

Plus One Accountancy Notes Chapter 9

Accounts from Incomplete Records

Summary:

Incomplete Records:

Incomplete records refer to a lack of accounting records according to the double-entry system. It is an incomplete, unscientific and unsystematic method of keeping the books of accounts of a trader.

Computation of profit and loss from incomplete records:

The statement of affairs is used to compute capital when a firm has a set of incomplete records. It shows assets on one side and the liabilities on the other as in the case of a balance sheet. The difference between the totals of the two sides is the capital.

Format of Statement of Affairs:

Statement of Affairs as on

| Liabilities | Amount | Assets | Amount |
|----------------------------|--------|----------------------------|--------|
| Bills Payable | xxx | Land & Building | xxx |
| Sundry Creditors | xxx | Machinery | xxx |
| Outstanding Exp. | xxx | Furniture Stock | xxx |
| Capital (Balancing Figure) | xxx | Sundry Debtors | xxx |
| | | Bills Receivables | xxx |
| | | Prepaid Expenses | xxx |
| | | Cash in Bank | xxx |
| | | Capital (Balancing Figure) | xxx |
| | xxxx | | xxxx |

The statement of profit or loss is prepared to ascertain the exact amount of profit or loss made during the year.

Format of Statement of Affairs:

Statement of Profit or Loss for the year ended

| Particulars | Amount |
|--|--------|
| Capital of the year as at the end (Computed from statement of affairs) | xxx |
| Add : Drawings during the year | xxx |
| | xxx |
| Less : Additional capital introduced during the year | xxx |
| Adjusted capital at the end of the year | xxx |
| Less : Capital as at the beginning of the year (Computed from statement of affairs) | xxx |
| Profit or Loss made during the year. | xxx |

Preparation of Profit and Loss Account and Balance Sheet. (Conversion method):

In order to prepare final accounts from incomplete records, we have to find out the missing figures by making further computations and adjustments to the available information. The following are the steps to prepare the final accounts from incomplete records.

- (i) Preparation of statement of Affairs.
- (ii) Preparation of cash book
- (iii) Ascertaining credit purchases and credit sales:-

Credit purchase can be ascertained by preparing a statement or by preparing Total creditors Account.

Format of Total Creditors Account:

| Dr. | | | | Cr. | | | |
|------|-------------------|------|-------------|------|-------------------------------|------|-------------|
| Date | Particulars | J.F. | Amt. Rs. | Date | Particulars | J.F. | Amt. Rs. |
| | Cash paid |  | ..... |  | Balance b/d |  | ..... |
| | Bank |  | ..... |  | Bank (cheques dishonoured) |  | ..... |
| | (cheques issued) |  | ..... |  | Bills payable |  | ..... |
| | Bills payable |  | ..... |  | (bills dishonoured) |  | ..... |
| | (bills accepted) |  | ..... |  | Credit purchases |  | ..... |
| | Discount received |  | ..... |  |  |  |  |
| | Purchases return |  | ..... |  |  |  |  |
| | Balance c/d |  | ..... |  |  |  |  |
| | | | xxxxxxx | | | | xxxxxxx |

Format of Total Creditors Account:

| Dr. | | | | Cr. | | | |
|------|---|------|-------------|------|--------------------------------------|------|-------------|
| Date | Particulars | J.F. | Amt. Rs. | Date | Particulars | J.F. | Amt. Rs. |
| | Balance b/d |  | ..... |  | Cash (cash received) |  | ..... |
| | | | | | Bank (cheque received) |  | ..... |
| | Bills receivable (bills dishonoured) |  | ..... |  | Discount allowed |  | ..... |
| | Bank (cheque dishonoured) |  | ..... |  | Bad debts |  | ..... |
| | Credit sales |  | ..... |  | Sales return |  | ..... |
| | | | | | Bills receivable (bills received) |  | ..... |
| | | | | | Balance c/d |  | ..... |
| | | | xxx | | | | xxx |

(a) Bills Receivable and Bills payable Accounts are prepared for finding out their opening or closing balances or for finding out the amount of bills accepted or bills received during the year.

(b) The proforma of total bills receivable account and total bills payable account. The proforma of total bills receivable account and total bills payable account is shown.

Total Bills Receivable Account:

| Dr. | | | | Cr. | | | |
|------|------------------------------------|------|-------------|------|---------------------------------------|------|-------------|
| Date | Particulars | J.F. | Amt. Rs. | Date | Particulars | J.F. | Amt. Rs. |
| | Balance b/d |  | ..... |  | Bank (bills honoured) |  | ..... |
| | Sundry debtors (bills received) |  | ..... |  | Sundry debtors (bills dishonoured) |  | ..... |
| | | | | | Balance c/d |  | ..... |
| | | | xxx | | | | xxx |

Total Bills Payable Account:

| Dr. | | | | | Cr. | | |
|------|---|------|-------------|------|--------------------------------------|------|-------------|
| Date | Particulars | J.F. | Amt. Rs. | Date | Particulars | J.F. | Amt. Rs. |
| | Bank (bills matured) |  | ..... |  | Balance b/d |  | ..... |
| | Sundry creditors (bills dishonoured) |  | ..... |  | Sundry creditors (bills accepted) |  | ..... |
| | Balance c/d |  | ..... |  |  |  |  |
| | | | X X X | | | | X X X |

(iv) Calculate:

- Total purchase by adding cash purchases and credit purchases.
- Total sales by adding cash sales and credit sales.

(v) Prepare Trial balance with the given information and missing information ascertained:
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 |

(vi) Prepare final accounts in the usual manner.