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Competency Statements*Students are able to understand the meaning of Single Entry System**Students are able to distinguish between Single Entry System & Double Entry System.**Students are able to prepare opening & closing statements of affairs & statement of profit or loss of a Sole Trading Concern***10.1 Introduction:**

We have studied Double Entry System of Sole Trading concern in previous chapters. Now in this chapter we are going to learn Single Entry System of Sole Trading concern only. In ancient times there was no scientific method of recording business transactions. They were maintaining record of business transactions by their traditional methods. Single Entry System can be useful suitable for small size business, where the number of transactions are small. Single entry system is not a particular system of accounting rather it is a Double entry system in an incomplete and unscientific form. It is not a scientific and accurate system of Accounting.

Meaning of Single Entry System:

Under this system, Cash Book and personal accounts of debtors and creditors are maintained. Real and Nominal accounts are not maintained. Single Entry System has no proper set of rules to be followed.

Definitions:

- i) **Kohler** defines Single Entry System 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 the circumstances.”
- ii) **Carter** has defined Single Entry as, “a method or variety of methods, employed for the recording of transactions, which ignores the two fold aspect and consequently fails to provide the businessman with the information necessary for him to be able to ascertain his financial position.”

Single entry system is a combination of Single entry, Double entry and No Entry.

Single Entry System is suitable for the following reasons:

1. It is a very simple method of recording business transactions.
2. Accounting records can easily be maintained since it does not require adequate skill and knowledge of principles of Book Keeping.
3. It is less expensive as compared to Double Entry Book Keeping.
4. Ascertainment of Profit or Loss is much easier.
5. It is suitable to small concern with limited number of transactions and very few assets and liabilities.
6. It can be prepared easily in short period of time.

Difference between Single Entry System and Double Entry System

Points	Single Entry System	Double Entry System
1) Dual Aspect	Under this system each transaction is not recorded with dual aspect.	Under this system each transaction is recorded in dual aspect.
2) Accounts	Under this system Personal Accounts and Cash Accounts are maintained. Real and Nominal Accounts are not maintained.	Under this system, Personal Real and Nominal Accounts are maintained.
3) Trial Balance	Under this system Trial Balance cannot be prepared because of incomplete information of Accounting. Arithmetical accuracy of the accounting cannot be verified.	Under Double Entry System, Trial Balance can be prepared therefore arithmetical accuracy of the books of accounts is verified.
4) Profit or Loss	Under this system Profit and Loss Account is not prepared to find out the Net Profit or Net Loss.	Under this system Profit and Loss Account is prepared to find out Net Profit or Net Loss.
5) Balance sheet	Under this system only Statement of Affairs is prepared, Balance Sheet is not prepared.	Under this system to find out correct financial position, Balance Sheet is prepared.

6) Utility	Single Entry System is only useful to small business concerns.	Double Entry System is useful for all types of business concerns.
7) Rules	Single Entry System does not follow any accounting rules.	Double Entry System follows accounting rules.
8) Authenticity	The Government authorities do not consider this system as authentic.	The Government authorities consider this system as authentic
9) Expensive	Single Entry System is less expensive because time and labour involved is less.	Double Entry System is expensive compare to Single Entry System.
10) Financial Position	With the help of Statement of Affairs we can understand the estimated financial position of the business.	Balance Sheet is prepared to give true and fair financial position of business.

10.3 Preparation of Opening and Closing Statement of Affairs:

To find out the financial position of the business, under Single Entry System, following Statements are prepared.

- i) Opening Statement of Affairs
- ii) Closing Statement of Affairs
- iii) Statement of Profit or Loss.

Statements of Affairs:

A Statement of Affairs is a statement of Assets and Liabilities. It is as good as Balance Sheet. Right hand side is used for recording Assets and left hand is used recording for Liabilities. Statement of Affairs is prepared under the Single Entry System in order to find out the amount of Opening or Closing Capital of the business. The difference between the total of Assets and total of Liabilities is considered as the amount of capital.

Opening Statement of Affairs:

Opening Statement of Affairs is prepared to find out opening Capital balance. Opening Assets and Opening Liabilities are shown in the “Opening Statement of Affairs”. If the total of the Assets side is greater than the total of the Liability side it represents Opening Capital.

$$\text{Opening Capital} = \text{Opening Assets} - \text{Opening Liabilities}$$

Closing Statement of Affairs:

Closing Statement of Affairs is prepared at the end of the Accounting year to find out the closing Capital balance. Closing Assets and Closing Liabilities are shown in the “Closing Statement of Affairs”. If the total of the Assets side is greater than the total of the Liability side it represents Closing Capital.

$$\text{Closing Capital} = \text{Closing Assets} - \text{Closing Liabilities}$$

Following format of the Statement of Affairs may give the idea of items to be shown in it.

In the Books of -----
Statement of Affairs as on ----- -

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	-----	Plant and Machinery	-----
Bills Payable	-----	Furniture and Fixtures	-----
Outstanding Expenses	-----	Building	-----
Bank Overdraft	-----	Investments	-----
Bank Loan	-----	Sundry Debtors	-----
		Bills Receivable	-----
Capital (Balancing figure)	-----	Prepaid Expenses	-----
		Cash in Hand	-----
		Cash at Bank	-----
	-----		-----

(Note: Opening Statement of Affairs and Closing Statement of Affairs can be prepared in columnar form)

10.4 Preparation of Statement of Profit or Loss:

A statement of Profit or Loss is to be prepared in order to find out the Profit or Loss made during the year.

When Books of Accounts are maintained under Single Entry System profit made during the year is calculated by the following methods:

- i) Net Worth Method
- ii) Conversion Method

(Note: The Conversion method is not included the 11th standard syllabus, so it is not explained here)

Net Worth Method:

To ascertain Profit of a Business, Trading Account and Profit and Loss Account are prepared, but under Single Entry System it is not possible because of lack of adequate information. Therefore, under this system, profit is ascertained by preparing Statement of Profit or Loss.

After ascertaining capitals, they are compared with each other. If the Closing Capital is more than the Opening Capital the difference is Profit. If the Closing Capital is less than the Opening Capital the difference is Loss. Moreover, it is necessary to consider the other adjustments (i.e. Additional Capital, Drawings etc.) to ascertain Profit or Loss. This Profit or Loss is further adjusted for depreciation, interest on capital and provision for bad and doubtful debts to calculate Net Profit or Net Loss.

The following is the format of Statement of Profit or Loss:

In the Books of ----
Statement of Profit or Loss for the year ended -----

Particulars	Amount (₹)	Amount (₹)
Closing Capital/Capital at the end of the year		-----
Add : Drawings made during the year		
In Cash	-----	
In Kind	-----	
Less : Additional Capital brought during the year		-----
Adjusted Closing Capital		-----
Less : Opening Capital		
Net Profit/Loss for the year		-----

The following example can give the idea of calculating the Profit or Loss.

Opening Capital = ₹ 90,000

Closing capital = ₹ 1,50,000

Additional capital brought during the year ₹ 10,000.

Drawings made during the year ₹ 15,000.

Solution:

Statement of Profit or Loss for Year Ending-----

Particulars	Amt.(₹)	Amt. (₹)
Closing Capital		1,50,000
Add : Drawings		15,000
		1,65,000
Less : Additional Capital introduced during the year		10,000
Adjusted Closing Capital		1,55,000
Less : Opening Capital		90,000
Net Profit for the Year		65,000

10.5 Additional Information (Adjustments):

1. Additional Capital:

During Accounting Year, amount of cash or assets of any kind brought by proprietor into the business is called Additional Capital or Further Capital. Additional Capital is deducted from the Closing Capital in the Statement of Profit or Loss.

2. Drawings:

In the Statement of Profit or Loss, the amount of drawings is to be added to Closing Capital Balance. Closing Capital will be increased due to drawings during the accounting year.

3. Depreciation:

Depreciation should be recorded in the Statement of Profit or Loss. The amount of depreciation is a charged against Profit or Loss and is to be deducted.

4. Bad Debts:

The debts which are not recovered from a debtor is called Bad Debts. Hence it should be deducted in the statement of Profit or Loss.

5. Reserve for Doubtful Debts (provision for bad and doubtful debts)-

Reserve for bad and doubtful debts is to be deducted in the statement of Profit or Loss.

6. Undervaluation and Over valuation of Assets and Liabilities:

To find out the correct Profit or Loss of the business, if the assets and liabilities are undervalued or overvalued it is to be adjusted properly.

A) Undervaluation of Assets: In the Books of Accounts value of assets is undervalued so that the asset should be increased by the amount of undervaluation to bring it to proper value. Under valuation means lower capital which required to be adjusted and it is added in Statement of Profit or Loss.

B) Overvaluation of Assets: In the books of Accounts value of the Asset is already overvalued so that assets should be decreased by the amount of over valuation to bring it to the proper value. Overvaluation means higher capital which requires to be adjusted it is deducted in Statement of Profit or Loss.

C) Undervaluation of Liabilities: Undervaluation means liabilities are recorded at lesser amount which is to be adjusted. It is deducted from Statement of Profit or Loss.

D) Overvaluation of Liabilities: Overvaluation means the liabilities are recorded at higher amount which is to be adjusted, it is to be added in the Statement of Profit or Loss.

7) Interest on Loan:

The amount borrowed by the business is called as Loan. Interest on loan is the expenditure to the business, hence it is to be deducted in Statement of Profit or Loss.

8) Interest on Capital:

Interest on Capital is to be calculated on Opening Capital and also the amount of Additional Capital, which is utilized by the business. Interest on capital is expenditure to the business. Hence it is to be deducted from the Statement of Profit or Loss.

e.g. Opening Capital as on 31st March 2017 is ₹ 1,50,000 Additional Capital introduced in the business as on 1st Oct 2017 is ₹ 40,000. The rate of interest on capital is 10% p.a. The amount of interest will be as follows:

Interest on Capital	10% on ₹ 1,50,000 for one year	₹ 15,000
Interest on Additional Capital	10% on ₹ 40,000 for 6 months	₹ 2,000
Total Amount of Interest on capital		₹ 17,000

9) Interest on Drawings :

It is the income to the business; hence to be added in the Statement of Profit or Loss. If the date of drawings is not given and rate of interest is given, then interest on drawings is to be calculated for six months.

10) Outstanding/ Unpaid Expenses:

The expenses due but not paid during the year are known as Outstanding Expenses. It is to be deducted in Statement of Profit or Loss.

11) Prepaid Expenses/Expenses paid in Advance/Unexpired expenses :

In the business certain expenses are paid in advance which are known as Prepaid Expenses. Such expenses are not related with current year; hence it is added in Statement of Profit or Loss. The consolidated effect of the above adjustments can be seen at a glance in the following Statement of Profit or Loss.

Statement of Profit or Loss for Year Ended -----

Particulars	Amt.(₹)	Amt. (₹)
Closing Capital/Capital at the end of the accounting year		-----
Add : Drawings made during the accounting year		
In Cash	-----	
In Kind	-----	-----
Less : Additional Capital		-----
Adjusted Closing Capital		-----
Less : Opening Capital/Capital at the beginning of the accounting year		-----
Profit before adjustments:		-----
Add-Income and Gains during the accounting year		
1. Interest on Drawings	-----	
2. Interest on Investment	-----	
3. Prepaid Expenses	-----	
4. Outstanding Income	-----	
5. Undervaluation of Assets /Increase in the value of Assets	-----	
6. Overvaluation of Liabilities/Decrease in the value of Liabilities	-----	-----

Less : Expenses and Losses during the accounting year.		-----
1. Interest on Capital	-----	
2. Interest on Bank Loan	-----	
3. Bad debts and provision for bad and doubtful debts	-----	
4. Depreciation on fixed assets	-----	
5. Overvaluation of Assets (Decrease in the value of assets)	-----	
6. Undervaluation of Liabilities (Increase in the value of assets)	-----	
7. Outstanding Expenses	-----	
8. Income received in advance	-----	-----
Net Profit/Net Loss during the accounting year.	-----	-----

Problem: 1

Mr. Manoj keeps his books under Single Entry System and gives the following information:

Capital as on 31.3.2017 ₹ 80,000

Capital as on 31.3.2018 ₹ 1,00,000

Drawings made during the year ₹ 3,000

Additional Capital introduced during the year ₹ 8,000

Calculate Profit or Loss for the year ended 31st March, 2018.

Solution:

Statement of Profit or Loss for the year ended 31st March, 2018

Particulars	Amt.(₹)	Amt. (₹)
Closing Capital/Capital at the end of the year.		1,00,000
Add-Drawings during the year		3,000
		1,03,000
Less- Additional Capital during the year		8,000
Adjusted Closing Capital		95,000
Less- Opening Capital/Capital at the beginning of the year.		80,000
Net Profit for the year		15,000

Problem:2

Following information of an accounting year is given: Opening Capital as on 31.03.2017 ₹ 62,000; Drawings ₹ 5,000 Additional Capital added during the year ₹ 9,000 and Closing Capital as on 31.03.2018 ₹ 50,000

Calculate the Profit or Loss for the year ended 31st March, 2018

Solution:

Statement of Profit or Loss for the year ended 31st March, 2018

Particulars	Amt. (₹)	Amt. (₹)
Closing Capital		50,000
Add-Drawings		5,000
		55,000
Less-Additional Capital		9,000
Adjusted Closing Capital		46,000
Less- Opening Capital		62,000
Net Loss for the year		16,000

Problem: 3

Arjun keeps his books under Single Entry System. His Assets and Liabilities were as under.;

Particulars	31.3.2017 (₹)	31.3.2018 (₹)
Cash	1,500	1,000
Sundry Debtors	30,000	46,000
Stock	35,000	31,000
Plant and Machinery	61,000	75,000
Sundry Creditors	15,000	13,500
Bills Payable	_____	4,000

During the year 2017-18 he introduced ₹ 15,000 as additional capital. He withdrew ₹ 2,500 every month for his private purpose.

Ascertain his Profit or Loss for the year ended 31st March 2018.

Solution:

In the Books of Arjun

Statement of Affairs as on 31st March, 2017

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	15,000	Cash	1,500
Capital (Balancing figure)	1,12,500	Sundry Debtors	30,000
		Stock	35,000
		Plant and Machinery	61,000
	1,27,500		1,27,500

Statement of Affairs as on 31st March, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	13,500	Cash	1,000
Bills Payable	4,000	Sundry Debtors	46,000
		Stock	31,000
		Plant and Machinery.	75,000
Capital(Balancing figure)	1,35,500		
	1,53,000		1,53,000

Statement of Profit or Loss for Year Ending 31st March, 2018

Particulars	Amt.(₹)	Amt. (₹)
Closing Capital/Capital at the end of the year		1,35,500
Add- Drawings during the year (₹ 2,500 x12 months)		30,000
		1,65,500
Less- Additional Capital introduced During the year		15,000
Adjusted Closing Capital		1,50,500
Less : Opening Capital /Capital at the beginning of the year		1,12,500
Net Profit for the Year		38,000

Problem: 4

Mr. Morya keeps his books on Single Entry System and gives the following information:

Particulars	31.3.2017 (₹)	31.3.2018 (₹)
Cash at Bank	10,000	40,000
Sundry Debtors	25,000	42,000
Stock in Trade	20,000	35,000
Furniture	30,000	30,000
Machinery	60,000	60,000
Bills Payable	4,000	4,000
Sundry Creditors	10,000	15,000
Bank Loan@10% p.a.	4,300	4,300

Additional information:

1. Mr. Morya withdrew from business account ₹ 6,000 for personal use.
2. He introduced Additional Capital of ₹ 30,000
3. Depreciation is to be charged at 10% p.a. on Furniture and Machinery.

Prepare: 1) Opening and Closing Statement of Affairs

2) Statement of Profit or Loss for the year ended 31.3.2018

Solution:**In the books of Mr. Morya****Statement of Affairs as on -----**

Liabilities	31.3.2017 (₹)	31.3.2018 (₹)	Assets	31.3.2017 (₹)	31.3.2018 (₹)
Bills Payable	4,000	4,000	Machinery	60,000	60,000
Sundry Creditors	10,000	15,000	Furniture	30,000	30,000
Bank Loan 10%	4,300	4,300	Stock in Trade	20,000	35,000
Capital (Balancing Figure)	1,26,700	1,83,700	Sundry Debtors	25,000	42,000
			Cash at Bank	10,000	40,000
	1,45,000	2,07,000		1,45,000	2,07,000

**Statement of Profit or Loss
for Year Ending 31st March, 2018**

Particulars	Amt. (₹)	Amt. (₹)
Capital as on 31 st March, 2018		1,83,700
Add-Drawings during the year		6,000
		1,89,700
Less : Additional Capital during the year		30,000
Adjusted Closing Capital		1,59,700
Less : Capital as on 31 st March, 2017		1,26,700
Profit for the year before adjustments		33,000
Less Expenses and Losses during the year		
i) Depreciation on Machinery (10% on ₹ 60,000)	6,000	
ii) Depreciation on Furniture (10% on ₹ 30,000)	3,000	
iii) Interest on Bank Loan (10% on ₹ 4,300)	430	9,430
Net Profit during the year		23,570

Problem: 5

Shubham, a trader does not keep proper books of accounts. However, he furnishes the following particulars :

Particulars	31.3.2017 (₹)	31.3.2018 (₹)
Cash at Bank	3,000	6,500
Cash in Hand	200	5,000
Stock in Trade	60,000	68,000
Sundry Debtors	10,000	25,000
Equipments	8,000	8,000
Sundry Creditors	15,000	10,000
Furniture	10,000	10,000

During the year, Shubham introduced ₹ 3,000 as further capital and withdrew ₹ 5,000 as drawings. Write off depreciation on Furniture at 10% p.a. and on Equipments at 5%.p.a.

Prepare a statement showing the Profit or Loss made by him for the year ended 31st March, 2018.

Solution: (Alternative Method)

In the Books of Shubham

Statement of Affairs as on 31st March, 2017

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	15,000	Cash at Bank	3,000
		Cash in Hand	200
		Stock in Trade	60,000
		Sundry Debtors	10,000
		Equipments	8,000
		Furniture	10,000
Capital (Balancing Figure)	76,200		
	91,200		91,200

Statement of Affairs as on 31st March, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	10,000	Cash at Bank	6,500
		Cash in Hand	5,000
		Stock in Trade	68,000
		Sundry Debtors	25,000
		Equipments	8,000
		Less- Depreciation 5%	400
		Furniture	10,000
		Less-Depreciation 10%	1,000
Capital (Balancing Figure)	1,11,100		7,600
	1,21,100		9,000
			1,21,100

Statement of Profit or Loss for the year ended 31st March, 2018

Particulars	Amt.(₹)	Amt. (₹)
Closing Capital/ Capital as on 31 st March 2018		1,11,100
Add-Drawings during the year		5,000
		1,16,100
Less- Additional Capital during the year		3,000
Adjusted Closing Capital		1,13,100
Less-Opening Capital/ Capital as on 31 st March 2017		76,200
Profit during the Year		36,900

Note : The above problem is solved with alternative method where in all adjustments are shown in closing statement of affairs.

Problem: 6

Jyoti keeps her books on Single Entry System. From the following particulars, prepare Opening and Closing Statement of Affairs and Statement of Profit or Loss for the year ended 31st March 2018.

Particulars	1.4.2017 (₹)	31.3.2018 (₹)
Bank Balance	35,000	30,000
Cash Balance	14,000	10,000
Sundry Debtors	1,20,000	1,60,000
Stock	50,000	90,000
Furniture	18,000	18,000
Machinery	90,000	1,20,000
Sundry Creditors	32,000	50,000
Bills Payable	18,500	25,000

Additional Information:

1. Jyoti has withdrawn ₹ 33,500 from the business for her private use.
2. She has introduced additional Capital of ₹ 5,000 in the business on 1st Jan,2018
3. Additions to Machinery were made on 1st January, 2018
4. Depreciate Furniture and Machinery @ 10% p.a.
5. Maintain R.D.D. @ 15% on Sundry Debtors.
6. Closing Stock is overvalued by 20% in the books.

Solution:

In the books of Jyoti
Opening and Closing Statement of Affairs as on -----

Liabilities	1.4.2017 (₹)	31.3.2018 (₹)	Assets	1.4.2017 (₹)	31.3.2018 (₹)
Sundry Creditors	32,000	50,000	Bank Balance	35,000	30,000
Bills Payable	18,500	25,000	Cash Balance	14,000	10,000
			Sundry Debtors	1,20,000	1,60,000
Capital (Balancing Figure)	2,76,500	3,53,000	Stock	50,000	90,000
			Furniture	18,000	18,000
			Machinery	90,000	1,20,000
	3,27,000	4,28,000		3,27,000	4,28,000

Statement of Profit or Loss for the year ended 31st March 2018

Particulars	Amt. (₹)	Amt. (₹)
Closing Capital as on 31 st March, 2018		3,53,000
Add. Drawings		33,500
		3,86,500
Less Additional Capital		5,000
Adjusted Closing Capital		3,81,500
Less Opening Capital as on 1 st April, 2017		2,76,500
		1,05,000
Profit before adjustments		
Less: Expenses and Losses during the year		
1. Depreciation on Furniture (10% on ₹ 18,000)	1,800	
2. a) Depreciation on Machinery		
(10% on ₹ 90,000)	9,000	
b) Depreciation on additional Machinery		
(10% on ₹ 30,000 for 3 months)	750	
	9,750	
3. R.D.D. (15% on ₹ 1,60,000)	24,000	
4. Overvaluation of Stock	15,000	
		50,550
Net Profit during the year		54,450

Working Note:

Overvaluation of Stock by 20% , So we have to find out the Actual value of stock.

$$\text{Actual Value} = \frac{\text{Book Value}}{100 + \% \text{ of Overvaluation}} \times 100$$

$$\text{Actual Value} = \frac{90,000}{100 + 20} \times 100$$

$$\text{Actual Value} = \frac{90,000}{120} \times 100$$

$$\text{Actual Value} = ₹ 75,000$$

Therefore, Current value of Stock is lesser than the Book value by ₹15,000 (i.e. ₹ 90,000 – ₹ 75,000) It is a loss and deducted from Trading profit in the Statement of Profit or Loss.

Problem: 7

Rohit a trader keeps his books on Single Entry System. His financial position as on 1.4.2018 and 31.3.2019 were as under;

Particulars	1.4.2018 (₹)	31.3.2019 (₹)
Cash	12,000	18,000
Bank Balance	10,000	15,000
Stock in Trade	35,000	50,000
Sundry Debtors	30,000	35,000
Sundry Creditors	20,000	32,000
Building	40,000	60,000
Furniture	15,000	20,000

During the year he had withdrawn ₹ 100 per month for household expenses. Depreciate Building by 10 % p.a. and Furniture by 12% p.a. (Assume additions to both were made on 1st Oct. 2018)

Debtors ₹ 1,000 are bad and to be written off. Create Reserve for Doubtful Debts at 5% and maintain reserve for discount on debtors at 2%. Allow interest on capital at 5% p.a. and interest on drawings at 5% p.a. Prepare Opening and Closing Statement of Affairs and Statement of Profit or Loss for the year ended 31.3.2019.

Solution:**In the Books of Rohit****Statement of Affairs as on 1st April, 2018**

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	20,000	Cash	12,000
		Bank Balance	10,000
Capital (Balancing figure)	1,22,000	Stock in Trade	35,000
		Sundry Debtors	30,000
		Building	40,000
		Furniture	15,000
	1,42,000		1,42,000

Statement of Affairs as on 31st March, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	32,000	Cash	18,000
		Stock	50,000
		Sundry Debtors	35,000
Capital (Balancing Figure)	1,66,000	Building	60,000
		Furniture	20,000
		Bank Balance	15,000
	1,98,000		1,98,000

Statement of Profit or Loss for the year ended 31st March, 2019

Particulars	Amt. (₹)	Amt. (₹)
Capital as on 31 st March, 2019		1,66,000
Add: Drawings (₹100×12 per month)		1,200
		1,67,200
Less: Capital as on 1 st April, 2018		1,22,000
Profit before adjustments		45,200
Add: Income and Gains during the year		
1. Interest on drawings (5% on ₹ 1,200 for 6 months)		30
Less: Expenses and Losses during the year		45,230
1. Interest on Capital (5% on ₹ 1,22,000)	6,100	
2. A) Depreciation. on Building (10% on ₹ 40,000) = 4,000		
B) Depreciation on additional Building (10% on ₹ 20,000 for 6 months) = 1,000	5,000	
3. A) Depreciation on Furniture (12% on ₹15,000) = 1800		
B) Depreciation on additional Furniture (12% on ₹5,000 for 6 months) = 300	2,100	
4. Bad debts	1,000	
5. R.D.D. (₹ 35,000 – ₹1000 = ₹ 34,000 for 5%)	1,700	
6. Reserve for Discount on Debtors (2% on ₹ 34,000 – 1,700 = 32,300)	646	16,546
Net Profit For the year		28,684

Note: As the date of Drawings is not given, Interest on Drawings is calculated for 6 months only.

Problem: 8

Aditya keeps his books on Single Entry System and the following information is disclosed.

Particulars	31.3.2016 (₹)	31.3.2017 (₹)
Cash at Bank	36,000	45,000
Stock in Trade	30,000	35,000
Debtors	15,000	22,000
Furniture	9,500	9,500
Sundry Creditors	27,850	35,400
Bills Payable	—	10,000
Investments	—	20,000

Additional Information:

1. Aditya transferred ₹150 each month during first half year and ₹ 200 each month for remaining period from his business to his private banking account by way of drawings and took away ₹300 worth of goods for personal use.
2. Aditya sold his household Furniture for ₹5,000 and proceeds were utilized for business.
3. Furniture is to be depreciated by 10% and Reserve for Doubtful Debts is to be maintained at 5% on Debtors

Prepare : 1. Opening Statement of Affairs
2. Closing Statement of Affairs
3. Statement of Profit or Loss for the year ended 31st March 2017.

Solution:

In the Books of Aditya
Statement of Affairs as on -----

Liabilities	31.3.2016 (₹)	31.3.2017 (₹)	Assets	31.3.2016 (₹)	31.3.2017 (₹)
Sundry Creditors	27,850	35,400	Cash at Bank	36,000	45,000
Bills Payable	—	10,000	Stock in Trade	30,000	35,000
			Debtors	15,000	22,000
			Furniture	9,500	9,500
Capital (Balancing figure)	62,650	86,100	Investments	—	20,000
	90,500	1,31,500		90,500	1,31,500

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

Particulars	Amt. (₹)	Amt. (₹)
Capital as on 31 st March, 2017		86,100
Add-Drawings		
In Cash (150 × 6 month + 200 × 6 month)	2,100	
In Goods	300	2,400
		88,500
Less : Additional Capital introduced during the year		5,000
Adjusted Closing Capital		83,500
Less : Capital as on 31 st March, 2016		62,650
Profit before adjustment		20,850
Less : Expenses and Losses during the year		
1. Depreciation on Furniture (10% on 9500)	950	
2. 5% R.D.D. on Debtors (5% on 22000)	1,100	2,050
Net Profit for the year		18,800

Problem 9

Divya keeps her books under Single Entry System. The following details are given.

Particulars	1.4.2017 (₹)	31.3.2018 (₹)
Cash in hand	2,000	4,000
Cash at Bank	3,000	5,000
Building	30,000	30,000
Plant and Machinery	3,000	3,000
Bills Receivable	1,000	1,500
Stock	6,000	8,000
Bills Payable	2,000	2,200
Sundry Debtors	4,000	6,000
Sundry Creditors	2,000	1,000

Additional Information:

- Interest on Capital is to be allowed at 10% p.a.
- Building is to be depreciated by 10% and Plant and Machinery by 5% p.a.
- Creditors are undervalued by ₹ 2,000
- Bill Payable are overvalued by ₹ 600

5. Provide R.D.D. at 5% on Debtors
6. Divya brought additional capital into the business ₹ 1,000 on 1st Oct. 2017.

Prepare: Opening Statement of Affairs, Closing Statement of Affairs and Statement of Profit or Loss for the year ended 31st March 2018.

Solution:

In the books of Divya

Statement of Affairs as on -----

Liabilities	1.4.2017 (₹)	31.3.2018 (₹)	Assets	1.4.2017 (₹)	31.3.2018 (₹)
Sundry Creditors	2,000	1,000	Cash in hand	2,000	4,000
Bills Payable	2,000	2,200	Cash at Bank	3,000	5,000
			Building	30,000	30,000
Capital (Balancing figure)	45,000	54,300	Plant and Machinery	3,000	3,000
			Bills Receivable	1,000	1,500
			Stock	6,000	8,000
			Sundry Debtors	4,000	6,000
	49,000	57,500		49,000	57,500

Statement of Profit or Loss for the year ended 31st March, 2018

Particulars	Amt. (₹)	Amt. (₹)
Capital as on 31 st March, 2018		54,300
Less- Additional Capital		1,000
Adjusted Closing Capital		53,300
Less : Capital as on 1 st April, 2017		45,000
Profit before adjustment		8,300
Add : Incomes and Gains during the year		
Overvaluation of Bills Payable		600
Less : Expenses and Losses during the year		8,900
1. a) Interest on Opening Capital (10% on ₹. 45,000) = ₹ 4,500		
b) Interest on Additional Capital (10% on ₹1000 for 6 months) = ₹ 50	4,550	
2) R.D.D. (5% on ₹ 6000)	300	
3) Depreciation on Building (10% on ₹ 30,000)	3,000	
4) Depreciation on Plant and Machinery (5% on ₹ 3,000)	150	
5) Undervaluation of Creditors	2,000	
		10,000
Net Loss during the year		1,100

Problem: 10

Mr. Raj keeps his book on Single Entry System From the following particulars, prepare Opening Statement of Affairs and Closing Statement of affairs and Statement of Profit or Loss.

Particulars	Amount (₹) 31.3.2018	Amount (₹) 31.3.2019
Sundry Debtors	40,000	50,000
Sundry Creditors	30,000	60,000
10 % Govt. Bonds	—	20,000
Bank Overdraft	32,000	40,000
Furniture	12,000	12,000
Stock	40,000	60,000
Machinery	30,000	50,000
Cash in hand	4,000	10,000
Bills Payable	18,000	22,500
Bills Receivable	15,000	19,000

Additional Information:

- Mr. Raj has withdrawn ₹ 2,000 from the business for his daughter's marriage
- He introduced additional capital of ₹ 6,000 in the business on 1st Oct. 2018
- Additions to Machinery were made on 1st Oct. 2018.
- Bad Debts ₹ 2000 and maintain Reserve for Doubtful Debts @ 5% on debtors
- Stock was overvalued by 20 %
- Creditors were undervalued by 20%
- 10% Govt. Bonds were purchased on 1st Oct. 2018.
- Charge interest on Drawings at 10% p.a.
- Allow interest on Capital at 10% p.a.
- Depreciation on Furniture 10% p.a.
- Depreciation on Machinery at 10 % p.a.

Solution:

In the books of Mr. Raj

Statement of Affairs as on -----

Liabilities	31.3.2018 (₹)	31.3.2019 (₹)	Assets	31.3.2018 (₹)	31.3.2019 (₹)
Creditors	30,000	60,000	Debtors	40,000	50,000
Bank Overdraft	32,000	40,000	10% Govt. Bonds	—	20,000
Bills Payable	18,000	22,500	Furniture	12,000	12,000
Capital	61,000	98,500	Stock	40,000	60,000
(Balancing Figure)			Machinery	30,000	50,000
			Cash in hand	4,000	10,000
			Bills Receivable	15,000	19,000
	1,41,000	2,21,000		1,41,000	2,21,000

Statement of Profit or Loss for the year ended 31.3.2019

Particulars	Amt. (₹)	Amt. (₹)
Closing Capital		98,500
Add : Drawings		2,000
		1,00,500
Less: Additional Capital		6,000
Adjusted Closing Capital		94,500
Less: Opening Capital		61,000
Profit before adjustments		33,500
Add : Incomes and Gains during the year		
1. Interest on Drawings (10% on ₹ 2000 for 6 months)	100	
2. Interest on Govt. Bonds (10% on ₹ 20000 for 6 months)	1,000	1,100
		34,600
Less : Expenses and Losses during the year		
1. i) Interest on Opening Capital (₹ 61,000×10/100) = ₹ 6,100		
ii) Interest on Additional Capital (₹ 6,000 × 10/100 × 6/12) = ₹ 300	6,400	
2. Depreciation on Furniture (₹ 12,000×10/100)	1,200	
3. Depreciation on Machinery = ₹ 3,000 (₹ 30,000 × 10/100)		
Depreciation on additional Machinery = ₹ 1,000 (₹ 20,000 × 10/100 × 6months/12months)	4,000	
4. Bad debts	2,000	
5. R.D.D. 5% on Debtors (₹ 50,000 – ₹ 2,000 = ₹ 48,000) (5% on ₹ 48,000)	2,400	
6. Overvaluation of Stock (W.N.1)	10,000	
7. Undervaluation of Creditors (W.N.2)	15,000	41,000
Net Loss for the year		(-) 6,400

Working Note:

- 1) Stock is Overvalued by 20%, So we have to find out the Actual value of Stock

$$\text{Actual Value} = \frac{\text{Book Value}}{100 + \% \text{ of overvaluation}} \times 100$$

$$\text{Actual Value} = \frac{\text{₹ } 60,000}{100 + 20} \times 100$$

$$\text{Actual Value} = \frac{\text{₹ } 60,000}{120} \times 100$$

$$\text{Actual Value} = \text{₹ } 50,000$$

Therefore Actual value of stock is lesser than the Book Value by ₹ 10,000 (i.e. ₹ 60,000 – ₹ 50,000) It is a loss and deducted in the statement of Profit or Loss

- 2) Creditors are undervalued by 20%. We have to find out the Actual value of Creditors

$$\text{Actual Value} = \frac{\text{Book Value}}{100 - \% \text{ of undervaluation}} \times 100$$

$$\text{Actual Value} = \frac{\text{₹ } 60,000}{100 - 20} \times 100$$

$$\text{Actual Value} = \frac{\text{₹ } 60,000}{80} \times 100$$

$$\text{Actual Value} = \text{₹ } 75,000$$

Therefore Actual value of creditors is greater than the Book Value by ₹ 15,000 (i.e. ₹ 75,000 – ₹ 60,000) It is a profit and added to in Statement of Profit or Loss.

**Activity-I**

Visit a small business unit and collect information regarding incomes, expenses, assets, liabilities and prepare a Statement of Affairs and Statement of Profit or Loss.

**Activity –II**

Visit the business units which follows Single Entry System to find out Profit or Loss of their business.

Q.1 Answer in One sentence only.

1. What do you mean by Single Entry System?
2. What is Statement of Affairs?
3. Which types of accounts are normally not kept under the Single Entry System?
4. Which statement is prepared under the Single Entry system to ascertain the capital balances?
5. How Opening Capital is calculated under Single Entry System?
6. Which type of accounts are maintained under Single Entry System?
7. Can a Trial Balance be prepared under Single Entry System?
8. Which type of organization generally follows Single Entry System?

Q.2 Write a word, term or phrase which can substitute each of the following statements.

1. A statement which is similar to Balance Sheet.
2. System of Accounting normally suitable to small business organization.
3. A statement similar to Balance Sheet prepared to find out the amount of opening capital
4. An excess of assets over liabilities.
5. Excess of closing capital over opening capital of proprietor under Single Entry System.
6. Name of method of accounting suitable to firms to having limited transactions.
7. A System of accounting which is unscientific.
8. Further capital introduced by the proprietor in the business concern over and above his existing capital.

Q.3 Select the most appropriate answer from the alternatives given below and rewrite the sentence.

- 1) The capital balances are ascertained by preparing -----
a) Statement of affairs b) Cash Account
c) Drawings Accounts d) Debtors Accounts
- 2) Under Single Entry System, Opening Capital = Opening Assets less-----
a) Opening Liabilities b) Closing Liabilities c)Debtors Account d) Creditors Account
- 3) Additional Capital introduced during the year is ----- from closing capital in order to find out the correct profit
a) Added b) Deducted c) Divided d) Ignored
- 4) Single Entry System may be useful for -----
a) Sole traders b) Company c) Government d) None of these
- 5) In order to find out the correct profit, drawings is ----- from closing capital
a) Multiplies b) Divided c) Deducted d) Added

- 6) The difference between assets and liabilities is called -----
 a) Capital b) Drawings c) Income d) Expenses
- 7) When Closing Capital is greater than the Opening Capital, the difference is -----
 a) Profit b) Loss c) Assets d) Liabilities
- 8) Opening Capital is ₹ 30,000; Closing Capital is ₹60,000; Withdrawals are ₹ 5,000; and further capital brought in is ₹3,000; Profit is -----
 a) ₹ 45,000 b) ₹ 35,000 c) ₹ 32,000 d) ₹ 22,000

Q.4 State True or False with reasons:

- 1) Double Entry System of Book-keeping is scientific method of books of accounts
- 2) Preparation of Trial Balance is not possible under Single Entry System
- 3) Statement of Affairs and Balance Sheet are one and the same.
- 4) Single Entry System is not useful for large organization.
- 5) Only Cash and Personal accounts are maintained under Single Entry System.

Q.5 Do you agree with the following statements?

- 1) Further capital introduced during the year increases profit.
- 2) Interest on Drawings decreases the amount of profit under Single Entry System.
- 3) Real and Nominal accounts are not maintained under Single Entry System.
- 4) Single Entry System is based on certain rules and principles
- 5) Statement of Profit is just like Profit and Loss Account.

Q.6 Fill in the Blanks

- 1) Statement of Affairs is just like -----
- 2) Under Single Entry System, Profit=Closing Capital Less -----
- 3) In order to find out the correct profit, drawings are ----- to the closing capital.
- 4) In ----- Book Keeping System, in every business transactions we find two effects.
- 5) The difference between Assets and Liabilities is called -----
- 6) Single Entry System is more popular for -----
- 7) Additional Capital introduced during the year is ----- from Closing Capital in order to find out the correct profit.
- 8) Single Entry System is Suitable for ----- business.

Q.7 Find the odd one :

- 1) Interest on Drawings, Outstanding Expenses, Undervaluation of Assets, Prepaid Expenses.
- 2) Interest on Capital, Interest on Loan, Overvaluation of Liabilities, Depreciation on Assets.
- 3) Creditors, Bills Payable, Bank Overdraft, Stock in Trade

Q.8 Complete the following table :

1)	Closing Capital		Opening Capital		Profit
	₹ 10,000	–	₹ 5,000	=	
2)	Opening Assets		Opening Liabilities		Opening Capital
		–	₹ 20,000	=	₹ 10,000
3)	Closing Assets		Closing Liabilities		Closing Capital
	₹ 10,000	–	₹ 5,000	=	
4)	Closing Capital	Drawings	Adjusted Closing Capital	Opening Capital	Profit
		+ ₹ 15,000	= ₹ 40,000	– ₹ 20,000	=
5)	Cash in Hand	Cash at Bank	Sundry Debtors	Bills Payable	Capital
	₹ 10,000	+ ₹ 5,000	= ₹ 8,000	– ₹ 4,000	=

Q.9 Complete the following table. Put Proper mark in Box

When the closing capital is given

	Add	Less
1) Drawings	<input type="text"/>	<input type="text"/>
2) Prepaid Expenses	<input type="text"/>	<input type="text"/>
3) Overvaluation of Liabilities	<input type="text"/>	<input type="text"/>
4) Undervaluation of Liabilities	<input type="text"/>	<input type="text"/>
5) Interest on Drawings	<input type="text"/>	<input type="text"/>
6) Opening Capital	<input type="text"/>	<input type="text"/>
7) Undervaluation of Assets	<input type="text"/>	<input type="text"/>
8) Interest on Capital	<input type="text"/>	<input type="text"/>
9) Depreciation of Assets	<input type="text"/>	<input type="text"/>
10) Bad debts	<input type="text"/>	<input type="text"/>

PRACTICAL PROBLEMS

1. Mr. Poonawala keeps his books under Single Entry System and gives the following information:

Capital as on 31.3.2017- ₹ 60,000

Capital as on 31.3.2018 – ₹ 1,00,000

Drawings made during the year ₹ 2,000

Additional capital introduced during the year ₹ 12,000

Calculate Profit or Loss during the year

2. Sujit a small trader provides you the following details of his business.

Particulars	1.4.2017 (₹)	31.3.2018 (₹)
Cash in Hand	2,000	7,000
Debtors	40,000	60,000
Creditors	50,000	80,000
10% Govt. Bonds	—	9,000
Bank Overdraft	70,000	30,000
Motor Van	50,000	70,000
Furniture	15,000	15,000
Stock	70,000	90,000
Bills Receivable	70,000	90,000

Additional information:

1. Sujit withdraws ₹ 5,000 for his personal use, on 1st Oct. 2017
2. He had also withdraws ₹ 30,000 for rent of his residential flat.
3. Depreciation Furniture by 10% p.a. and writes off ₹ 1,000 from Motor Van.
4. Charge interest on Drawings ₹ 3,000
5. 10% Govt. Bonds were purchased on 1st Oct. 2017
6. Allow interest on capital at 10% p.a.
7. ₹ 1,000 is written off as bad debts and provide 5% p.a. R.D.D on Debtors

Prepare: Opening Statement of Affairs, Closing Statement of Affairs and statement of Profit or Loss for the year ending 31st March, 2018.

3. Anjali keeps her books by Single Entry System. Her position on 1.4.2016 was as follows.

Cash at Bank ₹ 4,000, Cash in Hand ₹ 1,000, Stock ₹ 6,000; Sundry Debtors ₹ 8,400, Plant and Machinery ₹ 7,500, Bill Receivable ₹ 2,600, Creditors ₹ 3500; Bills Payable ₹ 4,000

On 31.3.2017 her position was as follows; cash at Bank ₹ 3,900, Cash in Hand ₹ 2,000. Stock ₹ 9000, Sundry Debtors, ₹ 7,500; Plant and Machinery ₹ 7,500; Bills Payable ₹ 2,200, Bills Receivable ₹ 3,400; Creditors ₹ 1,500

During the year Anjali introduced further Capital of ₹ 1,500 and she spent ₹ 700 per month for her personal use.

Depreciation Plant and Machinery by 5% p.a. and create Reserve for Doubtful debts @5%p.a. on debtor.

Prepare Opening and Closing Statement of Affairs and Statement of Profit or Loss for the year ended 31.3.2017

4. Mr. Vijay is dealing in the business of fruits. He maintains accounting record with single entry. The following figures are taken from his record.

Particulars	31.3.2017 (₹)	31.3.2018 (₹)
Building	50,000	60,000
Furniture	30,000	30,000
Plant and Machinery	20,000	40,000
Sundry Debtors	30,000	50,000
Stock	15,000	25,000
Cash Balance	10,000	20,000
Bills Receivable	5,000	10,000
Sundry Creditors	30,000	15,000
Bank Overdraft	8,000	—
Bank Balance	—	12,000

Additional information:

1. Mr. Vijay introduced ₹ 7,000 as fresh capital.
2. He spent ₹ 40,000 from his business for his daughter's marriage.
3. Depreciate Building by ₹ 6,000
4. Create 5% reserve for doubtful debts on Sundry Debtor.

Prepare -

1. Opening Statement of Affairs
2. Closing Statement of Affairs
3. Statement of Profit or Loss for the year ended 31.3.2018

5. Miss. Fiza keeps her books on Single Entry System and disclosed the following information of her business.

Particulars	1.4.2017 (₹)	31.3.2018 (₹)
Debtors	25,000	45,000
Investments	—	40,000
Plant and Machinery	10,000	10,000
Creditors	30,000	33,000
Stock	32,000	35,000
Cash at Bank	16,000	50,000
Bills Payable	5,000	8,000

Additional information:

1. Miss. Fiza transferred ₹ 2,000 per month during the first half year and ₹ 1000 per month for the second half year from business account to her personal account.
2. She sold her private asset for ₹ 40,000 and brought the proceeds into her business.
3. She also took goods worth ₹ 12,000 for private use.
4. Plant and Machinery is to be depreciated by 10% p.a.
5. Provide R.D.D. on debtors at 5% p.a.

Prepare-

1. Opening Statement of Affairs
2. Closing Statement of Affairs
3. Statement of Profit or Loss for the year ended 31.3.2018

6. Miss. Sanika keeps her books on Single Entry System. The statement of affairs is given on 31st March, 2018.

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	12,000	Plant and Machinery	17,000
Bills Payable	8,500	Debtors	19,500
Capital Balance	38,500	Stock	9,000
		Cash in Hand	7,500
		Bills Receivable	6,000
	59,000		59,000

On 31st March 2018 their Assets and Liabilities were as follows:

Plant and Machinery ₹ 42,000, Stock ₹ 38,000, Cash in Hand ₹ 10,000, Creditors ₹ 7,000, Debtors ₹ 25,000, Bills Payable ₹ 6,000

Drawings during the year was ₹ 5,500, Plant and Machinery was found Overvalued by 5% p.a. and Stock was found Undervalued by 20 % p.a., R.D.D. was to be created at 10% p.a. on Debtors, Interest on Capital was allowed at 10% p.a.

Prepare- 1. Closing Statement of Affairs

2. Statement of Profit or Loss for the year ended 31st March,2018

7. Mr. Suhas commenced his business with the Capital of ₹ 1,50,000 on 1st April, 2017. His financial position was as follows as on 31st March 2018, Cash ₹ 20,000, Stock ₹ 15,000, Debtors ₹ 30,000, Premises ₹ 90,000, Vehicles ₹ 45,000, Creditors ₹ 18,500, Bills Payable ₹ 10,000

Additional information;

1. He brought additional capital ₹ 10,000 on 30th Sept. 2017, Interest on capital is to be provided at 5% p.a.
2. He withdrew ₹ 15,000 for personal use on which interest is to be charged at 5% p.a.
3. Write off Bad debts ₹ 500

Prepare- 1. Closing Statement of Affairs

2. Statement of Profit or Loss for the year ended 31.3.2018

8. Ganesh keeps his books by Single Entry Method. Following are the details of his business:

Particulars	1.4.2016 (₹)	31.3.2017 (₹)
Cash in Hand	15,000	22,000
Cash at Bank	30,000	45,000
Stock	8,000	13,000
Furniture	20,000	20,000
Plant and Machinery	90,000	1,10,000
Building	50,000	50,000
Debtors	27,000	38,000
Creditors	8,000	10,000

During the year he has withdrawn ₹ 25,000 for his private purpose and goods of ₹ 3,000 for household use. On 1st Oct. 2016. He sold his household furniture for ₹ 4,000 and deposited the same amount in business Bank Account.

Provide Depreciation on Plant and Machinery at 10 % p.a. (assuming additions were made on 1st Oct. 2016) and Furniture at 5 %.

- Prepare
1. Opening Statement of Affairs
 2. Closing Statement of Affairs
 3. Statement of Profit or Loss for the year ended 31.3.2017

9. Peter keeps his books on Single Entry System. From the following particulars, Prepare Opening and Closing Statement of Affairs and Statement of Profit or Loss for the year ending 31st March, 2018.

Particulars	31.3.2017 (₹)	31.3.2018 (₹)
Bank Balance	46,000	38,000
Cash Balance	8,500	15,000
Sundry Debtors	80,000	1,30,000
Stock	70,000	1,00,000
Furniture	18,000	18,000
Sundry Creditors	40,000	45,000
Bills Payable	15,000	30,000

Additional Information:

1. Peter has withdrawn ₹ 15,000 from the business for his personal use.
2. He has introduced additional capital of ₹ 10,000 in the business on 1st January, 2018.
3. Depreciate furniture @ 10% p.a.
4. Maintain reserve for doubtful debts @ 5% on Sundry Debtors.
5. Closing Stock is overvalued by 25% in the books.

10. Suresh keeps his books by Single Entry System. His position on 1.4.2017 was as follows.

Cash at Bank ₹ 4,000, Cash in Hand ₹ 3,000; Stock ₹ 8,000; Sundry Debtors ₹ 9,000; Plant & Machinery ₹ 10,000; Bills Receivable ₹ 3000; Creditors ₹ 1500; Bills Payable ₹ 2000.

On 31st March, 2018, his position was as follows:

Cash at bank ₹ 6,400; Cash in Hand ₹ 1,800; Stock ₹ 10000; Sundry and Debtors ₹ 8,000; Plant & Machinery ₹ 10,000; Bills Payable ₹ 4,000; Bills Receivable ₹ 5,200; Creditors ₹ 2,000. During the year Suresh introduced further capital of ₹ 3,000 and his drawings were ₹ 700 per months.

Depreciate Plant & Machinery by 5% and create a reserve for bad doubtful debts @ 5%

- Prepare-
1. Opening Statement of Affairs
 2. Closing Statement of Affairs
 3. Statement of Profit or Loss for the year ended 31.3.2018

