

Objectives

At the end of this chapter, students should be able to:

Explain single entry (incomplete records);

- Identify the limitations of single entry or incomplete records;
- Convert single entry to double entry;
- Prepare statement of affairs;
- Determine capital and profit.

16.1 Introduction

The term single entry is the method of recording only one side of a transaction in the books of accounts without following the double entry principles. It shows only the personal aspects of business transactions without showing the corresponding transactions from the giver to the business aspect of a transaction. Therefore, any system of book keeping that is not based strictly on double entry principles is referred to as single entry or incomplete records. This means that there might be a record of single aspect of some transactions, a double aspect of certain transaction and no record at all of others. There are usually some forms record of cash received from both and paid to creditors. Other records such as; purchases, sales, returns and other nominal accounts are hardly kept. With this lack of complete records, no trial balance can be extracted to test arithmetical accuracy of entries and furthermore, it is difficult to present a statement of accounts. The essential books that could be kept are the cash books, the personal ledgers for recording business transactions with debtors and creditors.

16.2 Meaning of Single Entry

The single entry or incomplete record is the system of bookkeeping which records only one side of a business transaction in the book of accounts. It does not strictly adhere to the principle of double entry which requires that the debit and credit aspect of every business transaction must be recorded.

Limitations

1. It is impossible to obtain accurate information about the results of trading operations.
2. Information relating to assets and liabilities could be unreliable.
3. Interim accounts comparative or other statistical information about a business cannot be obtained because normal accounts are not kept
4. The selling of a business, ascertainment of goodwill, an appeal against income tax, over assessment, or obtaining financial assistance from financial institutions by the proprietor could be difficult.
5. Lack of double entry could lead to laxity in keeping accounts (and might facilitate) fraud and other accounting malpractices.
6. Errors that could be easily deflected in the double entry system by the check on arithmetical accuracy might not be early located.

16.3 Statement of Affairs

When records are incomplete, it is necessary to know the capital at the start of the trading and at the period under review. A trader's capital at any time of the year is his total assets less his liabilities. In incomplete records, ascertaining a trader's capital means that we have to prepare a statement of the trader's assets and liabilities. This statement that is prepared is known as a statement of affairs.

16.4 Preparation of Incomplete Record

Sometimes, it is necessary to prepare two statements of affairs, one as at the beginning and the other as at close of trading period. Before a statement of affairs can be prepared, these steps are to be taken:

- (i) Determine re-opening capital.
- (ii) Compute sales and purchases for the period.
- (iii) Value the stock at hand.
- (iv) Check cash in hand and at bank.
- (v) Know the total of the debtors and creditors.
- (vi) Identify and value any other assets and liabilities of the business.
- (vii) Take into consideration all outstanding expenses and prepayments.
- (viii) Determine owner's drawings.

When all the information as given above have been obtained, the next step is to prepare the statement of affairs by putting all the assets on the credit side and the liabilities on the debit side. When these have been tabulated, we can then arrive at the proprietor's capital which is the difference between the assets of the firm and its liabilities. By putting the amount of this side.

When these have been tabulated, we can then arrive at the proprietor's capital which is the difference between the assets of the firm and its liabilities. By putting the amount of this difference on the appropriate side, the two sides are made equal in total and the statement is closed. If the liabilities exceed the assets then the firm has made a loss owing to over spending.

Example 16.1

Mr. Rock Basis books are kept in a haphazard manner. The following information is obtainable after examining his books.

	Jan. 2009	Dec. 2009
Bank overdraft	11, 000	-----
Cash	600	400
Debtors	72, 40	67,200
Stock	274, 500	291,800
Fixtures and fittings	20, 000	2 0,000
Creditors	58, 500	69,900
Cash in bank		10,500

You are required to prepare:

- (i) Statement of Affairs for the business.
- (ii) The Statement of Profit & Loss for the year ended December 2009.

Rock Basis Book

Statement of Affairs As At 31st Jan, 2009

	N		N
Sundry creditor	58, 500	Fixture & fittings	20,000
Overdraft	11, 000	Stock	274, 500

**Statement of Profit or Loss for the year ended
31st Dec. 2009**

Method I	N		N
Sundry creditor	69, 900	Cash in hand	400
Balance being		Cash in bank	10, 500
Capital as at		Sundry debtor	67, 200
December 2009 c/d	320, 000	Stock	291, 800
		Furniture & fittings	20, 000
	<u>389, 900</u>		<u>389, 900</u>

Statement of Profit or Loss for the year ended 31st Dec. 2009

Method I	N		N
Capital Jan, 1 st	298,000	Capital Dec, 31 st	
Net profit	22,000	2009 b/d	320,000
	<u>320,000</u>		<u>320,000</u>

Statement of Profit Or Loss for the year ended 31st Dec. 2009

Method II	N		
Capital 1 st Dec, 2009	320, 000		
Capital 1 st Jan, 2009	298, 000		
Net profit	<u>22, 000</u>		

Capital Account

Dec 31 st	N	Jan 1 st	N
Closing capital C/D	320,000	Dec 31 st	
		Opening capital	298,000
		Jan 1 st Balance b/d	22,000
	<u>320,000</u>		<u>320,000</u>
	22,000		

Activity

The statement of affairs of C. Askia for 31st December 2009.

Cash in hand 4, 000

Cash at bank 40, 000

Stock 90, 000

Fixtures & fitting 19, 000

Buildings 210, 000

Sundry creditors 43, 000

Sundry debtor 35, 000

He has now decided that he will employ the double entry system as from April 1st, 2009.

Prepare a statement of affair as at 31st March, 2009.

16.5 Trading, Profit and Loss Account Preparation

It is sometimes possible to prepare the trading, profit and loss accounts of a business even though it is operating on single entry or incomplete records system. This can be done by referring to the information obtained from the books of account that the business is able to keep. If the business keeps a cash book, it makes the job easier but if it does not keep a cash book, summary has to be built from the information that is made available by the business man or from the bits of paper that he records his business transactions.

Example 16.2

Study carefully the following example: Below is the statement of affairs of Mr. T.S Olawoyin as at 31st June, 2009.

Liabilities	N	Assets	N
Sundry creditors	208,400	Cash at bank	108,400
Capital as at 1st	417,400	Sundry debtors	216,800
		Stock	102,600
		Fixture & fittings	198,000
	<u>625,800</u>		<u>625,800</u>

Cash Book Summary

	N		N
Balance b/d	108,400	Sundry creditors	208,400
Cash sales	89,000	Fixtures & fittings	198,000
Debtors	1,135,000	Cash purchases	24,300
		Wages	100,000
		Sundry expenses	80,000
		Drawings	42,000
	<u>625,800</u>		<u>625,800</u>

Other balances that were available as at 31st May, 2009 are:

Sundry creditors	N168,000
Sundry debtors	N276,900
Stock-in-hand	N192,000

From the information given, to prepare the trading, Profit and Loss Accounts for the year will not be very difficult. Thus, we have to set a summary of total sundry creditors and total sundry debtors and the amount purchase and sales which will go into the trading account.

Total Sundry Creditor

	N		N
Cash payments to creditors	804,200	Sundry creditors 1st June 2009	208,400
Sundry creditors 31st May 2009	168,000	Credit purchases	763,800
	<u>972,200</u>		<u>972,200</u>

How did we arrive at this credit purchases for the year?

This is calculated by adding the amount owing to creditors N168,000 at end of the period to the amount paid to term in the cash book summary N804,200 and deducting the amount owing them at the beginning of the new trading period N208,400 (N168,000 + N804,200) = N204,400 = N763,800.

Total Sundry Debtors

Sundry debtor 1 st June 2009	216,800	Cash receipts from sundry debtors	1,135,000
Credit sales	1, 195,100	Sundry debtors 1st May, 2009	276,900
	<u>1, 411,900</u>		<u>1, 411,900</u>

To arrive at credit sales, add the amount owed by debtors at the end of the period (N276,900) to the amount received from item in the cash book summary

(N1,135,000) and deduct the amount owed at the beginning of the period .

Purchases

Cash purchase	24, 300	Trading account	788,100
Credit purchase	763,800		
	<u>788,100</u>		<u>788,100</u>

Sales

Trading account	1, 284, 100	Cash sales	89, 000
		Credit sales	1, 195,100
	<u>1,284,100</u>		<u>1,284,100</u>

From this point we now prepare the trading, profit and loss account of J.S Olawoyin business.

J .S. Olawoyin

Trading, Profit and Loss Account for 31st May, 2009

Stock on 1st June	102, 600	Sales	1, 284, 100
Purchases	788, 100		
Goods available for sales	890, 700		
Less closing stock	192, 000		
Good sold	698, 700		
Wages	1,000, 000		
Cost of sales	798, 700		
Gross profit	485, 400		
	1, 248, 400		1, 284, 100
Sundry expenses	80, 000	Gross profit	485, 400
Net profit	405, 400		
	<u>484,500</u>		<u>484,500</u>

16.6 Conversion of Single Entry to Double Entry

Sometimes a trader who has been keeping his account under the single entry or incomplete records method may like to improve his system by using a complete double entry system. The trader must then provide a new set of books to be opened by recording all the items contained in the closing statement of affairs. The items should journalize as opening entries and posted from the journal to the respective ledger accounts.

Proper subsidiary books will have to be brought into use and instructions should be issued that all transactions must be recorded strictly on double entry principles. If the owner of the business does not want to be burdened by the extra cost of keeping a bookkeeper on patrol, he must be made to realize or agree in future to keep a cash book, together with a sales ledger and a purchase ledger. This will make it easier for the person who is to prepare a proper account for the company to collect all the necessary information in the desired manner.

Activity 5.2

Statement of Affairs as at 1st January 2009

Liabilities	N	Assets	N
Sundry creditors	100,000	Cash at Bank	200,000
Capital as at 1 Jan. 2009	639,000	Stock	200,000
Fixture & fittings	190,000		
	<u>739,000</u>		<u>739,000</u>

Summary of cash transactions as at 31st December, 2009

Debits	N	
Balance 1st Jan.	60,000	
Cash sales	40,000	
Cash from sundry debtors		934,000
Credits		
Cash paid to creditors		905,000
Fixtures and fittings		6,000
Cash purchases		26,000
Drawings		30,000
Other expenses		160,000
Closing balance as at 31st December 2009		
Trade creditors		50,000
Trade debtors		60,000
Closing stock		110,000

Calculate:

- (i) Credit purchases;
- (ii) Credit sales;
- (iii) What is the value of total sales?
- (iv) What is the value of total purchase?

16.7 Summary

In this chapter, students have learnt:

1. That a single entry is the method of recording only one side of a transaction in the book of accounts.
2. That the system of accounting unlike the double entry system has many vital limitations.
3. How to prepare a statement of affairs which is a record showing the trading result and the capital of a business as at given date.
4. How to convert single entry to double entry bookkeeping.
5. How to calculate credit sales and credit purchase from single entry information.
6. How to prepare trading, profit and loss account from incomplete records.

16.8 Revision Questions

Tope & Sons does not keep proper accounts. The following information were extracted from the company's books:

	Opening Balance	Closing Balance
	N	N
Fixed assets	50,000	50,000
Stocks	20,600	22,000
Debtors	32,500	23,000
Creditors	18,000	17,500
Accrued rent	1,500	2,750

The payment to creditors for the year was N25,000 while receipts from debtors is N35,000, rent paid was N3,700 and sundry expenses were N5,000.

1. What is the credit sale?

- A. N58,000
- B. N44,500
- C. N30,000
- D. N25,500

2. What is the credit purchase?

- A. N43,000
- B. N47,500
- C. N25,500
- D. N24,500

3. The opening capital is _____.

- A. N86,600
- B. N83,600
- C. N70,600
- D. N54,600

4. Creditors at start of period is N2,500 while closing creditors is N4,200 and payment to creditors is N32,000.

Purchases for the period is _____.

- A. N38,700
- B. N34,500
- C. N33,700
- D. N30,300

5. A statement of affairs is equivalent to a _____.

- A. balance sheet
- B. profit & loss account
- C. trading account
- D. trial balance

6. A balance sheet drawn up from incomplete record is a _____.

- A. statement of affairs
- B. statement of assets
- C. statement of liabilities
- D. statement of accounts

7. Single entry is _____.

- A. an accounting system which does not adhere to durable entry rules
- B. an accounting system used in small scale firms
- C. an accounting system used for decision making
- D. a batter system of accounting than double entry

8. Ibukun Ltd. has the following data for the year:

Cash sales N60,000

Credit sales N140,000

At the close of the year, the M. Ibukun prepared the following statement of affairs as at 1st January, 2009

Statement of Affairs as at 1st January 2009

Liabilities	N	Assets	N
Sundry	30,000	Buildings	128,000
Capital as at 1 January 2009	139,000	Fittings	4,000
		Stock	8,000
		Sundry debtors	23,000
		Cash	6,000
	<u>169, 000</u>		<u>169, 000</u>

These other liabilities and assets as at 31st December, 2009 were valued as follows:

Sundry creditors	40,000
Fittings	4,000
Stock	8,000
Sundry debtors	27,000
Cash	8,000

The fittings include N2,500 of new fittings purchased during the year and paid for by B. Ibukun from his private account, drawing during the year amounted to N6,000.

Find his profit & loss for the year.

9. All EXCEPT one of the following books is not required in the preparation of final accounts in incomplete records.

- A. Statement of Affairs
- B. Sales ledger control account
- C. Bank reconciliation statement
- D. Cash book

10. A system where record maintained are inadequate for the preparation of trading, profit & loss account is referred to as _____.

- A. single entry
- B. double entry
- C. control accounts
- D. company account

11. **Lioris statement of affairs as at 1st January, 2009**

	N		N
Capital	119, 700	Fixture	6, 000
Creditors	21, 000	Stock	4, 500
Sundry debtor	93, 700	Bank	16, 000
	<u>160,000</u>		<u>160,000</u>

Statement of Affairs as at 31st Dec, 2009

	N		N
Capital	127, 540	Fixture	7, 000
Creditors	18, 000	Stock	51, 000
Sundry debtor	75, 540	Bank	12, 000
	<u>145, 540</u>		<u>145, 540.</u>

12. Ahmed drew N32,000 from his business account to his private account and also, during the year, his grandson received stock worth N1,000. Calculate the trading, profit and loss for the year.

13. Chukwu's business records are kept in a haphazard way. He was able to provide the following information on December 31st, 2009:

	N
Owing to the Jan 1st, 2009	54,000
Amount owing to the Dec 31st, 2009	53,200
Debt written off during the year	7,500
Goods returned by customers	2,700
Cheques received and paid into bank	60,370

Find his sales for the year by reconstructing a total sundry debtor's account.