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UNIT-1

ACCOUNTS FROM INCOMPLETE RECORDS

I. Choose the correct answer:

1. Incomplete records are generally maintained by
   a) A company b) government
   c) Small sized sole trader business d) multinational enterprises
2. Statement of affairs is a
   a) Statement of income and expenditure b) Statement of assets assets and liabilities
   c)Summary of cash transactions d) Summary of credit transactions
3. Opening statement of affairs is usually prepared to find out the
   a) Capital in the beginning of the year b) Capital at the end of the year
   c)Profit made during the year d) Loss occurred during the year
4. The excess of assets over liabilities is
   a) Loss b) Cash
   c)Capital d) profit
5. Which of the following items relating to bills payable is transferred to total creditors account?
   a) Opening balance of bills payable b) Closing balance of bills payable
   c) Bills payable accepted during the year d) Cash paid for bills payable
6. The amount of credit sales can be computed from
   a) Total debtors account b) Total creditors account
   c) Bills receivable account d) Bills payable account
7. Which one of the following statements is not true in relation to incomplete records?
   a) It is an unscientific method of recording transactions
   b) Records are maintained only for cash and personal accounts
   c) It is suitable for all types of organisations
   d) Tax authorities do not accept
8. What is the amount of capital of the proprietor, if his assets are Rs.85,000 and liabilities are Rs.21,000?

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a) Rs. 85,000 b) Rs. 1,06,000

c) Rs. 21,000 d) Rs. 64,000

9. When capital in the beginning is Rs. 10,000, drawings during the year is Rs.6,000, profit made during the year is Rs. 2,000 and the additional capital introduced is Rs.3,000, find out the amount of capital at the end

a) Rs. 9,000 b) Rs. 11,000

c) Rs. 21,000 d) Rs. 3,000

10. Opening balance of debtors: Rs. 30,000, cash received: Rs. 1,00,000, credit sales: Rs.90,000; closing balance of debtors is

a) Rs.30,000 b) Rs. 1,30,000

c) Rs. 40,000 d) Rs. 20,000

Answers :

1. (c) 2. (b) 3. (a) 4. (c) 5. (c) 6. (a) 7.(c) 8. (d) 9. (a) 10.(d)

II. Very short answer questions:

1. What is meant by incomplete records?

i. When accounting records are not strictly maintained according to double entry system, these records are called incomplete accounting records.

ii. Generally, cash account and the personal accounts of customers and creditors are maintained fully and other accounts are maintained based on necessity.

2. State the accounts generally maintained by small sized sole trader when double entry accounting system is not followed.

i. Personal and cash accounts are maintained fully.

ii. Real and nominal accounts are not maintained fully.

3. What is a statement of affairs ?

i. A statement of affairs is a statement showing the balances of assets and liabilities on a particular date. The balances of assets are shown on the right side and the balances of liabilities on the left side.

ii. This statement resembles a balance sheet. The difference between the total of assets and total of liabilities is taken as capital.

Capital = Assets – Liabilities

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III. Short answer questions:

1. What are the features of incomplete records?
   (i) Nature: It is an unscientific and unsystematic way of recording transactions. Accounting principles and accounting standards are not followed properly.
   (ii) Type of accounts maintained: In general, only cash and personal accounts are maintained fully. Real accounts and nominal accounts are not maintained properly. Some transactions are completely omitted.
   (iii) Lack of uniformity: There is no uniformity in recording the transactions among different organisations. Different organisations record their transactions according to their needs and conveniences.
2. What are the limitations of incomplete records?
   (i) Lack of proper maintenance of records: It is an unscientific and unsystematic way of maintaining records. Real and nominal accounts are not maintained properly.
   (ii) Difficulty in preparing trial balance: As accounts are not maintained for all items, the accounting records are incomplete. Hence, it is difficult to prepare trial balance to check the arithmetical accuracy of the accounts.
   (iii) Difficulty in ascertaining true profitability of the business: Profit is found out based on available information and estimates. Hence, it is difficult to ascertain true profit as the trading and profit and loss account cannot be prepared with accuracy
3. State the differences between double entry system and incomplete records.

Basis of distinction	Double entry system	Incomplete records
1.Recording of Transactions	Both debit and credit aspects of all the transactions are recorded	Debit and credit aspects of all the transactions are not recorded completely. For some transactions both aspects are entered, some transactions are partially recorded and some transactions are omitted to be entered.
2. Type of accounts maintained	Personal, real and nominal accounts are maintained fully	In general, only personal and cash accounts are maintained fully. Real and nominal

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		accounts are not maintained fully.
3. Preparation of trial balance	Trial balance can be prepared to check the arithmetical accuracy of the entries made in the books of accounts	It is difficult to prepare the trial balance to check arithmetic accuracy of entries made in the books of accounts as the accounts are incomplete.
4. Suitability	It is suitable for all types of organisations	It may be suitable for small sized sole traders and partnership firms.
5. Acceptability	Accounting records are acceptable to all users including tax authorities and financial institutions.	Accounting records may not be acceptable to all users

4. State the procedure for calculating profit or loss through statement of affairs.
   i. Take the closing capital as the base. Drawings made during the year should be added with the closing capital.
   ii. Additional capital introduced during the year should be subtracted. This will give the adjusted closing capital.
   iii. Adjusted closing capital = Closing capital + Drawings – Additional capital
   iv. By comparing adjusted closing capital with the opening capital the profit or loss can be ascertained. If the difference is a positive figure it is profit and if it is negative it is loss.
   v. Closing Capital + Drawings – Additional Capital – Opening Capital = Profit/ Loss
5. Differentiate between statement of affairs and balance sheet.

Basis of distinction	Statement of affairs	Balance sheet
1.Objective	Statement of affairs is generally prepared to find out the capital of the business.	Balance sheet is prepared to ascertain the financial position of the busines

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2.Accounting system	Statement of affairs is prepared when double entry system is not strictly followed.	Balance sheet is prepared when accounts are maintained under double entry system.
3.Basis of preparation	It is not fully based on ledger balances. Whereever possible ledger balances are taken. Some items are taken from some source documents and some items are mere estimates.	It is prepared exclusively on the basis of ledger balances
4. Reliability	It is not reliable as it is based on incomplete records.	It is reliable as it is prepared under double entry system
5.Missing items	It is difficult to trace the items omitted as complete records are not maintained.	Since both the aspects of all transactions are duly recorded, items omitted can be traced easily.

6. How is the amount of credit sale ascertained from incomplete records?

For ascertaining the amount of credit sales , the total debtor's account should be prepared. The specimen of it is given below :

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Particulars	Rs.	Particulars	Rs.
To balance b/d	xxx	By cash A/c	xxx
To sales A/c	xxx	By bank A/c	xxx
To Bank A/c (dishonour)	xxx	By discount allowed A/c	xxx
To bills recievable A/c	xxx	By sales return A/c	xxx
		By bad debts A/c	xxx
		By balance c/d (b/f)	xxx
	xxx		xxx

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IV. Exercises :

1. From the following particulars ascertain profit or loss :

Particulars	₹
Capital at the beginning of the year (1st April,2018)	5,00,000
Capital at the end of the year (31st March,2019)	8,50,000
Additional capital introduced during the year	1,20,000
Drawings during the year	70,000

Solution:

Statement of profit or loss for the year ending 31st March 2019

Particulars	₹
Closing capital	8,50,000
Add: Drawings	70,000
	9,20,000
Less: Additional capital	1,20,000
Adjusted closing capital	8,00,000
Less: Opening capital	5,00,000
Profit	3,00,000

2. From the following particulars ascertain profit or loss:

	₹
Capital on 1st January 2018	2,20,000
Capital on 31st December 2018	1,80,000
Additional capital introduced during the year	40,000
Drawings made during the year	50,000

Solution :

Statement of profit or loss for the year ending 31st December 2018

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Particulars	₹
Closing capital	1,80,000
Add: Drawings	50,000
	2,30,000
Less: Additional capital	40,000
Adjusted closing capital	1,90,000
Less: Opening capital	2,20,000
Loss	30,000

3. From the following details, calculate the missing figure:

Particulars	₹
Closing capital as on 31.3.2019	80,000
Additional capital introduced during the year	30,000
Drawings during the year	15,000
Opening capital on 01.4.2017	?
Loss for the year ending 31.3.2018	25,000

Solution :

Particulars	₹
Closing capital	80,000
Add: Drawings	15,000
	95,000
Less: Additional capital	30,000
Adjusted closing capital	65,000
Less: Opening capital	**90,000**
Loss	25,000

4. From the following details, calculate the capital as on 31st December 2018.

Particulars	₹
Capital as on 1st January, 2018	1,00,000

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Goods withdrawn for personal use by the owner	30,000
Additional capital introduced during the year	15,000
Profit for the year	60,000

Solution:

Statement of profit and loss for the year ending 31st December 2018

Particulars	₹
Closing capital	**1,45,000**
Add: Drawings	30,000
	1,75,000
Less: Additional capital	15,000
Adjusted closing capital	1,60,000
Less: Opening capital	1,00,000
Profit	60,000

5. From the following details, calculate the missing figure:

Particulars	₹
Capital as on 1st April, 2018	40,000
Capital as on 31st March, 2019	50,000
Additional capital introduced during the year	7,000
Profit for the year	8,000
Drawings during the year	?

Solution:

Particulars	₹
Closing capital	50,000
Add: Drawings	5,000
	55,000
Less: Additional capital	7,000
Adjusted closing capital	48,000

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Less: Opening capital	40,000
Profit	8,000

6. Following are the balances in the books of Thomas as on 31st March 2019.

Particulars	₹	Particulars	₹
Sundry creditors	6,00,000	Bills payable	1,20,000
Furniture	80,000	Cash in hand	20,000
Land and building	3,00,000	Biils receivable	60,000
Sundry debtors	3,20,000	Stock	2,20,000

Prepare a statement of affairs as on 31st March 2019 and calculate capital as on that date .

Solution:

In the books of Thomas

Statement of affairs as on 31st March 2019

Liabilities	₹	Assets	₹
Sundry creditors	6,00,000	Furniture	80,000
Bills payable	1,20,000	Land and building	3,00,000
Capital (balancing figure)	**2,80,000**	Sundry debtors	3,20,000
		Cash in hand	20,000
		Bills receivable	60,000
		Stock	2,20,000
	10,00,000		10,00,000

7. On 1st April 2018 Subha started her business with a capital of ₹ 1,20,000. She did not maintain proper books of accounts. Following particulars are available from her books as on 31.3.2019.

Particulars	₹	Particulars	₹
Bank overdraft	50,000	Stock in trade	1,60,000
Debtors	1,80,000	Creditors	90,000
Bills receivable	70,000	Bills payable	2,40,000
Computer	30,000	Cash in hand	60,000

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Machinery	3,00,000		

During the year she withdrew ₹ 30,000 for her personal use. She introduced further capital of ₹ 40,000 during the year. Calculate her profit or loss.

Solution :

Statement of affairs of Subha as on 31.01.2019

Liabilities	₹	Assets	₹
Creditors	90,000	Stock in trade	1,60,000
Bills payable	2,40,000	Cash in hand	60,000
Bank overdraft	50,000	Debtors	1,80,000
Capital (balancing figure)	**4,20,000**	Bills receivable	70,000
		Computer	30,000
		Machinery	3,00,000
	8.00.000		8,00,000

Statement showing profit or loss for the year ending 31st March 2019

Particulars	₹
Closing capital as on 31.03.2019	4,20,000
Add : Drawings during the year	30,000
	4,50,000
Less : Additional capital introduced during the year	40,000
Adjusted closing capital	4,10,000
Less : Opening capital as on 01.04.2018	1,20,000
Profit made during the year	**2,90,000**

8. Raju does not keep proper books of accounts. Following details are taken from his records.

Particulars	1.1.2018 (₹)	31.1.2018 (₹)
Cash at bank	80,000	90,000
Stock of goods	1,80,000	1,40,000
Debtors	90,000	2,00,000
Sundry creditors	1,30,000	1,95,000
Bank loan	60,000	60,000
Bills payable	80,000	45,000
Plant and machinery	1,70,000	1,70,000

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During the year he introduced further capital of ₹ 50,000 and withdrew ₹ 2,500 per month from the business for his personal use. Prepare statement of profit or loss with the above information.

Solution :

In the books of Raju

Calculation of opening capital :

Statement of affairs as on 1.1.2018

Liabilities	₹	Assets	₹
Sundry creditors	1,30,000	Cash at bank	80,000
Bank loan	60,000	Stock of goods	1,80,000
Bills payable	80,000	Debtors	90,000
Capital (balancing figure)	**2,50,000**	Pant and machinery	1,70,000
	5,20,000		5,20,000

Calculation of closing capital :

Statement of affairs as on 31.12.2018

Liabilities	₹	Assets	₹
Sundry creditors	1,95,000	Cash at bank	90,000
Bank loan	60,000	Stock of goods	1,40,000
Bills payable	45,000	Debtors	2,00,000
Capital (balancing figure)	**3,00,000**	Plant and machinery	1,70,000
	6,00,000		6,00,000

Statement of profit or loss for the year ending 31.12.2018

Particulars	₹
Closing capital as on 31.12.2018	3,00,000
Add : Drawings during the year (2500x12)	30,000
	3,30,000
Less : Additional capital introduced during the year	50,000
Adjusted closing capital	2,80,000
Less : Opening capital	2,50,000
Profit made during the year	**30,000**

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9. Ananth does not keep his books under double entry system. Find the profit or loss made by him for the year ending 31st March, 2019.

Particulars	31.3.2018 (₹)	31.3.2019 (₹)
Cash at bank	5,000 (Dr.)	60,000 (Cr.)
Cash in hand	3,000	4,500
Stock of goods	35,000	45,000
Sundry debtors	1,00,000	90,000
Plant and machinery	80,000	80,000
Land and buildings	1,40,000	1,40,000
Sundry creditors	1,70,000	1,40,000

Ananth had withdrawn ` 60,000 for his personal use. He had introduced ` 17,000 as capital for expansion of his business. Create a provision of 5% on debtors. Plant and machinery is to be depreciated at 10%.

Solution:

In the books of Ananth

Calculation of opening capital :

Statement of affairs as on 31.3.2018

Liabilities	₹	Asssets	₹
Sundry creditors	1,70,000	Cash at bank	5,000
Capital (balancing figure)	**1,93,000**	Cash in hand	3,000
		Stock of goods	35,000
		Sundry debtors	1,00,000
		Plant and machinery	80,000
		Land and buildings	1,40,000
	3,63,000		3,63,000

Calculation of closing capital :

Statement of affairs as on 31.3.2019

Particulars	₹	Particulars	₹	₹
Bank overdraft	60,000	Cash in hand		4,500
Sundry creditors	1,30,000	Stock of goods		45,000
Capital (balancing	**1,57,000**	Sundry debtors	90,000	
figure)			4,500	85,500

		Less: Provision on debtors 5%	80,000	
		Plant and machinery	8,000	72,000
		Less: Depreciation 10%		1,40,000
		Land and buildings		
	3,47,000			3,47,000

Statement of profit or loss for the year ending 31st March 2019

Particulars	₹
Closing capital as on 31.03.2019	1,57,000
Add : Drawings during the year	60,000
	2,17,000
Less : Additional capital introduced during the year	17,000
Adjusted closing capital	2,00,000
Less : Opening capital as on 31.03.2018	1,93,000
Profit for the year ending 31.03.2019	**7,000**

10. Find out credit sales from the following information:

Particulars	₹
Debtors on 1st April, 2018	1,00,000
Cash received from debtors	2,30,000
Discount allowed	5,000
Returns inward	25,000
Debtors on 31st March 2019	1,20,000

Solution :

Dr. Total debtors account Cr.

Particulars	₹	Particulars	₹
To balance b/d	1,00,000	By cash received	2,30,000
To credit sales (balancing figure)	**2,80,000**	By discount allowed	5,000
		By sales returns	25,000
		By balance c/d	1,20,000
	3,80,000		3,80,000

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11. From the following details find out total sales made during the year

Particulars	₹
Debtors on 1st January 2018	1,30,000
Cash received from debtors during the year	4,20,000
Sales returns	35,000
Bad debts	15,000
Debtors on 31st December 2018	2,00,000
Cash Sales	4,60,000

Solution :

Dr. Total debtors account Cr.

Particulars	₹	Particulars	₹
To balance b/d	1,30,000	By cash	4,20,,000
To credit sales (balancing figure)	**5,40,000**	By sales return	35,000
		By bad debts	15,000
		By balance c/d	2,00,000
	6,70,000		6,70,000

Total sales = Cash sales + Credit sales

= 4,60,000 + 5,40,000

= ₹ 10,00,000

12. . From the following particulars, prepare bills receivable amount and compute the bills received from the debtors.

Particulars	₹
Bills receivable at the beginning of the year	1,40,000
Bills receivable at the end of the year	2,00,000
Cash received for bills receivable	3,90,000
Bills receivable dishonoured	30,000

Solution:

Dr. Bill receivable account Cr.

Particulars	₹	Particulars	₹

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To balance b/d	1,40,000	By cash	3,90,000
To debtors A/c	**4,80,000**	By debtors (bills receivable	30,000
(Bills received during the		dishonoured)	
year – balancing figure)		By balance c/d	2,00,000
	6,20,000		6,20,000

13. From the following particulars, calculate total sales.

Particulars	₹	Particulars	₹
Debtors on 1st April 2018	2,50,000	Bills receivable dishonoured	15,000
Bills receivable on 1st April		Returns inward	50,000
2018	60,000	Bills receivable on 31st March,	
Cash received from debtors	7,25,000	2019	90,000
Cash received for bills		Sundry debtors on 31st March,	
receivable	1,60,000	2019	2,40,000
Bad debts	30,000	Cash sales	3,15,000

Solution:

Dr. Bills receivable account Cr.

Particulars	₹	Particulars	₹
To balance b/d	60,000	By cash A/c	1,60,000
To debtors A/c (bills received	**2,05,000**	By debtors (bills	15,000
during the		received	
year- balancing figure)		dishonoured)	
		By balance c/d	90,000
	2,65,000		2,65,000

Dr. Total debtors account Cr.

Particulars	₹	Particulars	₹
To balance b/d	2,50,000	By cash	7,25,000
To bills receivable	15,000	By returns inward	50,000
(dishonoured)	**9,85,000**	By bills receivable (bills	2,05,000
To credit sales (balancing		received)	
figure)		By bad debts	30,000
		By balance c/d	2,40,000

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	10,10,000		10,10,000

Total sales = Cash sales + Credit sales

= ₹ 3,15,000 + ₹ 9,85,000

= ₹ 13,00,000

14. From the following details, calculate credit purchases.

Particulars	₹
Opening creditors	1,70,000
Purchase returns	20,000
Cash paid to creditors	4,50,000
Closing creditors	1,90,000

Solution :

Dr. Total creditors account Cr.

Particulars	₹	Particulars	₹
To cash (paid)	4,50,000	By balance b/d	1,70,000
To purchase returns	20,000	By credit purchases (balancing figure)	**4,90,000**
To balance c/d	1,90,000		
	6,60,000		6,60,000

15. From the following particulars calculate total purchases.

Particulars	₹	Particulars	₹
Sundry creditors on 1st January, 2018	30,000	Purchases returns	15,000
		Cash purchases	2,25,000
Bills payable on 1st January, 2018	25,000	Creditors on 31st December, 2018	25,000
Paid cash to creditors	1,20,000	Bills payable on 31st December,2018	20,000
Paid for bills payable	30,000		

Solution :

Dr. Bills payable account Cr.

Particulars	₹	Particulars	₹
To cash (bills paid)	30,000	By balance b/d	25,000
			25,000

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To balance c/d	20,000	By sundry creditors (bills accepted-balancing figure)	
	50,000		50,000

Dr. Total creditors account Cr.

Particulars	₹	Particulars	₹
To cash paid	1,20,000	By balance b/d	30,000
To purchases returns	15,000	By purchases (credit -balancing figure)	**1,55,000**
To bills payable (bills accepted)	25,000		
To balance c/d	25,000		
	1,85,000		1,85,000

Total purchases = Cash purchases + Credit purchases

= ₹ 2,25,000 + ₹ 1,55,000

= **₹ 3,80,000**

16. From the following details you are required to calculate credit sales and credit purchases by preparing total debtors account, total creditors account, bills receivable account and bills payable account.

Particulars	₹	Particulars	₹
Balances as on 1st April 2018:		Balances as on 31st March 2019:	
Sundry debtors	2,40,000	Sundry debtors	2,20,000
Bills receivable	30,000	Sundry creditors	1,50,000
Sundry creditors	1,20,000	Bills receivable	8,000
Bills payable	10,000	Bills payable	20,000
Other information :			
Cash received from debtors	6,00,000	Payments against bill payable	30,000
Discount allowed to customers	25,000	Cash received for bills receivable	60,000
Cash paid to creditors	3,20,000	Bills receivable dishonoured	4,000
Discount allowed by suppliers	10,000	Bad debts	16,000

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Solution :

Dr. Bills receivable account Cr.

Particulars	₹	Particulars	₹
To balance b/d	30,000	By cash	60,000
To debtors (bills received-balancing figure)	**42,000**	By debtors (bills receivable dishonoured)	4,000
		By balance c/d	8,000
	72,000		72,000

Dr. Total debtors account Cr.

Particulars	₹	Particulars	₹
To balance b/d	2,40,000	By cash received	6,00,000
To bills receivable (dishonoured)	4,000	By discount allowed	25,000
		By bad debts	16,000
To sales (credit-balancing figure)	**6,59,000**	By bills receivable (bills received)	42,000
		By balance c/d	2,20,000
	9,03,000		9,03,000

Dr. Bills payable account Cr.

Particulars	₹	Particulars	₹
To cash (bills paid)	30,000	By balance b/d	10,000
To balance c/d	20,000	By sundry creditors (bills accepted-balancing figure)	**40,000**
	50,000		50,000

Dr. Total creditors account Cr.

Particulars	₹	Particulars	₹
To cash (paid)	3,20,000	By balance b/d	1,20,000
To discount received	10,000	By purchases (credit-balancing figure)	**4,00,000**
To bills payable (bills accepted)	40,000		
	1,50,000		

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To balance c/d			
	5,20,000		5,20,000

17. From the following details of Rakesh, prepare Trading and Profit and Loss account for the year ended 31st March, 2019 and a Balance Sheet as on that date.

Particulars	31.3.2018 (₹)	31.3.2019 (₹)
Stock of goods	2,20,000	1,60,000
Debtors	5,30,000	6,40,000
Cash at bank	60,000	10,000
Machinery	80,000	80,000
Sundry creditors	3,70,000	4,20,000

Other details:

Particulars	₹	Particulars	₹
Rent paid	1,20,000	Cash received from debtors	12,50,000
Discount received	35,000	Drawings	1,00,000
Discount allowed	25,000	Cash sales	20,000
Cash paid to creditors	11,00,000	Capital as on 1.4.2018	5,20,000

Solution :

Dr. Total debtors account Cr.

Particulars	₹	Particulars	₹
To balance b/d	5,30,000	By cash received	12,50,000
To credit sales (balancing figure)	**13,85,000**	By discount allowed	25,000
		By balance c/d	6,40,000
	19,15,000		19,15,000

Dr. Total creditors account Cr.

Particulars	₹	Particulars	₹
To cash (paid)	11,00,000	By balance b/d	3,70,000
To discount received	35,000	By credit purchases (balancing figure)	11,85,000
To balance c/d	4,20,000		
	15,55,000		15,55,000

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In the books of Rakesh

Trading and Profit and loss account for the year ending 31st March 2019

Dr. Cr.

Particulars	₹	Particulars	₹
To opening stock	2,20,000	By sales	
To purchases	11,85,000	Cash sales 20,000	
To gross profit c/d	**1,60,000**	Credit sales 13,85,000	14,05,000
		By closing stock	1,60,000
	15,65,000		15,65,000
To rent paid	1,20,000	By gross profit b/d	1,60,000
To discount allowed	25,000	By discount received	35,000
To net profit	**50,000**		
(transferred to capital account)			
	1,95,000		1,95,000

Balance sheet as on 31st March 2019

Liabilities	₹	₹	Assets	₹
Sundry creditors		4,20,000	Debtors	6,40,000
Capital	5,20,000		Cash at bank	10,000
Add: Net profit	50,000		Machinery	80,000
	5,70,000		Closing stock	1,60,000
Less: Drawings	1,00,000	4,70,000		
		8,90,000		8,90,000

18. Mary does not keep her books under double entry system. From the following details prepare trading and profit and loss account for the year ending 31st March, 2019 and a balance sheet as on that date.

Dr. Cash book Cr.

Particulars	₹	Particulars	₹
To balance b/d	1,20,000	By purchases	1,50,000
To sales	3,60,000	By creditors	2,50,000
To debtors	3,40,000	By wages	70,000
		By sundry expenses	1,27,000

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		By balance c/d	2,23,000
	8,20,000		8,20,000

Other information :

Particulars	1.4.2018 (₹)	31.3.2019 (₹)
Stock of goods	1,10,000	1,80,000
Sundry debtors	1,30,000	?
Sundry creditors	1,60,000	90,000
Furniture and fittings	80,000	80,000

Additional information: ₹

Credit purchases 1,80,000

Credit sales 2,90,000

Opening capital 2,80,000

Depreciate furniture and fittings by 10% p.a

Solution :

In the books of Mary

Dr. Total debtors account Cr.

Particulars	₹	Particulars	₹
To balance b/d	1,30,000	By cash (received)	3,40,000
To sales (credit)	2,90,000	By balance c/d (balancing figure)	**80,000**
	4,20,000		4,20,000
To balance b/d	80,000		

Trading and Profit and loss account for the year ended 31st March 2019

Dr. Cr.

Particulars	₹	₹	Particulars	₹	₹
To opening stock		1,10,000	By sales		
To purchases			Cash	3,60,000	
Cash	1,50,000		Credit	2,90,000	6,50,000
Credit	1,80,000	3,30,000	By closing		
To wages		70,000	stock		1,80,000
To gross profit c/d		**3,20,000**			
		8,30,000			8,30,000

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To sundry expenses		1,27,000	By gross profit		
To depreciation			b/d		3,20,000
on machinery (10%)		8,000			
To net profit					
transferred to capital					
A/c		**1,85,000**			
		3,20,000			3,20,000

Balance sheet as on 31st March 2019

Liabilities	₹	₹	Assets	₹	₹
Capital	2,80,000		Cash		2,23,000
Add:Net profit	1,85,000	4,65,000	Stock of goods		1,80,000
Creditors		90,000	Debtors		80,000
			Furniture and fittings	80,000	
			Less: Depreciation	8,000	72,000
		5,55,000			5,55,000

19. Arun carries on hardware business and does not keep his books on double entry basis. The following particulars have been extracted from his books:

Particulars	31.12.2017 (₹)	31.12.2018 (₹)
Land and building	2,40,000	2,40,000
Stock-in-trade	1,20,000	1,70,000
Debtors	40,000	51,500
Creditors	50,000	45,000
Cash at bank	30,000	53,000

Other information for the year ending 31.12.2018 showed the following:

	₹
Wages	65,000
Carriage outwards	7,500
Sundry expense	28,000
Cash paid to creditors	6,00,000
Drawings	10,000

Total sales during the year were ₹ 7,70,000. Purchases returns during the year were ₹ 30,000 and sales returns were ₹ 25,000. Depreciate land and buildings by 5%. Provide

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₹ 1,500 for doubtful debts. Prepare trading and profit and loss account for the year ending 31st December, 2018 and a balance sheet as on that date.

Solution:

In the books of Arun

Statement of affairs as on 1st December 2018

Liabilities	₹	Assets	₹
Creditors	50,000	Land and building	2,40,000
Opening capital (balancing figure)	**3,80,000**	Stock in trade	1,20,000
		Debtors	40,000
		Cash at bank	30,000
	4,30,000		4,30,000

Dr. Total creditors account Cr.

Particulars	₹	Particulars	₹
To cash (paid)	6,00,000	By balance b/d	50,000
To purchase returns	30,000	By credit purchases (balancing figure)	**6,25,000**
To balance c/d	45,000		
	6,75,000		6,75,000

Dr. Trading and profit and loss account for the year ended 31st December 2018 Cr.

Particulars	₹	₹	Particulars	₹	₹
To opening stock		1,20,000	By sales	7,70,000	
To purchases credit	6,25,000		Less: Sales	25,000	7,45,000
Less: Purchase returns	30,000	5,95,000	returns		
To wages		65,000	By closing		1,70,000
To gross profit c/d		**1,35,000**	stock		
		9,15,000			9,15,000
To carriage outwards		7,500	By gross		
To sundry expenses		28,000	profit c/d		
To depreciation on land and buildings (5%)		12,000			
To provision for doubtful debts		1,500			

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To net profit transferred to capital account		**86,000**			
		1,35,000			1,35,000

Balance sheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Capital	3,80,000		Land and buildings	2,40,000	
Add:Net profit	86,000		Less: Depreciation 5%	12,000	2,28,000
Less:Drawings	4,66,000		Closing stock		1,70,000
Creditors	10,000	4,56,000	Debtors	51,500	
		45,000	Less: Provision for debtors	1,500	50,000
			Cash at bank		53,000
		5,01,000			5,01,000

20. Selvam does not keep his books under double entry system. From the following information prepare trading and Profit and loss A/c and Balance Sheet as on 31-12-2018

Particulars	1.1.2018 (₹)	31.12.2018 (₹)
Machinery	60,000	60,000
Cash at bank	25,000	33,000
Sundry debtors	70,000	1,00,000
Stock	45,000	22,000
Bills receivable	20,000	38,000
Bank loan	45,000	45,000
Sundry creditors	25,000	21,000

	₹		₹
Cash sales	20,000	Credit sales	1,80,000
Cash purchases	8,000	Credit purchases	52,000
Wages	6,000	Salaries	23,500
Advertisement	7,000	Interest on bank loan	4,500
Drawings	60,000	Additional capital	21,000

Adjustments: Write off depreciation of 10% on machinery. Create a reserve of 1% on debtors for doubtful debts

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Solution: In the books of Selvam

Statement of affairs as on 1st January 2018

Liabilities	₹	Assets	₹
Bank loan	45,000	Machinery	60,000
Sundry creditors	25,000	Cash at bank	25,000
Opening capital (balancing figure)	**1,50,000**	Sundry debtors	70,000
		Stock	45,000
		Bills receivable	20,000
	2,20,000		2,20,000

Dr. Cr.

Trading and profit and loss account for the year ended 31st December 2018

Particulars	₹	₹	Particulars	₹	₹
To opening stock		45,000	By sales		
To purchase			Cash	20,000	
Cash			Credit	1,80,000	2,00,000
Credit		60,000	By closing stock		22,000
To wages		6,000			
To gross profit c/d		**1,11,000**			
		2,22,000			2,22,000
To advertisement		7,000	By gross profit b/d		1,11,000
To salaries		23,500			
To depreciation 10%		6,000			
To reserve on debtors 1%		1,000			
To interest on bank loan		4,500			
To net profit transferred to capital A/c		**69,000**			
		1,11,000			1,11,000

Balance sheet as on 31st December 2018

Liabilities	₹	₹	Assets	₹	₹
Bank loan		45,000	Machinery	60,000	
Sundry creditors		21,000	Less:Depreciation	6,000	54,000
Capital	1,50,000		10%		
Add: Net profit	69,000		Cash at bank		33,000

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	2,19,000		Sundry debtors	1,00,000	
Add: Additional	21,000		Less: Reserve for	1,000	99,000
capital	2,40,000		doubtful debts		
Less: Drawings	60,000	1,80,000	Closing stock		22,000
			Bills receivable		38,000
		2,46,000			2,46,000

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