25,000  |
| Discount allowed                          | 37,500    |
| Irrecoverable amount                      | 17,500    |
| Returns inwards                           | 28,000    |
| Bills receivable received from customers  | 1,05,000  |
| Bills receivable matured                  | 2,80,000  |
| Bills discounted                          | 65,000    |
| Bills endorsed to creditors               | 70,000    |

[Ans : Credit sales : ₹ 5,16,000].

27. From the following information ascertain the opening balance of sundry debtors and closing balance of sundry creditors

|   | ₹        |
|---|----------|
| Opening stock                               | 30,000   |
| Closing stock                               | 25,000   |
| Opening creditors                           | 50,000   |
| Closing debtors                             | 75,000   |
| Discount allowed by creditors               | 1,500    |
| Discount allowed to customers               | 2,500    |
| Cash paid to creditors                      | 1,35,000 |
| Bills payable accepted during the period    | 30,000   |
| Bills receivable received during the period | 75,000   |
| Cash received from customers                | 2,20,000 |
| Bills receivable dishonoured                | 3,500    |
| Purchases                                   | 2,95,000 |

The rate of gross profit is 25% on selling price and out of the total sales ₹ 85,000 was for cash sales.

$$\text{Hint : Total sales} = 4,00,000 = 3,00,000 \times \frac{100}{75}$$

[Ans : Opening balance of debtors : ₹ 54,000 ; Closing balance of creditors: ₹ 1,78,500].

28. Mrs. Bhavana keeps his books by Single Entry System. You're required to prepare final accounts of her business for the year ended March 31, 2017. Her records relating to cash receipts and cash payments for the above period showed the following particulars :

### Summary of Cash

Dr.

Cr.

| Receipts                | Amount<br>₹ | Payments                             | Amount<br>₹ |
|-------------------------|-------------|--------------------------------------|-------------|
| Opening balance of cash | 12,000      | Paid to creditors                    | 53,000      |
| Further capital         | 20,000      | Business expenses                    | 12,000      |
| Received from debtors   | 1,20,000    | Wage paid                            | 30,000      |
|                         |             | Bhavana's drawings                   | 15,000      |
|                         |             | Balance at bank on<br>March 31, 2017 | 35,000      |
|                         |             | Cash in hand                         | 7,000       |
|                         | 1,52,000    |                                      | 1,52,000    |

The following information is also available :

|                 | April 01, 2016<br>₹ | March 31, 2017<br>₹ |
|-----------------|---------------------|---------------------|
| Debtors         | 55,000              | 85,000              |
| Creditors       | 22,000              | 29,000              |
| Stock           | 35,000              | 70,000              |
| Plant           | 10,00,000           | 1,00,000            |
| Machinery       | 50,000              | 50,000              |
| Land & Building | 2,50,000            | 2,50,000            |
| Investment      | 20,000              | 20,000              |

All her sales and purchases were on credit. Provide depreciation on plant and building by 10% and machinery by 5%, make a provision for bad debts by 5%.

[Ans : Gross profit ; ₹ 95,000 ; Net profit : ₹ 41,250 ; Total of balance sheet : ₹ 5, 75,250].

**Checklist to Test Your Understanding**1. *Test Your Understanding - I*

1. (b)    2. (d)    3. (a)    4. (b)

2. *Test Your Understanding - II*

- |                                       |                                     |
|---------------------------------------|-------------------------------------|
| 1. Total debtors                      | 2. Opening capital, closing capital |
| 3. Fresh capital introduced, drawings | 4. Small traders                    |

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