

Chapter 3 - Accounts From Incomplete Records

Question:1

State the meaning of incomplete records?

Solution:

Accounts that are **not** recorded as per the double entry system are known as incomplete records. According to Kohler (*Dictionary for Accountants*), single entry system is defined as, “ *A system of book-keeping in which as a rule, only records of cash and of personal accounts are maintained; it is always incomplete double entry, varying with circumstances.*”

Many small-sized business firms maintain incomplete records of their business transactions. They do **not** maintain proper books of accounts and mainly prepare books like, Cash Book, personal accounts (of debtors and creditors) and Balance Sheet at the end of the year. They maintain books as per their needs. This system is also known as defective double entry system. The preparation of financial statements is neither as easier nor as effective, as it is under double entry system. Consequently, accurate profit or loss is **not** possible to ascertain.

Question:2

What are the possible reasons for keeping incomplete records?

Solution:

The possible reasons for keeping incomplete records are:

- 1. Simple method:** Proprietors, who do **not** have the proper knowledge of accounting principles, find it much convenient and easier to maintain their business records under this system.
- 2. Less time consuming:** Maintaining books according to the single entry system is less time consuming, as only few books are to be maintained. Further, the books are **not** as comprehensive as they are under double entry system.
- 3. Less expensive:** It is an economical mode of maintaining records, as there is **no** need to appoint specialised accountant.
- 4. Flexible:** Owner may record transactions as per his/her own needs. It can be easily adjusted or changed whenever needed.

Question:3

Distinguish between statement of affairs and balance sheet.

Solution:

Difference between Statement of Affairs and Balance Sheet

Basis of Difference	Statement of Affairs	Balance Sheet
Objective	It is prepared to determine the amount of capital at a particular date.	It is prepared to ascertain the true financial position.
Reliability	It is based on estimates; hence, it is less reliable.	It is based on sophisticated and well developed principles; hence, it is more reliable.

Accounting Method	It is prepared from incomplete records of business transactions under single entry system.	It is prepared when accounts are maintained under double entry system.
Omission	Omission of assets and liabilities cannot be easily identified.	Omission of assets and liabilities can be easily identified, as omission will lead to mismatch of either sides of the balance sheet.

Question:4

What practical difficulties are encountered by a trader due to incompleteness of accounting records?

Solution:

The following are the difficulties that are encountered by a trader due to incompleteness of accounting records.

- 1. Accuracy of accounts:** Arithmetical accuracy of accounts can **not** be ascertained, since proper records of accounts are **not** maintained. Consequently, Trial Balance **cannot** be prepared.
- 2. Encourages fraud:** As the arithmetical accuracy **cannot** be determined; so, this encourages fraud and provides sufficient scope for bluffing and carelessness.
- 3. Difficult to ascertain correct profit or loss:** Since all expenses and income are **not** recorded, true profit or loss **cannot** be correctly ascertained.
- 4. Difficult to analyse the true financial position:** As profit or loss **cannot** be ascertained easily, so the Balance Sheet cannot be easily prepared. Hence, the absence of Balance Sheet will **not** reflect the true financial position of the business.
- 5. Difficulty in comparison:** Due to the incomplete records and **non-availability** of previous years' data, comparison is **not** possible. By the same token, comparisons with other firms are also **not** possible.
- 6. Unacceptable to tax authorities:** It does **not** reflect the true and acceptable presentation of expenses and revenues. Hence, these are **not** acceptable by the tax authorities.
- 7. Raising funds:** Since analysis of solvency, profitability and liquidity of business **cannot** be done, it is difficult to raise fund from outside.

Question:5

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?

Solution:

A Statement of Affairs resembles Balance Sheet; however, it is **not** called a Balance Sheet. The statement of affairs is a Statement of Assets and Liabilities. The main difference between a Statement of Affairs and a Balance Sheet is that while the former is prepared on the basis of physical counts and improper source documents, the latter is prepared purely on the basis of ledger accounts. Thus, the authentication and relevance of the latter is guaranteed. The excess of assets over liabilities (i.e., balancing figure) is denoted as the capital of the firm. The performa of the statement of affairs is presented below.

Statement of Affairs as on...

Liabilities	Amount Rs	Assets	Amount Rs
Bills Payable	–	Land and Building	–

Creditors	–	Plant and Machinery	–
Outstanding Expense		Furniture	
Capital (Balancing Figure) [@]		Stock	–
		Debtors	–
		Cash and Bank	–
		Prepaid Expenses	–
		Capital- <i>Deficiency</i> (Balancing Figure, if any)*	

* When liabilities are more than assets, then the balancing figure is denoted by Capital-*Deficiency* in the assets side of the statement of affairs.

[@] When the assets' balance exceeds liabilities' balance, the balancing figure is denoted by Capital in the liabilities side of the statement of affairs.

For ascertaining profit or loss, if capital in the beginning is **not** given, then opening statement of affairs is prepared in order to calculate the capital in the beginning. Once the opening capital and closing capital is calculated, a Statement of Profit or Loss is prepared to determine the amount of profit earned or loss incurred during the accounting period.

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

Particulars	Amount Rs
Closing capital at the end of the year	–
Add: Drawings made during the year	–
Less: Additional capital introduced during the year	–
Adjusted capital at the end of the year	–
Less: Capital in the beginning of the year	–
Profit (Loss) for the year	–
(Balancing figure)	

Question:6

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.

Solution:

The Profit and Loss Account and the Balance Sheet can be prepared from the incomplete book of accounts through Conversion Method. According to this method, incomplete records are converted into double entry records. In case of incomplete records, details of some transactions are easily available like cash sales, cash purchases, creditors, debtors; however, there are number of transactions, the details of which may **not** be available directly. Yet, these details can be found out indirectly or logically. Some of the important items that are vital for preparing Balance Sheet are given below.

1. Opening Capital
2. Closing Capital
3. Credit Purchases
4. Cash Purchases
5. Credit Sales

6. Cash Sales
7. Payment from Debtors
8. Payment to Creditors
9. Opening Stock
10. Closing Stock

Below given are the steps included in the conversion method in a chronological order.

1. If opening capital is **not** given, then the first step is to prepare opening Statement of Affairs that gives the Opening Capital.
2. The second step is to prepare Cash Book that gives the opening or the closing cash and bank balance.
3. The next step is to prepare Total Debtors Account. It is prepared in order to find out one of the missing figures, such as credit sales, opening debtors, closing debtors and cash received from debtors.
4. The subsequent step is to prepare Total Creditors Account to ascertain one of the missing figures, such as credit sales, opening creditors, closing creditors and cash paid to the creditors.
5. The last step is to prepare final accounts. On the basis of the missing figures ascertained in each of the above steps, along with other mentioned information, Trading and Profit and Loss Account and Balance Sheet can be prepared.

Question:7

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.

Solution:

1. Opening capital and closing capital: Opening capital can be ascertained by preparing opening statement of affairs at the beginning of the accounting period and closing capital can be ascertained by preparing closing Statement of Affairs at the end of the accounting period.

Statement of Affairs as on....

Liabilities	Amount Rs	Assets	Amount Rs
Bills Payable	—	Land and Building	—
Creditors	—	Machinery	—
Outstanding Expense	—	Furniture	—
Capital (Balancing Figure) [@]	—	Stock	—
		Debtors	—
		Cash and Bank	—
		Prepaid Expenses	—
		Capital- <i>Deficiency</i> (Balancing Figure)*	—

* When liabilities are more than assets, capital appears in assets side, as it is balancing figure.

@ When the assets' balance exceeds liabilities' balance, the balancing figure is denoted by capital in the Liabilities side of the Statement of Affairs.

2. Credit Sales and Credit Purchases: Credit sales are ascertained as the balancing figure of the Total Debtors Account and Credit Purchases are ascertained as the balancing figure of the Total Creditors Account.

Total Debtors Account

Dr.			Cr.		
Particulars	J.F.	Amount Rs	Particulars	J.F.	Amount Rs
Balance b/d		—	Cash		—
Bills Receivable		—	Bank		—
(Bill Dishonoured)			Discount Allowed		—
Bank (Cheque Dishonoured)		—	Bad Debts		—
Credit Sales (Balancing Figure)		—	Sales Returns		—
			Bills Receivable (Bill Drawn)		—
			Balance c/d		—

Total Creditors Account

Dr.			Cr.		
Particulars	J.F.	Amount Rs	Particulars	J.F.	Amount Rs
Cash		—	Balance b/d		—
Bank		—	Bank (Cheque Dishonoured)		—
Bills Payable		—	Bills Payable (Bills Dishonoured)		—
Discount Received		—	Credit Purchases		—
Purchases Returns		—	(Balancing Figure)		—
Balance c/d		—			

3. Payment to creditors and collection from debtors: Payment to the creditors are ascertained from the Total Creditors Account as a balancing figure and collection from debtors are ascertained from the Total Debtors Account as a balancing figure.

4. Closing balance of cash: Closing balance of cash is ascertained from the Cash Book, which shows all receipts in the debit side and all payments in the credit side during an accounting year and the balancing figure of the cash book is the closing balance of cash.

Question:8

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

Rs

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

Solution:

Statement of Profit and Loss

Particulars	Amount Rs
Capital at the end of the year	5,00,000
Add: Drawings made during the year	3,75,000
Less: Capital in the beginning of the year	(7,50,000)
Less: Additional capital introduced	(50,000)
Profit during the year	75,000

Question:9

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

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

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

Solution:

Books of Manveer

Statement of Affairs as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Loan from Susheel	45,000	Cash	99,000
		Bills Receivable	75,000
		Plant	48,000
Closing Capital (Balancing Figure)	4,07,000	Land and Building	1,80,000
		Furniture	50,000
	4,52,000		4,52,000

Statement of Profit and Loss as on March 31, 2017

Particulars	Rs
Capital on March 31, 2017	4,07,000
Add: Drawings made during the year (Rs 8,000 × 12)	96,000
Less: Capital on April 01, 2016	(4,50,000)
Profit during the year 2017	53,000

Question:10

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

Rs

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

Solution:

Statement of Affairs

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	33,400	Stock	59,500
Capital (Balancing figure)	62,700	Sundry Debtors	25,900
		Business Premises	8,600
		Machinery	2,100
	96,100		96,100

Statement of Profit and Loss

Particulars	Amount Rs
Capital at the end of the year	62,700
Add: Drawings made during the year	26,400
Less: Capital of the beginning of the year	(70,000)
Less: Additional capital introduced during the year	(17,500)
Profit during the year	1,600

Question:11

From the following information, calculate capital at the beginning:

	Rs
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

Solution:

$$\begin{aligned}
 \text{Capital in the beginning} &= \text{Capital at the end} + \text{Drawings} - (\text{Fresh Capital Introduced} + \text{Profit}) \\
 &= 4,00,000 + 60,000 - (1,00,000 + 80,000) \\
 &= \text{Rs } 2,80,000
 \end{aligned}$$

Note: As per the solution, the profit should be of Rs 2,80,000; but, the answer given in the book is Rs 2,60,000.

Question:12

Following information is given below: calculate the closing capital

April.01, 2016	March.31, 2017
Rs	Rs

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

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

Solution:

Statement of Affairs as on April 01, 2016

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	5,000	Bills Receivable	30,000
Bills Payable	10,000	Stock	5,000
Capital (Balancing figure)	22,000	Cash	2000
	37,000		37,000

Statement of Affairs as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	30,000	Bills Receivable	50,000
Loan	50,000	Stock	30,000
Capital (Balancing figure)	20,000	Cash	20,000
	1,00,000		1,00,000

Capital on March 31, 2017 (Closing) is Rs 20,000

Statement of Profit and Loss

Particulars	Amount Rs
Capital on March 31, 2017	20,000
Less: Capital on April 01, 2016	(22,000)
Loss during the year 2017	(2,000)

Question:13

Mrs Anu started firm with a capital of Rs 4,00,000 on 1st October 2016. She borrowed from her friends a sum of Rs 1,00,000 @ 10% per annum (interest paid) for business and brought a further amount to capital Rs 75,000 on March 31, 2017, her position was :

	Rs
Cash	30,000
Stock	4,70,000
Debtors	3,50,000
Creditors	3,00,000

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

Solution:

Books of Mrs. Anu

Statement of Affairs as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	3,00,000	Cash	30,000
10% Loan from Friends	1,00,000	Stock	4,70,000
Capital (Balancing figure)	4,50,000	Debtors	3,50,000
	8,50,000		8,50,000

Statement of Profit and Loss as on March 31, 2017

Particulars	Amount Rs
Capital on March 31, 2017	4,50,000
Add: Drawings during the year (8,000 × 6 months)	48,000
Less: Capital on October 01, 2016	(4,00,000)
Less: Additional capital introduced	(75,000)
Mrs. Anu earned profit during the year 2017	23,000

Question:14

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.

	Rs
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

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

Solution:

Books of Mr. Arnav

Statement of Affairs at the end of year

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	6,00,000	Bills Receivable	60,000
Capital (Balance figure)	16,40,000	Cash in Hand	80,000
		Furniture	9,00,000
		Building	10,00,000
		Stock in Trade	2,00,000
	22,40,000		22,40,000

Statement of Profit and Loss

Particulars	Amount Rs
Capital at the end of the year	16,40,000
Add: Drawings during the year	80,000
Less: Capital at the beginning of the year	(15,00,000)
Less: Further capital introduced	(3,20,000)

Loss during the year	1,00,000
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Question:15

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

April 01, 2016 March 31, 2017

	Rs	Rs
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 Rs 45,000 and introduced Rs 25,000 as further capital in the business compute the profit or loss of the business.

Solution:

Books of Mr. Akshat

Statement of Affairs as on April 01, 2016

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	66,000	Cash in Hand	1,000
Bills Payable	44,000	Cash at Bank	15,000
Capital (Balancing figure)	1,32,500	Stock	1,00,000
		Debtors	42,500
		Business Premises	75,000
		Furniture	9,000
	2,42,500		2,42,500

Statement of Affairs as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	87,000	Cash in Hand	1,500
Bills Payable	58,000	Cash at Bank	10,000
Capital (Balancing figure)	1,74,000	Stock	95,000
		Debtors	70,000
		Business Premises	1,35,000
		Furniture	7,500
	3,19,000		3,19,000

Statement of Profit and Loss as on March 31, 2017

Particulars	Amount Rs
Capital on March 31, 2017	1,74,000
Add: Drawings made during the year	45,000
Less: Capital on April 01, 2016	(1,32,500)
Less: Additional capital introduced	(25,000)
Profit earned by Mr. Akshat during the year 2016–2017	61,500

Question:16

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

April. 01, 2016 March. 31,
2017

	Rs	Rs
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 Building	30,000	20,000
Furniture	10,000	10,000

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

Solution:**Books of Gopal****Statement of Affairs as on April 01, 2016**

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	60,000	Cash in hand	18,000
Loan	10,000	Cash at bank	1,500
		Stock in trade	80,000
		Sundry Debtors	36,000
		Office Equipments	25,000
Capital (Balancing figure)	1,30,500	Land and Buildings	30,000
		Furniture	10,000
	2,00,500		2,00,500

Statement of Affairs as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	40,000	Cash in Hand	12,000
Loan	8,000	Cash at Bank	2,000
		Stock in Trade	90,000
		Sundry Debtors	60,000
		Office Equipments	30,000
Capital (Balancing figure)	1,76,000	Land and Buildings	20,000
		Furniture	10,000
	2,24,000		2,24,000

Statement of Profit and Loss as on March 31, 2017

Particulars	Amount Rs
Capital on March 31, 2017	1,76,000
Add: Drawing made during 2017	12,000
Less: Capital on April 01, 2016	(1,30,500)
Less: Additional capital introduced	(20,000)

Profit during the year	37,500

Note: As per the solution, the profit during the year should be Rs 37,500; whereas, the profit given in the book is Rs 53,500.

Question:17

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

	April. 01, 2016	March. 31, 2017
	Rs	Rs
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 Rs 300 per month for personal expenses. He sold his investment of Rs 16,000 at 2% premium and introduced that amount into business.

Solution:

Statement of Affairs as on April 01, 2016

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	14,000	Cash	1,200
		Debtors	16,800
		Stock	22,400
		Furniture	7,500
Capital (Balancing figure)	33,900		
	47,900		47,900

Statement of Affairs as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	15,200	Cash	1,600
		Bills Receivable	2,400
		Debtors	27,200
		Stock	24,400
Capital (Balancing figure)	56,400	Investment	8,000
		Furniture	8,000
	71,600		71,600

Statement of Profit and Loss as on March 31, 2017

Particulars	Amount Rs
Capital on March 31, 2017	56,400
Add: Drawing made during the year (Rs 300 × 12)	3,600
Less: Capital on April 01, 2016	(33,900)
Less: Additional Capital Introduced	(16,320)
Profit earned during the year 2017	9,780

Working Note:

$$\begin{aligned}
 \text{Additional Capital} &= 16,000 \frac{102}{100} \\
 \text{Introduced} &\times \\
 &= 16,320
 \end{aligned}$$

Question:18

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

Liabilities	Amount Rs	Assets	Amount Rs
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:

Rs

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

Solution:**Books of Mr. Girdhari Lal****Statement of Affairs as on April 31, 2016**

Liabilities	Amount Rs	Assets	Amount Rs
Bills Payable	20,200	Cash in Hand	7,000
Creditors	15,000	Stock	8,600
Capital (Balancing figure)	39,550	Debtors	23,800
		Furniture	15,000
		Plant	20,350
	74,750		74,750

Statement of Profit and Loss

Particulars	Amount Rs
Capital at the end of the year	39,550
Add: Drawings (Rs 500 × 12 months)	6,000
Less: Capital at the beginning of the year 2016	(40,000)
Less: Additional capital introduced	(1,500)
Profit earned during the year 2017	4,050

Question:19

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

	April. 01, 2016	March. 31, 2017
	Rs	Rs
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 Rs 50,000 and invested this amount into the business. He withdrew from the business Rs 1,500 per month upto October 31, 2016 and thereafter Rs 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.

Solution:**Books of Mr. Ashok****Statement of Affairs as on April 01, 2016**

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	45,000	Sundry Debtors	22,500
Loan from Wife	66,000	Land and Building	89,600
Bank Overdraft	25,000	Cash in Hand	7,500
Capital (Balancing figure)	18,900	Furniture	1,300
		Stock	34,000
	1,54,900		1,54,900

Statement of Affairs as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	93,000	Land and Building	90,000
Loan from Wife	57,000	Cash in Hand	8,700
		Furniture	1,300
		Stock	25,000
		Capital (Balancing figure)	25,000
	1,50,000		1,50,000

Statement of Profit and Loss

Particulars	Amount Rs
Capital on March 31, 2017	(25,000)
Add: Drawings (Rs 1,500 × 7 months) + (4,500 × 5 months)	33,000
Less: Capital on April 01, 2016	(18,900)
Less: Additional capital introduced (sale of car)	(50,000)
Loss during the year 2017	(60,900)

Note: As per the solution, the loss incurred during the year 2011 is Rs 60,900; while the answer given in the book

shows Rs 57,900.

Question:20

Krishna Kulkarni has not kept proper books of accounts prepare the statement of profit or loss for the year ending December 31, 2011 from the following information:

	April. 01, 2016	March. 31, 2017
	Rs	Rs
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 Rs 5,000 per month for private use.
- Depreciation @ 5% on car and furniture @10%.
- Outstanding Rent Rs 6,000.
- Fresh Capital introduced during the year Rs 30,000.

Solution:

Books of Krishna Kulkarni

Statement of Affairs as on April 01, 2016

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	10,000	Cash in Hand	10,000
Bills Payable	4,000	Debtors	20,000
		Bills Receivable	20,000
		Stock	40,000
		Furniture	8,000
		Investment	40,000
Capital (Balancing figure)	2,24,000	Cast at Bank	1,00,000
	<u>2,38,000</u>		<u>2,38,000</u>

Statement of Affairs as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Creditors	46,000	Cash in Hand	36,000
Bills Payable	42,000	Debtors	80,000
Outstanding Expenses	6,000	Bills Receivable	24,000
		Car	80,000
		Less: Depreciation	
		5%	(4,000)
			76,000
		Stock	30,000
		Furniture	48,000
		Less: Depreciation	
		10%	4,800
			43,200
Capital (Balancing figure)	3,35,200	Investment	50,000
		Cast at Bank	90,000

	4,29,200		4,29,200

Statement of Profit and Loss

Particulars	Amount Rs
Capital on March 31, 2017	3,35,200
Add: Drawings made during the year (Rs 5,000 × 12 months)	60,000
Less: Capital on April 01, 2016	(2,24,000)
Less: Fresh capital introduced during the year	(30,000)
Profit earned during the year 2017	1,41,200

Question:21

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

	April. 31, 2016	March. 31, 2017
	Rs	Rs
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 Rs 10,000 p.m. for personal use, fresh capital introduce during the year Rs 2,00,000. A bad debts of Rs 2,000 and a provision of 5% is to be made on debtors outstanding salary Rs 2,400, prepaid insurance Rs 700, depreciation charged on furniture and machine @ 10% p.a.

Solution:

Statement of Affairs as on April 31, 2016

Liabilities	Amount Rs	Assets	Amount Rs
Bank Overdraft	30,000	Cash in Hand	6,000
Sundry Creditors	26,000	Stock	50,000
Bills Payable	6,000	Sundry Debtors	60,000
		Furniture	40,000
		Bills Receivable	8,000
		Machinery	50,000
Capital (Balancing figure)	1,82,000	Investment	30,000
	2,44,000		2,44,000

Statement of Affairs as on March. 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	40,000	Cash in Hand	24,000
Bills Payable	12,000	Stock	80,000
Outstanding Salary	2,400	Sundry Debtors	1,40,000

		Less: Bad-debt	2,000	
			<u>1,38,000</u>	
		Less: 5% Provision	<u>(6,900)</u>	1,31,100
		Furniture	60,000	
		Less: Depreciation	<u>(6,000)</u>	54,000
		Bills Receivable		28,000
		Machinery	1,00,000	
		Less: Depreciation	<u>(10,000)</u>	90,000
		Investment		80,000
		Prepaid Insurance		700
Capital (Balancing figure)	4,33,400			
	<u>4,87,800</u>			<u>4,87,800</u>

Statement of Profit and Loss

Particulars	Amount Rs
Capital on March 31, 2017	4,33,400
Add: Drawings made during the year (Rs 10,000 × 12)	1,20,000
Less: Capital on April 31, 2016	(1,82,000)
Less: Fresh capital introduced during the year	(2,00,000)
Profit earned during the year 2017	<u>1,71,400</u>

Note: As per the solution, the profit earned during the year is Rs 1,71,400; while, according to the book, the answer is Rs 1,41,200.

Question:22

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

	Rs
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

Solution:

Creditors Account

Dr.			Cr.
Particulars	Amount Rs	Particulars	Amount Rs
Discount Received	26,000	By Balance b/d	1,80,425
Return Outwards	37,200	Purchases – credit	
Bills accepted	1,99,000	(8,97,000 – 1,40,000)	7,57,000

B/R (endorsed to creditors)	26,000		
Balance c/d	2,09,050		
Cash/Bank (Balancing figure)	4,40,175		
	9,37,425		9,37,425

Amount paid to Creditors is Rs 4,40,175.

Question:23

Find out the credit purchases from the following:

Rs

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

Solution:

Creditors Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Cash	1,80,000	Balance b/d	45,000
Bank	60,000	B/P (dishonoured)	3,000
Discount Received	5,400	B/R (dishonoured)	1,800
B/P (accepted)	12,750	Purchases – credit	
Return Outwards	7,500	(Balancing figure)	2,56,350
B/R (endorsed to creditors)	4,500		
Balance c/d	36,000		
	3,06,150		3,06,150

Credit Purchases Rs 2,56,350

Question:24

From the following information calculate total purchases.

Rs

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

Solution:

Creditors Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Cash	1,51,000	Balance b/d	30,000
Return Outwards	6,000	Purchases – credit	2,01,500
Bills Payable (accepted)	54,500	(Balancing figure)	
Balance c/d	20,000		
	<u>2,31,500</u>		<u>2,31,500</u>

Bills Payable Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Cash (Bills discharged)	44,500	Balance b/d	25,000
		Creditors – (Bills Payable accepted) (Balancing figure)	54,500
Balance c/d	35,000		
	<u>79,500</u>		<u>79,500</u>

Total Purchases = Cash Purchases + Credit Purchases (as per Creditors Account)
= 1,29,000 + 2,01,500
= Rs 3,30,500

Question:25

The following information is given

	Rs
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

Solution:

Creditors Account

Dr.		Cr.	
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Particulars	Amount Rs	Particulars	Amount Rs
Cash	30,000	Balance b/d	60,000
Purchases Return	12,000	B/P (dishonoured)	8,000
B/P (accepted) (see note)	27,000	By Purchases – credit	37,000
Balance c/d	36,000	(Balancing figure)	
	1,05,000		1,05,000

Note: In order to match the answer with NCERT book, in the solution bills payable matured has been assumed as bills payable accepted.

Question:26

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

Rs

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

Solution:

Bills Payable Account

Dr.			Cr.
Particulars	Amount Rs	Particulars	Amount Rs
Creditors (dishonoured)	28,000	Balance b/d	1,80,000
Cash/Bank	50,000	Creditors (acceptance)	1,18,000
Balance c/d	2,20,000	(Balancing figure)	
	2,98,000		2,98,000

Question:27

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

Rs

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

Solution:

Bills Payable Account

Dr.			Cr.
Particulars	Amount Rs	Particulars	Amount Rs
Creditors (Bill dishonoured)	37,000	Balance b/d	70,000
Cash/Bank (Balancing figure)	38,000	Creditors - acceptance	90,000
Balance c/d	85,000	(Balancing figure)	

	1,60,000	1,60,000

Bill Payable matured during the year is Rs 38,000.

Question:28

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

Rs

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

Solution:

Bills Payable Account

Dr.

Cr.

Particulars	Amount Rs	Particulars	Amount Rs
Creditors (Bills dishonoured)	17,000	Creditors (acceptance)	1,05,000
Cash/Bank (Balancing figure)	88,000		
	1,05,000		1,05,000

Account Payable Account

Dr.

Cr.

Particulars	Amount Rs	Particulars	Amount Rs
Discount Received	17,000	Purchases – Credit	2,15,000
Purchases Return	9,000	B/P (dishonoured)	17,000
Cash	50,000	Balance b/d (Balancing figure)	79,000
B/R (endorsed)	45,000		
B/P (acceptance)	1,05,000		
Balance c/d	85,000		
	3,11,000		3,11,000

Bills payable discharged is Rs 88,000 and the opening balance of creditors is Rs 79,000.

Question:29

Calculate the amount of bills receivable during the year.

Rs

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

Solution:

Bills Receivable Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	75,000	Debtors (B/R dishonoured)	25,000
		Cash/Bank (honoured)	1,30,000
Debtors (B/R received)	1,60,000	Creditors (endorsed)	15,000
(Balancing figure)		Balance c/d	65,000
	2,35,000		2,35,000

Bills receivable received from Debtors Rs 1,60,000.

Question:30

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

Rs

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

Solution:

Bills Receivable Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	1,20,000	Cash/Bank (honoured)	1,85,000
		Creditors (endorsed)	22,800
Debtors (B/R received)	1,50,000	Balance c/d	50,700
(Balancing figure)		Debtors (dishonoured)	11,500
	2,70,000	(Balancing figure)	
			2,70,000

Bills Receivable dishonoured is Rs 11,500.

Question:31

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

Rs

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

Solution:**Debtors Account**

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	45,000	Discount Allowed	2,500
B/R (dishonoured)	3,000	Sales Returns	8,500
Bank (cheque dishonoured)	7,700	Bad-debts (irrecoverable amount)	4,000
Sales – Credit	2,82,300	B/R (received)	12,000
(Balancing figure)		Cash	2,30,000
		Bank	25,000
		Balance c/d	56,000
	3,38,000		3,38,000

Credit sales is Rs 2,82,300

Total Sales = Cash Sales + Credit Sales
 = 80,000 + 2,82,300
 = Rs 3,62,300

Question:32

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

	Rs
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

Solution:**Debtors Account**

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	1,80,000	Return Inwards	78,000
Sales—Credit	14,50,000	Discount Allowed	55,000
		Cash	10,25,000
		Bad debt (irrecoverable amount)	10,000
		B/R (received)	1,61,000
		Balance c/d (Balancing figure)	3,01,000
	16,30,000		16,30,000

Bills Receivable Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	55,000	Cash (Bills matured)	80,500
		Creditors (endorsed)	60,000
		Balance c/d	75,500
Debtors (received) (Balancing figure)	1,61,000		
	2,16,000		2,16,000

The missing figure in the bills receivable account–B/R received from debtors Rs 1,61,000 and the missing figure in the debtors account–closing balance is Rs 3,01,000.

Question:33

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

Rs

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

Solution:

Debtors Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	14,00,000	Cash	10,75,000
Bank (cheque dishonoured)	27,000	Bank	8,25,000
B/R (dishonoured)	40,000	Discount Allowed	37,500
		Bad debt (irrecoverable amount)	17,500
		Return Inwards	28,000
Sales—Credit (Balancing figure)	6,21,000	B/R (received)	1,05,000
	20,88,000		20,88,000

Bills Receivable Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	7,00,000	Cash (B/R matured)	2,80,000
		Bank (Bill endorsed)	65,000
		Creditors (endorsed)	70,000
Debtors (B/R received)	1,05,000	Balance c/d	3,50,000
		Debtors (dishonoured)	40,000

		(Balancing figure)	
	8,05,000		8,05,000

Note: As per solution, the missing figure in the bills receivable account is B/R dishonoured of Rs 40,000. The missing figure in the debtors account is the credit sales of Rs 6,21,000, However, the NCERT book shows a credit sales Rs 5,16,000.

In order to match our answer with that of the book, B/R received from the customers is not shown in the debtors account.

Question:34

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

	Rs
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 Rs 85,000 was for cash sales.

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

Solution:

Sundry Debtors Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d (Balancing figure)	54,000	Discount Allowed	2,500
B/R (dishonoured)	3,500	B/R (received)	75,000
Sales—Credit	3,15,000	Cash	2,20,000
		Balance c/d	75,000
	3,72,500		3,72,500

Sundry Creditors Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Discount Received	1,500	Balance b/d	50,000
Cash	1,35,000	Purchases – credit	2,95,000
B/P (accepted)	30,000		
Balance c/d (Balancing figure)	1,78,500		
	3,45,000		3,45,000

Opening balance of debtors is Rs 54,000 and the closing balance of creditors is Rs 1,78,500.

Working Notes:

Total Sales = Cash Sales + Credit Sales

Total Sales = Cost of Goods Sold + Gross Profit

Cost of Goods Sold = Opening Stock + Purchases – Closing Stock

= 30,000 + 2,95,000 – 25,000

= Rs 3,00,000

Let sales be 100%

Sales = Cost of Goods sold + Gross Profit

Or, 100 = Cost of Goods sold + 25%

Cost of Goods Sold = 100% - 25% = 75%

$$\begin{aligned} \text{Gross Profit} &= \frac{\text{Cost of Goods Sold}}{\% \text{ of Cost of Goods Sold}} \times \% \text{ of Gross Profit} \\ &= \frac{3,00,000}{75} \times 25 \\ &= 1,00,000 \end{aligned}$$

Sales = Cost of Goods Sold + Gross Profit

= 3,00,000 + 1,00,000

= Rs 4,00,000

Total Sales = Cash Sales + Credit Sales

Or, 4,00,000 = 85,000 + Credit Sales

Or, Credit Sales = 4,00,000 – 85,000

Sales = Rs 3,15,000

Note: Here, it has been assumed that all purchases were made on credit.

Question:35

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 Rs	Payments	Amount Rs
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 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 Rs	March. 31, 2017 Rs
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 and 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%.

Solution:

Books of Mrs. Bhavana

Debtors Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	55,000	Cash	1,20,000
Sales—Credit	1,50,000	Balance c/d	85,000
	2,05,000		2,05,000

Creditors Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Cash	53,000	Balance b/d	22,000
Balance c/d	29,000	Purchases—Credit	60,000
	82,000		82,000

Statement of Affairs as on April.01, 2016

Particulars	Amount Rs	Particulars	Amount Rs
Creditors	22,000	Debtors	55,000
Capital—Opening	5,00,000	Stock	35,000
(Balancing figure)		Plant	1,00,000
		Machinery	50,000
		Land and Building	2,50,000
		Investment	20,000
		Cash	12,000
	5,22,000		5,22,000

Note: It has been assumed that total sales are credit sales (i.e. all sales are made on credit) and total purchases are credit purchases (i.e. all purchases are made on credit).

Plant of Rs 1,00,000 has been taken in to the statement of affairs on April 01, 2016, instead of Rs 10,00,000.

Trading Account as on March 31, 2017

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	35,000	Sales	1,50,000

Purchases	60,000	Closing Stock	70,000
Wages	30,000		
Profit and Loss (Gross Profit)	95,000		
(Balancing figure)			
	2,20,000		2,20,000

Profit and Loss Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Business Expenses	12,000	Trading (Gross profit)	95,000
Depreciation on Plant	10,000		
Depreciation on Building	25,000		
Depreciation Machines	2,500		
Provision for Doubtful Debt	4,250		
Net Profit	41,250		
(Balancing figure)			
	95,000		95,000

Balance Sheet as on March 31, 2017

Liabilities		Amount Rs	Assets		Amount Rs
Creditors		29,000	Debtors	85,000	
Capital—Opening	5,00,000		Less: 5% Provision for Bad-debt	(4,250)	80,750
Add: Net Profit	41,250		Stock		70,000
Add: Further Capital	20,000		Plant	1,00,000	
	5,61,250		Less: 10% Depreciation	(10,000)	90,000
Less: Drawings	(15,000)	5,46,250	Machinery	50,000	
			Less: 10% Depreciation	(2,500)	47,500
			Land and Building	2,50,000	
			Less: 10% Depreciation	(25,000)	2,25,000
			Investment		20,000
			Cash in Hand		7,000
			Cash at Bank		35,000
		5,75,250			5,75,250