

2022-23  
EDITION

# SURA'S 12<sup>TH</sup> STD SCHOOL GUIDES

SURA'S  
SUPER  
GUIDE

SURA'S

2022-23  
EDITION

## ACCOUNTANCY

Based on the updated new textbook



100%  
SUCCESS

- Exhaustive Additional MCQs, VSA, SA and LA questions with answers are given in each chapter.
- All the objective type (1 Mark) questions, are given with 4 options.  
(i) Choosing the correct option (ii) Matching  
(iii) True or False (iv) Correctly Matched  
(v) Not Correctly Matched (vi) Assertion & Reason  
(vii) Picking the Odd one Out
- Model Question Papers 1 to 6 (PTA) : Questions are incorporated in the appropriate sections.
- Govt. Model Question Paper - 2019 (Govt. MQP-2019), Quarterly Exam - 2019 (QY-2019), Half Yearly Exam - 2019 (HY-2019), Public Examination March - 2020 (Mar-2020), Supplementary Exam September - 2020 (Sep-2020) and Supplementary Exam August - 2021 (Aug-2021) are incorporated in the appropriate sections.
- Govt. Suppl. Exam August 2021 question paper is given with answers.



12<sup>th</sup>  
STD.

Updated  
New Edition



Call @  
**9600175757**  
**8124301000**  
orders@surabooks.com

Buy Online @

  
**surabooks.com**

SURA'S

# ACCOUNTANCY

## 12<sup>th</sup> Std

FREE  
Practice Workbook  
with  
Practice Model  
Question Papers

Based on the  
Updated New Textbook

### *Salient Features*

- ✦ Exhaustive Additional MCQs, VSA, SA, and Problems with answers are given in each chapter.
- ✦ All the objective type (1 Mark) questions, are given with 4 options.
  - Choosing the Correct option
  - Matching
  - Fill in the Blanks
  - Picking the Odd one Out
  - Correctly Matched / Not Correctly Matched
  - Assertion & Reason
  - Choosing the Correct Statement
- ✦ **Model Question Papers 1 to 6 (PTA)** : Questions are incorporated in the appropriate sections.
- ✦ Govt. Model Question Paper - 2019 (**Govt. MQP-2019**), Quarterly Exam - 2019 (**QY-2019**), Half Yearly Exam - 2019 (**HY-2019**), Public Exam March - 2020 (**Mar-2020**) and Supplementary Exam September 2020 & August 2021 (**Sep-2020 & Aug-2021**) are incorporated in the appropriate sections.
- ✦ Govt. Supplementary Exam August - 2021 question paper is given with answers



**SURA PUBLICATIONS**

Chennai

[www.kalviexpress.in](http://www.kalviexpress.in)

[orders@surabooks.com](mailto:orders@surabooks.com)

PH:9600175757 / 8124301000

2022-23 Edition

All rights reserved © SURA Publications.

No part of this book may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, digitally, electronically, mechanically, photocopying, recorded or otherwise, without the written permission of the publishers. Strict action will be taken.

ISBN : 978-93-92559-60-0

Code No : SG 94

**Authors :**

- Mrs. Sathiya Rathakrishnan, M.Com., M.Phil., MBA. Nagercoil
- Mr. Parameswaran, M.Com., M.Phil. Trichy
- Mr. Santhosh Kumar, M.Com., B.Ed. Chennai

**Edited by :**

- Mrs. Lalitha Krishnan, M.Com., B.Ed. Madurai
- Ms. Geetha, M.Com. Chennai

**Reviewed by :**

- Dr. Ramakrishnan, M.Com., M.Phil., Ph.D. Chennai
- Mrs. Vidya Chandrasekar, M.Com., M.Phil. Chennai

**Head Office:**

1620, 'J' Block, 16th Main Road,  
Anna Nagar, Chennai - 600 040.  
Phones: 044-4862 9977, 044-4862 7755.  
Mob : 80562 94222 / 80562 15222  
e-mail : orders@surabooks.com  
website : www.surabooks.com

**For More Information - Contact**

**Doubts in Our**

**Guides** : enquiry@surabooks.com

**For Order** : orders@surabooks.com

**Contact** : 80562 94222 / 80562 15222

**Whatsapp** : 81242 01000 / 98409 26027

**Online Site** : www.surabooks.com

**For Free Study Materials Visit** <http://tnkalvi.in>

29.12.2021

(ii)

[www.kalviexpress.in](http://www.kalviexpress.in)

orders@surabooks.com

PH:9600175757 / 8124301000

## PREFACE

The woods are lovely, dark and deep.  
But I have promises to keep, and  
**miles to go before I sleep**

- *Robert Frost*

Respected Principals, Correspondents, Headmasters/ Headmistresses, Teachers,

From the bottom of our heart, we at SURA Publications sincerely thank you for the support and patronage that you have extended to us for more than a decade.

It is in our sincerest effort we take the pride of releasing **SURA's Accountancy** for +2 Standard. This guide has been authored and edited by qualified teachers having teaching experience for over a decade in their respective subject fields. This Guide has been reviewed by reputed Professors who are currently serving as Head of the Department in esteemed Universities and Colleges.

With due respect to Teachers, I would like to mention that this guide will serve as a teaching companion to qualified teachers. Also, this guide will be an excellent learning companion to students with exhaustive exercises and in-text questions in addition to precise answers for textual questions.

In complete cognizance of the dedicated role of Teachers, I completely believe that our students will learn the subject effectively with this guide and prove their excellence in Board Examinations.

I once again sincerely thank the Teachers, Parents and Students for supporting and valuing our efforts.

God Bless all.

**Subash Raj, B.E., M.S.**

- Publisher

Sura Publications

*All the Best*

(iii)

[www.kalviexpress.in](http://www.kalviexpress.in)

[orders@surabooks.com](mailto:orders@surabooks.com)

PH:9600175757 / 8124301000

## TO ORDER WITH US

### SCHOOLS and TEACHERS:

We are grateful for your support and patronage to '**SURA PUBLICATIONS**'

Kindly prepare your order in your School letterhead and send it to us.

For Orders contact: 81242 01000 / 81243 01000

### DIRECT DEPOSIT

A/c Name : **Sura Publications**  
Our A/c No. : **36550290536**  
Bank Name : **STATE BANK OF INDIA**  
Bank Branch : **PADI**  
IFSC : **SBIN0005083**

A/c Name : **Sura Publications**  
Our A/c No. : **21000210001240**  
Bank Name : **UCO BANK**  
Bank Branch : **Anna Nagar West**  
IFSC : **UCBA0002100**

A/c Name : **Sura Publications**  
Our A/c No. : **6502699356**  
Bank Name : **INDIAN BANK**  
Bank Branch : **ASIAD COLONY**  
IFSC : **IDIB000A098**

A/c Name : **Sura Publications**  
Our A/c No. : **1154135000017684**  
Bank Name : **KVB BANK**  
Bank Branch : **Anna Nagar**  
IFSC : **KVBL0001154**

After Deposit, please send challan and order to our address.

email to : [orders@surabooks.com](mailto:orders@surabooks.com) / Whatsapp : 81242 01000.



For Google Pay :  
**98409 26027**



For PhonePe :  
**98409 26027**



### DEMAND DRAFT / CHEQUE

Please send Demand Draft / cheque in favour of '**SURA PUBLICATIONS**' payable at **Chennai**.

The Demand Draft / cheque should be sent with your order in School letterhead.

### STUDENTS :

Order via Money Order (M/O) to



## SURA PUBLICATIONS

1620, 'J' Block, 16th Main Road, Anna Nagar,  
Chennai - 600 040.

Phones : 044-4862 9977, 044-486 27755.

Mobile : 96001 75757 / 81242 01000 / 81243 01000.

email : [orders@surabooks.com](mailto:orders@surabooks.com) Website : [www.surabooks.com](http://www.surabooks.com)

(iv)

## CONTENT

1. ACCOUNTS FROM INCOMPLETE RECORDS .....	1 - 38
2. ACCOUNTS OF NOT - FOR - PROFIT ORGANISATION .....	39 - 76
3. ACCOUNTS OF PARTNERSHIP FIRMS - FUNDAMENTALS .....	77 - 112
4. GOODWILL IN PARTNERSHIP ACCOUNTS .....	113 - 132
5. ADMISSION OF A PARTNER .....	133 - 172
6. RETIREMENT AND DEATH OF A PARTNER .....	173 - 211
7. COMPANY ACCOUNTS .....	212 - 254
8. FINANCIAL STATEMENT ANALYSIS .....	255 - 287
9. RATIO ANALYSIS .....	288 - 324
10. COMPUTERISED ACCOUNTING SYSTEM - TALLY .....	325 - 336
SUPPLEMENTARY QUESTION & ANSWER PAPER - Aug.2021 .....	337 - 354





2022-23  
EDITION

SURA'S

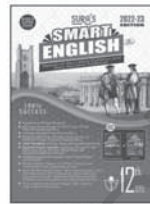
# SCHOOL GUIDES

For  
Class

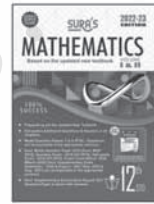
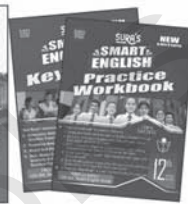
12<sup>th</sup>  
Standard  
100 Marks Pattern



SG 142



SG 101



SG 322

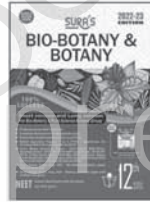
English  
&  
Tamil  
Medium



SG 323



SG 324



SG 97



SG 281



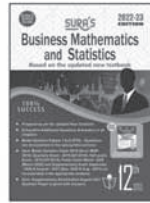
SG 93



SG 95



SG 94



SG 325



SG 91



SG 283



## SURA PUBLICATIONS

1620, 'J' Block, 16th Main Road, Anna Nagar,  
Chennai - 600 040. INDIA. Phones: 044-48629977, 48627755

Mobile: 81242 01000 / 81243 01000

email : [enquiry@surabooks.com](mailto:enquiry@surabooks.com)

[orders@surabooks.com](mailto:orders@surabooks.com)

Buy online @

  
**surabooks.com**

(vi)

[www.kalviexpress.in](http://www.kalviexpress.in)

[orders@surabooks.com](mailto:orders@surabooks.com)

PH:9600175757 / 8124301000

UNIT

1

ACCOUNTS FROM  
INCOMPLETE RECORDS

CHAPTER SNAPSHOT

- 1.1 Introduction
- 1.2 Meaning of incomplete records
- 1.3 Features of incomplete records
- 1.4 Limitations of incomplete records
- 1.5 Differences between double entry system and incomplete records
- 1.6 Accounts from incomplete records
- 1.7 Ascertaining profit or loss from incomplete records through statement of affairs
  - 1.7.1 Calculation of profit or loss through statement of affairs
  - 1.7.2 Steps to be followed to find out the profit or loss by preparing statement of affairs
  - 1.7.3 Statement of affairs
  - 1.7.4 Format of statement of affairs
  - 1.7.5 Differences between statement of affairs and balance sheet
- 1.8 Preparation of final accounts from incomplete records
  - 1.8.1 Steps to be followed to prepare final accounts from incomplete records



# Important Points

- ❑ When accounting records are not strictly maintained according to double entry system they are called incomplete accounting records.
- ❑ In general, only cash and personal accounts are maintained fully.
- ❑ Any increase in capital is taken as profit while a decrease is regarded as loss.
- ❑ Closing capital + Drawings – Additional capital – Opening capital = Profit/ Loss.
- ❑ A statement of affairs is prepared to find out capital on a particular day by showing the balances of assets on the right side and the balances of liabilities on the left side.
- ❑ From the information available from incomplete records and from other documents, the missing figures can be found out and then the final accounts can be prepared.

## SELF-EXAMINATION QUESTIONS

### Unit - 1

#### I. MULTIPLE CHOICE QUESTIONS

##### CHOOSE THE CORRECT ANSWER

1. Incomplete records are generally maintained by [PTA-1; Aug-2021]

- (a) A company
- (b) Government
- (c) Small sized sole trader business
- (d) Multinational enterprises

[Ans. (c) Small sized sole trader business]

2. Statement of affairs is a [PTA-2; QY-2019]

- (a) Statement of income and expenditure
- (b) Statement of assets and liabilities
- (c) Summary of cash transactions
- (d) Summary of credit transactions

[Ans. (b) Statement of assets and liabilities]

3. Opening statement of affairs is usually prepared to find out the [PTA-3]

- (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

[Ans. (a) Capital in the beginning of the year]

4. The excess of assets over liabilities is [PTA-4, 6; QY-2019; Sep-2020]

- (a) Loss
- (b) Cash
- (c) Capital
- (d) Profit

[Ans. (c) Capital]

5. Which of the following items relating to bills payable is transferred to total creditors account? [PTA-5]

- (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

[Ans. (c) Bills payable accepted during the year]

6. The amount of credit sales can be computed from [PTA-5; QY-2019; Sep-2020]

- (a) Total debtors account
- (b) Total creditors account
- (c) Bills receivables account
- (d) Bills payable account

[Ans. (a) Total debtors account]

7. Which one of the following statements is not true in relation to incomplete records?

[Govt. MQP-2019; PTA-4]

- (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

[Ans. (c) It is suitable for all types of organisations]

8. What is the amount of capital of the proprietor, if his assets are ₹ 85,000 and liabilities are ₹ 21,000?. [PTA-3; HY-2019]

- (a) ₹ 85,000
- (b) ₹ 1,06,000
- (c) ₹ 21,000
- (d) ₹ 64,000

[Ans. (d) ₹ 64,000]

**Hint:** Capital = Assets – Liabilities  
= ₹ 85,000 – ₹ 21,000 = ₹ 64,000

9. When capital in the beginning is ₹ 10,000, drawings during the year is ₹ 6,000, profit made during the year is ₹ 2,000 and the additional capital introduced is ₹ 3,000, find out the amount of capital at the end. [PTA-2]
- (a) ₹ 9,000 (b) ₹ 11,000  
(c) ₹ 21,000 (d) ₹ 3,000

[Ans. (a) ₹ 9,000]

**Hint:**

Particulars	₹
Capital at the end	9,000
Add: Drawings	6,000
	15,000
Less: Additional Capital introduced	3,000
	12,000
Less: Opening Capital	10,000
Profit	2,000

10. Opening balance of debtors: ₹ 30,000, cash received: ₹ 1,00,000, credit sales: ₹ 90,000; closing balance of debtors is [PTA-1, 6]
- (a) ₹ 30,000 (b) ₹ 1,30,000  
(c) ₹ 40,000 (d) ₹ 20,000

[Ans. (d) ₹ 20,000]

**Hint :**

Total Debtors account			
Dr	₹	Particulars	Cr
Particulars	₹	Particulars	₹
To Balance c/d	30,000	By Cash A/c (Received)	1,00,000
To Credit Sales	90,000	By Balance b/d	20,000
	1,20,000		1,20,000

## II. VERY SHORT ANSWER QUESTIONS

1. What is meant by incomplete records? [PTA-1]

**Ans. (i)** When accounting records are not strictly maintained according to double entry system, these records are called as 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. [PTA-2]

**Ans.** Generally cash account and the personal accounts of customers and creditors are maintained by small sized sole trader. When double entry accounting system is not followed.

3. What is a statement of affairs?

[PTA-3; QY-2019; Sep-2020]

**Ans.** A statement of affairs is a statement showing the balances of assets and liabilities on a particular date. This method of ascertaining profit is also called as statement of affairs method or networth method or capital comparison method.

Capital = Assets – Liabilities

## III. SHORT ANSWER QUESTIONS

1. What are the features of incomplete records?

**Ans. (i) Nature:**

It is an unscientific and unsystematic way of recording transactions. Accounting principles and accounting standards are not followed properly.

(ii) **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.

(iii) **Suitability:**

Only the business concerns which have no legal obligation to maintain books of accounts under double entry system may maintain incomplete records. Hence, it may be maintained by small sized sole traders and partnership firms.

(iv) **Financial statements may not represent true and fair view :**

Due to the incomplete information and inaccurate records of accounts, the profit or loss calculated from these records cannot be relied upon. It may not represent true profitability.

(v) **Mixing up of personal and business transactions :**

Generally, personal transactions of the owners are mixed up with the business transactions. For example, purchase of goods for own use may be mixed up along with business purchases.

2. What are the limitations of incomplete records? [PTA-2]

**Ans. (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.

(iv) **Errors and frauds cannot be detected easily:**

As only partial records are available, it may not be possible to have internal checks in maintaining accounts to detect errors and frauds.

(v) **Difficulty in ascertaining financial position :** In general, only the estimated values of assets and liabilities are available from incomplete records. Hence, it is difficult to ascertain true and fair view of state of affairs or financial position as on a particular date.

3. State the differences between double entry system and incomplete records.

[Govt. MQP-2019; PTA-3; Aug-2021]

Ans.

S. No.	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.
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 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 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.	Reliability	It is reliable since it is a scientific system of accounting.	It is not reliable since it is unscientific.

4. State the procedure for calculating profit or loss through statement of affairs.

Ans. Following are the steps to be followed under the statement of affairs method to find out the profit or loss.

- (1) Ascertain the opening capital by preparing a statement of affairs at the beginning of the year by taking the opening balances of assets and liabilities.
- (2) Ascertain the closing capital by preparing a statement of affairs at the end of the accounting period after making all adjustments such as depreciation, bad debts, outstanding and prepaid expenses, outstanding income, interest on capital, interest on drawings, etc.
- (3) Add the amount of drawings (both in cash and/in kind) to the closing capital.
- (4) Deduct the amount of additional capital introduced, to get adjusted closing capital.
- (5) Ascertain profit or loss by subtracting opening capital from the adjusted closing capital.
  - a) If adjusted closing capital is more than the opening capital, it denotes profit
  - b) If adjusted closing capital is lesser than the opening capital, it denotes loss.

5. Differentiate between statement of affairs and balance sheet.

[PTA-1; HY-2019; Aug-2021]

Ans.

S. No.	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 business.
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.	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?

Ans. Total sales are calculated by adding cash and credit sales. Cash sales are given in cash book. For ascertaining the amount of credit sales, the total debtors account should be prepared. The specimen of total debtors account is given below.

Dr		Total debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balace b/d (Op. Bal.)	xxxx	By Cash A/c (received)	xxxx		
To Sales A/c (Credit Sales)	xxxx	By Bank A/c (Cheques received)	xxxx		
To Bank A/c (Cheque dishonoured)	xxxx	By Discount allowed A/c	xxxx		
To Bills receivable a/c (Bills dishonoured)	xxxx	By Sales returns A/c	xxxx		
		By Bad debts A/c	xxxx		
		By Bills receivable A/c (bills received)	xxxx		
		By balance c/d (Closing Bal)	xxxx		
	xxxx		xxxx		

ACCOUNTS FROM INCOMPLETE RECORDS

#### IV EXERCISES

1. From the following particulars ascertain profit or loss:

[PTA-1, 6]

Particulars	₹
Capital at the beginning of the year (1 <sup>st</sup> April, 2018)	5,00,000
Capital at the end of the year (31 <sup>st</sup> 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 31<sup>st</sup> March 2019**

Particulars	₹
Closing capital (as on 31.03.2019)	8,50,000
<b>Add :</b> Drawings during the year	70, 000
	9,20,000
<b>Less:</b> Additional capital introduced during the year	1,20,000
Adjusted closing capital	8,00,000
<b>Less:</b> Opening capital (as on 1 <sup>st</sup> April, 2018)	5,00,000
Profit for the year	<b>3,00,000</b>

**2. From the following particulars ascertain profit or loss.**

[PTA-2; Sep-2020]

Particulars	₹
Capital as on 1 <sup>st</sup> January 2018	2,20,000
Capital as on 31 <sup>st</sup> 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 31<sup>st</sup> December 2018**

Particulars	₹
Closing capital as on 31 <sup>st</sup> December 2018	1,80,000
<b>Add :</b> Drawings during the year	50, 000
	2,30,000
<b>Less:</b> Additional capital introduced during the year	40,000
Adjusted closing capital	1,90,000
<b>Less:</b> Opening capital as on 1 <sup>st</sup> January, 2018	2,20,000
Loss for the year	<b>30,000</b>

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

Particulars	₹
Closing capital as on 31.3.2018	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 : Statement of profit or loss for the year ending 31<sup>st</sup> March 2018**

Particulars	₹
Closing capital as on 31.03.2018	80,000
<b>Add :</b> Drawings during the year	15,000
	95,000
<b>Less:</b> Additional capital introduced during the year	30,000
Adjusted closing capital	65,000
<b>Less:</b> Opening capital as on 01.04.2017 (B/F)	<b>90,000</b>
Loss for the year ending 31.03.2018	25,000



4. From the following details, calculate the capital as on 31<sup>st</sup> December 2018.

[PTA-4]

Particulars	₹
Capital as on 1 <sup>st</sup> January, 2018	1,00,000
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 or loss for the year ending 31<sup>st</sup> December 2018

Particulars	₹
Closing capital	<b>1,45,000</b>
<b>Add :</b> Drawings	30,000
	1,75,000
<b>Less:</b> Additional capital during the year	15,000
Adjusted closing capital	1,60,000
<b>Less:</b> Opening capital as on 1st January 2018	1,00,000
Profit for the year	60,000

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

[PTA-5; HY-2019]

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

Solution : Statement of Profit or loss for the year ending 31<sup>st</sup> March 2019

Particulars	₹
Closing capital as on 31 <sup>st</sup> March 2019	50,000
<b>Add :</b> Drawing during the year	<b>5,000</b>
	55,000
<b>Less:</b> Additional capital introduced during the year	7,000
Adjusted closing capital	48,000
<b>Less:</b> Opening capital as on 1 <sup>st</sup> January 2018	40,000
Profit for the year	8,000

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

[PTA-1]

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	Bills receivable	60,000
Sundry debtors	3,20,000	Stock	2,20,000

Prepare a statement of affairs as on 31<sup>st</sup> March 2019 and calculate capital as at that date.

**Solution :**

**In the books of Thomas**

**Statement of affairs as on 31<sup>st</sup> 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)	<b>2,80,000</b>	Sundry debtors	3,20,000
		Cash in hand	20,000
		Bills receivable	60,000
		Stock	2,20,000
	<hr/>		<hr/>
	10,00,000		10,00,000

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

[PTA-2; Sep-2020]

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
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 31.03.2019**

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)	<b>4,20,000</b>	Bills receivable	70,000
		Computer	30,000
		Machinery	3,00,000
	<hr/>		<hr/>
	8,00,000		8,00,000

**Statement of profit or loss for the year ending 31<sup>st</sup> March 2019**

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

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

[Govt. MQP-2019; PTA-1, 6]

Particulars	1.1.2018 ₹	31.12.2018 ₹
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

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 book 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)	<b>2,50,000</b>	Plant and machinery	1,70,000
	<hr/>		<hr/>
	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)	<b>3,00,000</b>	Plant and machinery	1,70,000
	<hr/>		<hr/>
	6,00,000		6,00,000

**Statement of profit or loss for the year ending 31<sup>st</sup> December 2018**

Particulars	₹
Closing capital as on 31.12.2018	3,00,000
<b>Add:</b> Drawings during the year (2500 × 12)	30,000
	<hr/>
	3,30,000
<b>Less:</b> Additional capital introduced during the year	50,000
Adjusted closing capital	<hr/>
	2,80,000
<b>Less:</b> Opening capital as on 01.01.2018	2,50,000
Profit made during the year	<b>30,000</b>

9. Ananth does not keep his books under double entry system. Find the profit or loss made by him for the year ending 31<sup>st</sup> March, 2019. [PTA-2; Mar-2020]

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	1,30,000

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 book of Ananth Statement of affairs as on 31.3.2018

**Calculation of opening capital**

Liabilities	₹	Assets	₹
Sundry creditors	1,70,000	Cash at bank	5,000
Capital (Balancing figure)	<b>1,93,000</b>	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
	<u>3,63,000</u>		<u>3,63,000</u>

**Calculation of closing capital: Statement of affairs as on 31.3.2019**

Liabilities	₹	Assets	₹	₹
Bank balance (Bank overdraft)	60,000	Cash in hand		4,500
Sundry creditors	1,30,000	Stock of goods		45,000
Capital (Balancing figure)	<b>1,57,000</b>	Sundry debtors	90,000	
		<b>Less : Provision on debtors 5%</b>	4,500	85,500
		Plant and machinery	80,000	
		<b>Less : Depreciation 10%</b>	8,000	72,000
		Land and Buildings		1,40,000
	<u>3,47,000</u>			<u>3,47,000</u>

**Note :** Cash at Bank (Cr.) means overdraft.

**Statement of profit or loss for the year ending 31<sup>st</sup> March 2019**

Particulars	₹
Closing capital as on 31.3.2019	1,57,000
<b>Add:</b> Drawings during the year	60,000
	<u>2,17,000</u>
<b>Less:</b> Additional capital introduced during the year	17,000
Adjusted closing capital	<u>2,00,000</u>
<b>Less:</b> Opening capital as on 31.03.2018	1,93,000
Profit for the year ending 31.3.2019	<b>7,000</b>

10. Find out credit sales from the following information:

[QY-2019; Sep-2020]

Particulars	₹
Debtors on 1 <sup>st</sup> April, 2018	1,00,000
Cash received from debtors	2,30,000
Discount allowed	5,000
Returns inward	25,000
Debtors on 31 <sup>st</sup> 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	<b>2,80,000</b>	By Discount allowed	5,000		
(Balancing figure)		By Returns inward	25,000		
		By Balance c/d	1,20,000		
	<u>3,80,000</u>		<u>3,80,000</u>		

11. From the following details find out total sales made during the year. [PTA-5; HY-2019]

From the following details find out total sales made during the year. [PTA-6]

Particulars	₹
Debtors on 1 <sup>st</sup> 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 31 <sup>st</sup> December 2018	2,00,000
Cash Sales	4,60,000

Particulars	₹
Debtors on 1 <sup>st</sup> January 2018	65,000
Cash received from debtors during the year	2,10,000
Sales returns	17,500
Bad debts	7,500
Debtors on 31 <sup>st</sup> December 2018	1,00,000
Cash Sales	2,30,000

Answer = ₹ 5,00,000

Solution : Dr Total Debtors account Cr

Particulars	₹	Particulars	₹
To Balance b/d	1,30,000	By Cash received	4,20,000
To Credit sales	<b>5,40,000</b>	By Sales return A/c	35,000
(Balancing figure)		By Bad debts	15,000
		By Balance c/d	2,00,000
	<u>6,70,000</u>		<u>6,70,000</u>

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		Bills receivable account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	1,40,000	By Cash A/c	3,90,000		
To Debtors A/c (Bills received during the year - balancing figure)	<b>4,80,000</b>	By Debtors A/c (Bills receivable dishonored)	30,000		
		By Balance c/d	2,00,000		
	<u>6,20,000</u>		<u>6,20,000</u>		

13. From the following particulars, calculate total sales.

[PTA-5; QY-2019]

Particulars	₹	Particulars	₹
Debtors on 1 <sup>st</sup> April 2018	2,50,000	Bills receivable dishonoured	15,000
Bills receivable on 1 <sup>st</sup> April 2018	60,000	Returns inward	50,000
Cash received from debtors	7,25,000	Bills receivable on 31 <sup>st</sup> March, 2019	90,000
Cash received for bills receivable	1,60,000	Sundry debtors on 31 <sup>st</sup> March, 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 during the year - balancing figure)	<b>2,05,000</b>	By Debtors (Bills receivable dishonored)	15,000		
		By Balance c/d	90,000		
	<u>2,65,000</u>		<u>2,65,000</u>		

Dr		Total Debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	2,50,000	By Cash	7,25,000		
To Bills receivable (dishonored)	15,000	By Returns inward	50,000		
To Credit sales	<b>9,85,000</b>	By Bills receivable (bills received)	2,05,000		
		By Bad debts	30,000		
		By Balance c/d	2,40,000		
	<u>12,50,000</u>		<u>12,50,000</u>		

$$\begin{aligned}
 \text{Total sales} &= \text{Cash sales} + \text{Credit sales} \\
 &= ₹ 3,15,000 + ₹ 9,85,000 \\
 &= ₹ 13,00,000
 \end{aligned}$$

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 A/c (paid)	4,50,000	By Balance b/d	1,70,000		
To Purchase returns	20,000	By Credit purchases A/c (balancing figure)	4,90,000		
To Balance c/d	1,90,000				
	<u>6,60,000</u>				<u>6,60,000</u>

15. From the following particulars calculate total purchases.

[PTA-3; QY-2019; Mar-2020]

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

Solution :

Dr		Bills payable account		Cr	
Particulars	₹	Particulars	₹		
To Cash (Bills paid)	30,000	By Balance b/d	25,000		
To Balance c/d	20,000	By Sundry creditors (Bills accepted - balancing figure)	25,000		
	<u>50,000</u>				<u>50,000</u>

Dr		Total Creditors account		Cr	
Particulars	₹	Particulars	₹		
To Cash A/c (paid)	1,20,000	By Balance b/d	30,000		
To Purchases returns	15,000	By Credit purchases (balancing figure)	1,55,000		
To Bills payable (Bills accepted)	25,000				
To Balance c/d	25,000				
	<u>1,85,000</u>				<u>1,85,000</u>

$$\begin{aligned}
 \text{Total purchases} &= \text{Cash purchases} + \text{Credit purchases} \\
 &= ₹ 2,25,000 + ₹ 1,55,000 \\
 &= ₹ 3,80,000
 \end{aligned}$$

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.

[Govt. MQP-2019; PTA-2]

Particulars	₹	Particulars	₹
<b>Balances as on 1<sup>st</sup> April 2018</b>		<b>Balances as on 31<sup>st</sup> March 2019</b>	
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
<b>Other information:</b>			
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

Solution :

Dr		Bills receivable account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	30,000	By Cash A/c (Received)	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 a/c (Received)	6,00,000		
To Bills receivable (dishonored)	4,000	By Discount allowed A/c	25,000		
To Sales (credit) (Balancing figure)	6,59,000	By Bad debts	16,000		
		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 A/c	10,000	By Purchases (Credit) (Balancing figure)	4,00,000		
To Bills payable (Bills accepted)	40,000				
To Balance c/d	1,50,000				
	5,20,000		5,20,000		

17. From the following details of Rakesh, prepare Trading and Profit and Loss account for the year ended 31<sup>st</sup> March, 2019 and a Balance Sheet as on that date. [PTA-2, 6]

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)	<b>13,85,000</b>	By Discounts allowed A/c	25,000		
		By Balance c/d	6,40,000		
	<u>19,15,000</u>		<u>19,15,000</u>		

Dr		Total Creditors account		Cr	
Particulars	₹	Particulars	₹		
To Cash A/c (paid)	11,00,000	By Balance b/d	3,70,000		
To Discount received	35,000	By Credit purchases (Balancing figure)	<b>11,85,000</b>		
To Balance c/d	4,20,000				
	<u>15,55,000</u>		<u>15,55,000</u>		

In the Books of Rakash Trading and Profit and loss account  
for the year ended 31<sup>st</sup> 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 (Transferred to profit and loss A/c)	<b>1,60,000</b>	Credit sales	<u>13,85,000</u>	14,05,000
		By Closing stock		1,60,000
	<u>15,65,000</u>			<u>15,65,000</u>
To Rent paid	1,20,000	By Gross Profit b/d		1,60,000
To Discount allowed A/c	25,000	By Discount received		35,000
To Net profit (transferred to capital account)	<b>50,000</b>			
	<u>1,95,000</u>			<u>1,95,000</u>

Balance sheet as on 31<sup>st</sup> March 2019

Liabilities	₹	₹	Assets	₹
Sundry creditors		4,20,000	Debtors	6,40,000
Capital	5,20,000		Cash at bank	10,000
<b>Add:</b> Net profit	50,000		Machinery	80,000
	<hr/>		Closing stock	1,60,000
	5,70,000			
<b>Less:</b> Drawings	1,00,000			
	<hr/>	4,70,000		
		<hr/>		
		8,90,000		<hr/>
				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 31<sup>st</sup> March, 2019 and a balance sheet as on that date.

Dr **Cash Book** Cr [PTA - 3]

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
		By Balance c/d	2,23,000
	<hr/>		<hr/>
	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

Total Debtors account

Dr.	₹	Cr.	₹
To Balance b/d	1,30,000	By Cash (received)	3,40,000
To Sales (Credit)	2,90,000	By Balance c/d	<b>80,000</b>
		(Balancing figure)	
	<hr/>		<hr/>
	4,20,000		4,20,000



Dr. **Trading and Profit and loss account for the year ended 31<sup>st</sup> March 2019** 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 stock		1,80,000
To Wages		70,000			
To Gross profit c/d (Transferred to profit and loss A/c)		<b>3,20,000</b>			
		8,30,000			8,30,000
To Sundry expenses		1,27,000	By Gross profits b/d (Transferred from trading A/c)		3,20,000
To Depreciation on machinery 10%		8,000			
To Net profit (Transferred to capital A/c)		<b>1,85,000</b>			
		3,20,000			3,20,000

**Balance sheet as on 31<sup>st</sup> March 2019**

Liabilities	₹	₹	Assets	₹	₹
Capital	2,80,000		Cash		2,23,000
<b>Add: Net profit</b>	<b>1,85,000</b>	4,65,000	Stock of goods		1,80,000
			Debtors		80,000
Creditors		90,000	Furniture and fittings	80,000	
			<b>Less: Depreciation</b>	<b>8,000</b>	<b>72,000</b>
		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: [PTA - 3]

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

**Solution :** Calculation of Opening Capital :

**In the books of Arun Statement of affairs as on 31<sup>st</sup> December 2017**

Liabilities	₹	Assets	₹
Creditors	50,000	Land and Building	2,40,000
Opening capital (balancing figure)	<b>3,80,000</b>	Stock in trade	1,20,000
		Debtors	40,000
		Cash at bank	30,000
	<u>4,30,000</u>		<u>4,30,000</u>

Dr		Total Creditors account		Cr	
Particulars	₹	Particulars	₹		
To Cash (paid)	6,00,000	By Balance b/d	50,000		
To Purchase returns A/c	30,000	By Credit purchases	<b>6,25,000</b>		
To Balance c/d	45,000	(balancing figure)			
	<u>6,75,000</u>				<u>6,75,000</u>

**Trading and Profit and loss account for the year ended 31<sup>st</sup> December 2018**

Dr.			Cr.		
Particulars	₹	₹	Particulars	₹	₹
To Opening stock		1,20,000	By Sales	7,70,000	
To Credit purchases	6,25,000		<b>Less :</b> Sales returns	25,000	7,45,000
<b>Less :</b> Purchase returns	30,000	5,95,000	By Closing stock		1,70,000
To Wages A/c		65,000			
To Gross profit c/d (Transferred to profit and loss A/c)		<b>1,35,000</b>			
		<u>9,15,000</u>			<u>9,15,000</u>
To Carriage outwards A/c		7,500	By Gross profits c/d (Transferred from trading A/c)		1,35,000
To Sundry expenses A/c		28,000			
To Depreciation on land and building @ 5%		12,000			
To Provision for bad and doubtful debts		1,500			
To Net profit (Transferred to capital account)		<b>86,000</b>			
		<u>1,35,000</u>			<u>1,35,000</u>

**Balance sheet as on 31<sup>st</sup> December 2018**

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

20. Selvam does not keep his books under double entry system. From the following information prepare trading and Profit & Loss A/c and Balance Sheet as on 31-12-2018 [PTA-4]

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.

**Solution :** Calculation of Opening Capital :

In the books of selvam Statement of affairs as on 1<sup>st</sup> January 2018

Liabilities	₹	Assets	₹
Bank Loan	45,000	Machinery	60,000
Sundry creditors	25,000	Cash at bank	25,000
Opening capital (Balancing figure)	<b>1,50,000</b>	Sundry debtors	70,000
		Stock	45,000
		Bills receivable	20,000
	<u>2,20,000</u>		<u>2,20,000</u>

Trading and Profit and loss account for the year ended 31<sup>st</sup> December 2018

Particulars	₹	₹	Particulars	₹	₹
To Opening stock		45,000	By Sales		
To Purchase			Cash	20,000	
Cash	8,000		Credit	1,80,000	2,00,000
Credit	52,000	60,000	By Closing stock		22,000
To Wages A/c		6,000			
To Gross profit c/d (Transferred to profit and loss A/c)		<b>1,11,000</b>			
		<u>2,22,000</u>			<u>2,22,000</u>
To Advertisement		7,000	By Gross profit b/d		1,11,000
To Salaries		23,500			
To Depreciation on Machinery at 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		<b>69,000</b>			
		<u>1,11,000</u>			<u>1,11,000</u>

Balance sheet as on 31<sup>st</sup> December 2018

Liabilities	₹	₹	Assets	₹	₹
Bank loan		45,000	Machinery	60,000	
Sundry creditors		21,000	<b>Less</b> : Depreciation 10%	6,000	54,000
Capital	1,50,000		Cash at bank		33,000
<b>Add</b> : Net profit	69,000		Sundry debtors	1,00,000	
	2,19,000		<b>Less</b> : Reserve for doubtful debts	1,000	99,000
<b>Add</b> : Additional capital	21,000		Closing stock		22,000
	2,40,000		Bills receivable		38,000
<b>Less</b> : Drawings	60,000	1,80,000			
		2,46,000			2,46,000

FILL IN THE MISSING INFORMATION

Closing capital ₹	Drawings ₹	Additional capital ₹	Opening capital ₹	Profit / Loss ₹
1,00,000	40,000	20,000	90,000	?
?	30,000	40,000	80,000	20,000
70,000	?	30,000	40,000	10,000
60,000	20,000	?	50,000	-10,000
2,00,000	30,000	10,000	?	1,20,000

Solution :

Closing capital ₹	Drawings ₹	Additional capital ₹	Opening capital ₹	Profit / Loss ₹
1,00,000	40,000	20,000	90,000	<b>30,000</b>
<b>1,10,000</b>	30,000	40,000	80,000	20,000
70,000	<b>10,000</b>	30,000	40,000	10,000
60,000	20,000	<b>40,000</b>	50,000	-10,000
2,00,000	30,000	10,000	<b>1,00,000</b>	1,20,000

GOVERNMENT EXAM QUESTIONS AND ANSWERS

I. MULTIPLE CHOICE QUESTIONS

CHOOSE THE CORRECT ANSWER 1 MARK

1. What is the amount of capital of the proprietor, if his assets are ₹85,000 and liabilities are ₹20,000?

[Govt. MQP-2019]

- (a) ₹65,000 (b) ₹1,06,000  
(c) ₹21,000 (d) ₹85,000

[Ans. (a) ₹65,000]

Hint:

$$\begin{aligned} \text{Capital} &= \text{Assets} - \text{Liabilities} \\ &= ₹ 85,000 - ₹ 20,000 = ₹ 65,000 \end{aligned}$$

2. Statement of affairs is generally prepared to find out the \_\_\_\_\_ of the business.

[Mar-2020]

- (a) Profit or loss (b) Financial position  
(c) Capital (d) Arithmetical accuracy

[Ans. (c) Capital]

3. Closing Capital + Drawings - Additional Capital = \_\_\_\_\_.

[Mar-2020]

- (a) Adjusted Opening Capital  
(b) Opening Capital  
(c) Profit or Loss  
(d) Adjusted Closing Capital

[Ans. (d) Adjusted Closing Capital]

4. Which one of the following is incorrect regarding the limitations of incomplete records?  
[Aug-2021]

- (a) Lack of proper maintenance of records.
- (b) Difficulty in preparing trial balance.
- (c) Errors and frauds can be detected easily.
- (d) Difficulty in ascertaining financial position.

[Ans. (c) Errors and frauds can be detected easily]

## II. VERY SHORT ANSWER QUESTIONS

2 MARKS

1. From the following particulars ascertain profit or loss:  
[QY-2019]

Capital at the beginning of the year (1<sup>st</sup> April, 2016)  
₹2,00,000

Capital at the end of the year (31<sup>st</sup> March, 2017)  
₹3,50,000

Additional capital introduced during the year  
₹70,000

Drawings during the year ₹40,000

**Solution :** Statement of profit or loss for the year ended 31<sup>st</sup> March, 2017

Particulars	₹
Closing capital (as on 31.3.2017)	3,50,000
<b>Add:</b> Drawings during the year	40,000
	3,90,000
<b>Less:</b> Additional capital introduced during the year	70,000
Adjusted closing capital	3,20,000
<b>Less:</b> Opening capital (as on 1.4.2016)	2,00,000
Profit made during the year	1,20,000

2. From the following particulars ascertain profit or loss:  
[Govt. MQP-2019]

Particulars	₹
Capital at the beginning of the year	5,00,000
Capital at the end of the year	8,50,000
Additional capital introduced during the year	2,00,000
Drawings during the year	1,50,000

**Solution :**

### Statement of profit or loss

Particulars	₹
Closing Capital	8,50,000
<b>Add:</b> Drawings during the year	1,50,000
	10,00,000
<b>Less:</b> Additional capital introduced during the year	2,00,000
Adjusted closing capital	8,00,000
<b>Less:</b> Opening capital	5,00,000
Profit for the year	3,00,000

3. Which accounting system may be suitable for small sized sole traders and partnership firms? Explain.  
[Mar-2020]

**Ans.** Only the business concerns which have no legal obligation to maintain books of accounts under double entry system may maintain incomplete records. Hence, incomplete records may be maintained by small sized sole traders and partnership firms.

## III. SHORT ANSWER QUESTIONS 3 MARKS

1. From the following details, calculate the missing figure.  
[Mar-2020]

Particulars	₹
Capital as on 31 <sup>st</sup> December 2018	35,000
Capital as on 1 <sup>st</sup> January 2018	27,500
Goods taken for the personal use of the proprietor	?
Additional Capital introduced during the year	2,500
Profit for the year	10,000

**Solution :**

### Statement of profit or loss for the year ending 31<sup>st</sup> December, 2018

Particulars	₹
Closing capital (as on 31.12.2018)	35,000
<b>Add:</b> Drawings during the year (goods taken for personal use)	5,000
	40,000
<b>Less:</b> Additional capital introduced during the year	2,500
Adjusted closing capital	37,500
<b>Less:</b> Opening capital (as on 01.01.2018)	27,500
Profit made during the year ending	10,000

ACCOUNTS FROM INCOMPLETE RECORDS

IV. PROBLEMS.

5 MARKS

1. On 1<sup>st</sup> April 2017, Ganesh started his business with a capital of ₹75,000. He did not maintain proper book of accounts. Following particulars are available from his books as on 31.03.2018.

[QY-2019; Aug-2021]

Particulars	₹.	Particulars	₹.
Cash	5,000	Debtors	16,000
Stock of goods	18,000	Creditors	9,000
Bills of receivable	7,000	Cash at bank	24,000
Furniture	3,000	Bills payable	6,000
Land & Buildings	30,000		

During the year he withdrew ₹15,000 for his personal use. He introduced further capital of ₹20,000 during the year. Calculate his profit or loss.

Solution :

Statement of affairs of Ganesh as on 31<sup>st</sup> March, 2018

Liabilities	₹	Assets	₹
Creditors	9,000	Cash	5,000
Bills payable	6,000	Cash at bank	24,000
Capital (balancing figure)	<b>88,000</b>	Stock of goods	18,000
		Debtors	16,000
		Bills receivable	7,000
		Land and buildings	30,000
		Furniture	3,000
	1,03,000		1,03,000

Statement of profit or loss for the year ending 31<sup>st</sup> March, 2018

Particulars	₹
Closing capital as on 31.03.2018	88,000
<b>Add:</b> Drawings during the year	15,000
	1,03,000
<b>Less:</b> Additional capital introduced during the year	20,000
Adjusted closing capital	83,000
<b>Less:</b> Opening capital as on 01.04.2017	75,000
Profit made during the year ending 31.03.2018	<b>8,000</b>

2. David does not keep proper books of accounts. Following details are given from his records.

Particulars	1.4.2018 ₹	31.3.2019 ₹
Cash	43,000	29,000
Stock of goods	1,20,000	1,30,000
Sundry debtors	84,000	1,10,000
Sundry creditors	1,05,000	1,02,000
Loan	25,000	20,000
Business premises	2,50,000	2,50,000
Furniture	33,000	45,000

[QY-2019]

During the year he introduced further capital of ₹45,000 and withdrew ₹2,500 per month from the business for his personal use. Prepare statement of profit or loss with the above information.



**Solution : Calculation of opening capital**

In the books of David Statement of affairs as on 1<sup>st</sup> April, 2018

Liabilities	₹	Assets	₹
Sundry creditors	1,05,000	Cash	43,000
Loan	25,000	Stock of goods	1,20,000
Capital (balancing figure)	<b>4,00,000</b>	Sundry debtors	84,000
		Business premises	2,50,000
		Furniture	33,000
	5,30,000		5,30,000

**Calculation of closing capital**

Statement of affairs as on 31<sup>st</sup> March, 2019

Liabilities	₹	Assets	₹
Sundry creditors	1,02,000	Cash	29,000
Loan	20,000	Stock of goods	1,30,000
Capital (Balancing figure)	<b>4,42,000</b>	Sundry debtors	1,10,000
		Business premises	2,50,000
		Furniture	45,000
	5,64,000		5,64,000

Statement of profit or loss for the year ending 31<sup>st</sup> March, 2019

Particulars	₹
Closing capital as on 31.3.2019	4,42,000
<b>Add:</b> Drawings during the year (2,500 × 12)	30,000
	4,72,000
<b>Less:</b> Additional capital introduced during the year	45,000
Adjusted closing capital	4,27,000
<b>Less:</b> Opening capital as on 1.4.2018	4,00,000
Profit made during the year ending 31.3.2019	<b>27,000</b>

**3. Arjun carries on grocery business and does not keep his books on double entry basis. [HY-2019]**

The following particulars have been extracted from his books :

Particulars	1.4.2018	31.3.2019
	₹	₹
Plant and Machinery	20,000	20,000
Stock	9,000	16,000
Sundry Debtors	2,000	5,300
Sundry Creditors	5,000	4,000
Cash at bank	4,000	6,000

Other information for the year ending 31.03.2019 showed the following :

	₹
Advertising	4,700
Carriage inwards	8,000
Cash paid to creditors	64,000
Drawings	2,000

**Sura's** → XII Std - Accountancy

Total sales during the year were ₹85,000. Total purchase during the year were ₹65,000. Purchase return during the year were ₹2,000 and sales returns were ₹1,000. Depreciate Plant and Machinery by 5%. Provide ₹300 for doubtful debts. Prepare trading and profit and loss account for the year ending 31<sup>st</sup> March, 2019 and a balance sheet as on the date.

**Solution :** In the books of Arjun statement of affairs as on 1<sup>st</sup> April 2018

Liabilities	₹	Assets	₹
Sundry Creditors	5,000	Plant and Machinery	20,000
Opening capital (Balancing figure)	<b>30,000</b>	Stock	9,000
		Sundry Debtors	2,000
		Cash at bank	4,000
	35,000		35,000

Dr **Total Credit Account** Cr

Particulars	₹	Particulars	₹
To Cash (paid)	64,000	By Balance b/d	5,000
To Purchase returns	2,000	By Credit Purchase	<b>65,000</b>
To Balance c/d	4,000	(Balancing figure)	
	70,000		70,000

Dr **Trading and Profit and loss account for the year ended 31<sup>st</sup> March 2019** Cr

Particulars	₹	₹	Particulars	₹	₹
To Opening stock		9,000	By Sales	85,000	
To Purchases	65,000		<u>Less</u> : Sales returns	1,000	84,000
<u>Less</u> : Purchase returns	2,000	63,000	By Closing stock		16,000
To Carriage inwards		8,000			
To Gross Profit c/d		20,000			
		1,00,000			1,00,000
To Advertising		4,700	By Gross Profit b/d		20,000
To Depreciation on Machinery 5%		1,000			
To Provision for bad and doubtful debts		300			
To Net profit (transferred to capital A/c)		14,000			
		20,000			20,000

**Balance Sheet as on 31<sup>st</sup> March 2019**

Liabilities	₹	₹	Assets	₹	₹
Capital	30,000		Plant and Machinery	20,000	
<u>Add</u> : Net profit	14,000		<u>Less</u> : Depreciation	1,000	19,000
	44,000		Closing stock		16,000
<u>Less</u> : Drawings	2,000	42,000	Sundry Debtors	5,300	
Sundry Creditors		4,000	<u>Less</u> : Provision for doubtful debts	300	5,000
			Cash and bank		6,000
		46,000			46,000

4. From the following particulars, calculate total sales.

[Mar-2020]

Particulars	₹
Debtors on 1 <sup>st</sup> April 2017	1,50,000
Bills receivable on 1 <sup>st</sup> April 2017	40,000
Cash received from Debtors	3,90,000
Cash received for bills receivable	90,000
Bills receivable dishonoured	10,000
Sales return	40,000
Bills receivable on 31 <sup>st</sup> March 2018	30,000
Sundry Debtors on 31 <sup>st</sup> March 2018	1,30,000
Cash sales	2,00,000

**Dr Bills receivable account Cr**

Particulars	₹	Particulars	₹
To Balance b/d	40,000	By Cash A/c	90,000
To Debtors A/c* (Bills received during the year - balancing figure)	90,000	By Debtors A/c (Bills receivable dishonoured)	10,000
		By Balance c/d	30,000
	1,30,000		1,30,000

**Dr Total Debtors account Cr**

Particulars	₹	Particulars	₹
To Balance b/d	1,50,000	By Cash A/c	3,90,000
To Bills receivable A/c (dishonoured)	10,000	By Sales returns A/c	40,000
To Sales A/c (Credit)	4,90,000	By Bills receivable A/c* (bills received)	90,000
		By Balance c/d	1,30,000
	6,50,000		6,50,000

Total sales = Cash sales + Credit sales = ₹ 2,00,000 + ₹ 4,90,000 = ₹ 6,90,000

5. From the following particulars calculate Total Purchases.

[Aug-2021]

Particulars	₹
Sundry Creditors on 01.04.2017	75,000
Bills payable on 01.04.2017	60,000
Paid cash to creditors	3,70,000
Paid for Bills Payable	1,00,000
Purchases Returns	15,000
Cash Purchases	3,20,000
Creditors on 31 <sup>st</sup> March 2018	50,000
Bills payable on 31 <sup>st</sup> March 2018	80,000

Solution :

Bills Payable account			
Dr		Cr	
Particulars	₹	Particulars	₹
To Cash A/c (Bills paid)	1,00,000	By Balance b/d	60,000
To Balance c/d	80,000	By Sundry Creditors A/c (Bills accepted - Balancing figure)	<b>1,20,000</b>
	1,80,000		1,80,000

Total Creditors account			
Dr		Cr	
Particulars	₹	Particulars	₹
To Cash A/c (paid)	3,70,000	By Balance b/d	75,000
To Purchases return A/c	15,000	By Purchases A/c (Credit) (Balancing figure)	<b>4,80,000</b>
To Bills payable A/c (bills accepted)	1,20,000		
To Balance c/d	50,000		
	5,55,000		5,55,000

$$\begin{aligned}
 \text{Total purchases} &= \text{Cash purchase} + \text{Credit purchases} \\
 &= ₹3,20,000 + ₹4,80,000 \\
 &= ₹8,00,000
 \end{aligned}$$

## ADDITIONAL QUESTIONS AND ANSWERS

### 1. MULTIPLE CHOICE QUESTIONS.

(i) Choose the correct answer. 1 MARK

1. The different between the total of assets and total of liabilities is taken as

- (a) drawings (b) capital  
(c) profit (d) loss

[Ans. (b) capital]

2. The total assets of a proprietor are ₹5,00,000. His liabilities ₹3,50,000. Then his capital in the business is

- (a) ₹8,50,000 (b) ₹1,50,000  
(c) ₹3,50,000 (d) ₹4,25,000

[Ans. (b) ₹1,50,000]

Hint: Capital = Assets – liabilities  
= ₹ 5,00,000 – ₹ 3,50,000  
= ₹ 1,50,000

3. A firm has assets worth ₹60,000 and capital ₹45,000. Then it's liabilities is

- (a) ₹45,000 (b) ₹1,05,000  
(c) ₹60,000 (d) ₹15,000

[Ans. (d) ₹15,000]

Hint: Liabilities = Assets – Capital  
= ₹ 60,000 – 45,000 = ₹ 15,000

4. Under the net worth method, the basis for ascertaining the profit is

- (a) the difference between the capital on two dates  
(b) the difference between the liabilities on two dates  
(c) the different between the gross assets on two dates  
(d) the difference between the gross profit on two dates

[Ans. (a) the difference between the capital on two dates]

5. Credit sale is obtained from

- (a) Bills receivable account  
(b) Bills payable account  
(c) Total debtors account  
(d) Total creditors account

[Ans. (c) Total debtors account]

6. The capital of a business is ascertained by preparing

- (a) Trading account  
(b) Statement of profit or loss  
(c) Balance sheet  
(d) Statement of affairs

[Ans. (d) Statement of affairs]

7. Credit purchase is obtained from

- (a) Bills receivable account
- (b) Bills payable account
- (c) Total debtors account
- (d) Total creditors account

[Ans. (d) Total creditors account]

8. Debtors on 1.4.2018 was ₹1,00,000 and on 31.3.2019 was ₹80,000 cash received from debtors during the year is ₹1,60,000. Then the credit sales during the year is

- (a) ₹3,40,000
- (b) ₹2,40,000
- (c) ₹1,40,000
- (d) ₹1,60,000

[Ans. (c) ₹1,40,000]

Hint :

Dr		Total Debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	1,00,000	By Cash A/c (received)	1,60,000		
To Sales A/c (Balancing figure)	1,40,000	By Balance c/d	80,000		
	2,40,000		2,40,000		

9. A firms total sales is ₹80,000 and its credit sales is ₹60,000. Then its cash sales is

- (a) ₹1,40,000
- (b) ₹70,000
- (c) ₹20,000
- (d) ₹80,000

[Ans. (c) ₹20,000]

Hint : Cash Sales = Total Sales - Credit Sales  
= ₹ 80,000 - ₹ 60,000  
= ₹ 20,000

10. A firm has assets worth ₹47,500 and liabilities ₹17,700. Then its capital is

- (a) ₹29,800
- (b) ₹65,200
- (c) ₹35,400
- (d) ₹17,700

[Ans. (a) ₹29,800]

Hint : Capital = Assets - Liabilities  
= ₹ 47,500 - ₹ 17,700  
= ₹ 29,800

11. Companies cannot keep books on single entry system because of

- (a) tax properties
- (b) legal provisions
- (c) both (a) and (b)
- (d) None of these

[Ans. (b) legal provisions]

(ii) Match List I with List II and Select the Correct Answer using the Codes given below.

List I		List II	
(i)	Incomplete records	1.	Net worth method
(ii)	Single entry system	2.	Double entry
(iii)	Statement of affairs method	3.	Small traders
(iv)	Nominal account	4.	Incomplete double system

Codes :

- |     |     |      |       |      |
|-----|-----|------|-------|------|
|     | (i) | (ii) | (iii) | (iv) |
| (a) | 1   | 2    | 3     | 4    |
| (b) | 4   | 3    | 1     | 2    |
| (c) | 2   | 3    | 1     | 4    |
| (d) | 3   | 4    | 1     | 2    |

[Ans. (d) (i) - 3 (ii) - 4 (iii) - 1 (iv) - 2]

List I		List II	
(i)	Nature	1.	Needs and conveniences
(ii)	Types of accounts	2.	No legal obligations
(iii)	Lack of uniformity	3.	Real account and nominal accounts
(iv)	Suitability	4.	Unsystematic way of transactions

Codes :

- |     |     |      |       |      |
|-----|-----|------|-------|------|
|     | (i) | (ii) | (iii) | (iv) |
| (a) | 1   | 2    | 3     | 4    |
| (b) | 2   | 3    | 4     | 1    |
| (c) | 4   | 3    | 1     | 2    |
| (d) | 3   | 4    | 2     | 1    |

[Ans. (c) (i) - 4 (ii) - 3 (iii) - 1 (iv) - 2]

(iii) Choose the Correct Option and Fill in the Blanks.

1. Incomplete records are those records which are not kept under \_\_\_\_\_ system

- (a) Single entry
- (b) Double entry
- (c) Book keeping
- (d) none of these

[Ans. (b) Double entry]

2. \_\_\_\_\_ is an unscientific and unsystematic way of recording transactions.

- (a) Incomplete records
- (b) Complete records
- (c) Single entry system
- (d) Double entry system

[Ans. (a) Incomplete records]

3. Statement of affairs method is also called as \_\_\_\_\_ method.

- (a) Net profit
- (b) Net loss
- (c) Net worth/capital comparison
- (d) None of these

[Ans. (c) Net worth/capital comparison]

4. \_\_\_\_\_ is a statement showing the balances of assets and liabilities on a particular date.

- (a) Statement of affairs
- (b) Trading account
- (c) Profit and loss account
- (d) Balance sheet

[Ans. (a) Statement of affairs]

5. \_\_\_\_\_ capital can be found by preparing a statement of affairs at the beginning of the year.

- (a) Opening capital
- (b) Closing capital
- (c) Both (a) and (b)
- (d) None of these

[Ans. (a) Opening capital]

6. A statement of affairs resembles a \_\_\_\_\_

- (a) Trading account
- (b) Profit and loss account
- (c) Balance sheet
- (d) Trial balance

[Ans. (c) Balance sheet]

7. Closing capital can be found by preparing a statement affairs at the \_\_\_\_\_ of the year.

- (a) opening
- (b) end
- (c) centre
- (d) none of these

[Ans. (b) end]

8. In \_\_\_\_\_ system, only personal and cash accounts are opened.

- (a) Single entry
- (b) Double entry
- (c) Trial balance
- (d) Balance Sheet

[Ans. (a) Single entry]

9. Creditors on 1.4.2016 was ₹80,000 and on 31.3.2017 was ₹65,000 cash paid to creditors during the year is ₹1,10,000. Then the credit purchases during the year is \_\_\_\_\_.

- (a) ₹95,000
- (b) ₹1,75,000
- (c) ₹1,95,000
- (d) ₹1,50,000

[Ans. (a) ₹ 95,000]

Hint :

Dr		Total Creditors Account		Cr	
Particulars	₹	Particulars	₹		
To Cash (Paid)	1,10,000	By Balance b/d	80,000		
To Balance c/d	65,000	By Credit			
		Purchases A/c	95,000		
		(Balancing figure)			
	1,75,000				1,75,000

10. \_\_\_\_\_ maintains only personal and cash accounts.

- (a) Single entry system
- (b) Double entry system
- (c) Both (a) and (b)
- (d) None of these

[Ans. (a) Single entry system]

11. \_\_\_\_\_ is suitable only for sole traders and partnership firms.

- (a) Double entry system
- (b) Single entry system
- (c) Both (a) and (b)
- (d) None of these

[Ans. (b) Single entry system]

12. Single entry system keeps one cash book which mixes up business as well as \_\_\_\_\_ transactions.

- (a) Private
- (b) Own
- (c) Public
- (d) Capital

[Ans. (a) Private]

13. True financial position cannot be ascertained as \_\_\_\_\_ is not prepared due to the absence of nominal and real accounts.

- (a) Trading accounts
- (b) Profit and loss account
- (c) Balance sheet
- (d) Trail balance

[Ans. (c) Balance sheet]

14. If it is desired to calculate profit by preparing trading and profit and loss account under single entry then it is called \_\_\_\_\_ method.

- (a) Network
- (b) Statement of affairs
- (c) Conversion
- (d) None of these

[Ans. (c) Conversion]



(iv) Pick the Odd one Out.

1. (a) Incomplete (b) Unsystematic  
(c) Balance Sheet (d) Unscientific

[Ans. (c) Balance Sheet]

**Reason :** Balance sheet is a statement which gives the position of assets and liabilities on a particular date. Other three are limitations of incomplete records.

2. (a) Statement of affairs  
(b) Net worth method method  
(c) Annuity method  
(d) Capital comparison method

[Ans. (c) Annuity method]

**Reason :** Annuity method, not only the original cost of the asset but also the amount of interest on the investment is taken into account while computing depreciation. Other three are methods of ascertaining profit or loss.

3. (a) Conversion method  
(b) Statement of affairs method  
(c) Straight line method  
(d) Net worth method

[Ans. (c) Straight line method]

**Reason :** Under this method, a fixed percentage on the original cost of the asset is charged every year by way of depreciation. Other three are methods of ascertaining profit or loss.

(v) Which one of the Following is Correctly Matched?

1. (a)	Adjusted closing capital	=	Closing capital – Drawings – Additional capital
(b)	Profit/Loss	=	Closing capital + Drawings – Additional Capital – Opening capital
(c)	Capital	=	Assets + Liabilities
(d)	Closing capital	=	Opening capital + Drawings

[Ans. (b) Profit/Loss = Closing capital + Drawings – Additional Capital – Opening capital]

(vi) Consider the Following Statement.

1. **Assertion (A) :** Single Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

**Reason (R) :** The name of the system itself shows that the double aspects of business transactions are recorded.

- (a) Both (A) and (R) are true and (R) is the correct explanation (A).  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).  
(c) (A) is true, but (R) is false.  
(d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

2. **Assertion (A) :** Single Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained,

**Reason (R) :** It is always incomplete double entry varying with circumstances.

- (a) Both (A) and (R) are true and (R) is the correct explanation (A).  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).  
(c) (A) is true, but (R) is false.  
(d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation (A)]

3. **Assertion (A) :** The single entry system is suitable only for sole traders and partnership firms.

**Reason (R) :** Companies cannot keep books on Double entry system because of legal provisions.

- (a) Both (A) and (R) are true and (R) is the correct explanation (A).  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).  
(c) (A) is true, but (R) is false.  
(d) (A) is false, but (R) is true.

[Ans. (c) (A) is true, but (R) is false]

4. **Assertion (A) :** Double Entry System It maintains only personal and cash accounts.

**Reason (R) :** Personal accounts are not maintained.

- (a) Both (A) and (R) are true and (R) is the correct explanation (A).  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A).  
(c) (A) is true, but (R) is false.  
(d) (A) is false, but (R) is true.

[Ans. (c) (A) is true, but (R) is false]

5. **Assertion (A) :** Single entry actually refers to incomplete double entry system or the double entry system.

**Reason (R) :** It is not based on Single aspect concept. Hence it is incomplete, inaccurate and unscientific.

- (a) Both (A) and (R) are true and (R) the correct explanation (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (d) (A) is false, but (R) is true]

(vii) **Choose the Correct Statement.**

1. (i) Double Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

(ii) The Double entry system is suitable only for sole traders and partnership firms.

(iii) Single Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (c) (iii) is correct]

2. (i) Incomplete records system makes use of Double Entry System partially. It maintains only personal and cash accounts.

(ii) Thus, Double entry actually refers to incomplete Single entry system or the defective Single entry system.

(iii) Single entry is Debit and credit aspects of all transactions are recorded.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (a) (i) is correct]

3. (i) Single entry is Debit and credit aspects of all transactions are recorded.

(ii) Single Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained.

(iii) Double Entry System is an incomplete, inaccurate, unscientific and unsystematic system of book keeping.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (b) (ii) is correct]

4. (i) Companies cannot keep books on double entry system because of legal provisions.

(ii) It is always incomplete Single entry varying with circumstances.

(iii) Single entry actually refers to incomplete double entry system or the defective double entry system.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (c) (iii) is correct]

5. (i) Double entry actually refers to incomplete Single entry system or the defective Single entry system.

(ii) Double Entry System is a system of book keeping in which as a rule, only records of cash and personal accounts are maintained.

(iii) If it is desired to calculate profit by preparing Trading and Profit and Loss account under single entry then it is called conversion method.

- (a) (i) is correct
- (b) (ii) is correct
- (c) (iii) is correct
- (d) (i) and (ii) are correct

[Ans. (c) (iii) is correct]

## II VERY SHORT ANSWER QUESTIONS.

2 MARKS

1. Name the two main accounts maintained in "accounts from incomplete records".

**Ans.** The two main accounts maintained in accounts from incomplete records are

- (i) Personal account
- (ii) Cash account

**PROBLEMS.**

1. What shall be the profits of the concern if:

Particulars	₹
Opening capital	1,60,000
Closing capital	1,80,000
Drawings	36,000
Additional capital	10,000

*Solution :*

**Statement of profit or loss**

Particulars	₹
Closing capital	1,80,000
<b>Add:</b> Drawings	36,000
	2,16,000
<b>Less:</b> Additional capital	10,000
Adjusted closing capital	2,06,000
<b>Less:</b> Opening capital	1,06,000
Profit for the year	<b>46,000</b>

2. Calculate the missing information:

Particulars	₹
Closing capital	32,000
Drawings	4,800
Additional capital	8,000
Profit made during the year	9,600

*Solution :*

**Statement of profit or loss**

Particulars	₹
Closing capital	32,000
<b>Add:</b> Drawings	4,800
	36,800
<b>Less:</b> Additional capital	8,000
Adjusted closing capital	28,800
<b>Less:</b> Opening capital [B/F]	<b>19,200</b>
Profit made during the year	9,600

3. From the following find out credit sales.

Particulars	₹
Opening sundry debtors	50,000
Cash received from sundry debtors	80,000
Discount allowed to sundry debtors	2,000
Sales returns	5,000
Closing sundry debtors	75,000

*Solution :*

Dr		Total Debtors account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d (opening debtors)	50,000	By Cash received	80,000		
To Credit sales (B/F)	<b>1,12,000</b>	By Discount allowed	2,000		
		By Sales returns	5,000		
		By Balance c/d	75,000		
	1,62,000				1,62,000

4. From the following details, find out credit purchases :

Particulars	₹
Opening sundry creditors	75,000
Closing sundry creditors	90,000
Cash paid to sundry creditors	22,500
Discount received	15,000
Purchase returns	7,500

Solution :

Dr		Total Creditors account		Cr	
Particulars	₹	Particulars	₹		
To Cash paid	22,500	By Balance b/d	75,000		
To Discount received	15,000	By Credit purchase (B/F)	<b>60,000</b>		
To Purchase return	7,500				
To Balance c/d	90,000				
	<u>1,35,000</u>				<u>1,35,000</u>

### III PROBLEMS

3 MARKS

1. Mrs. Geetha started business with ₹1,20,000 as capital on 1.4.2018. During the year she has withdrawn at the rate of ₹1,000 per month. She introduced ₹20,000 as additional capital. Her position on 31.3.2019 was as follows.

Particulars	₹
Bank balance	8,000
Stock	80,000
Sundry debtors	50,000
Furniture	2,500
Cash in hand	2,000
Sundry creditors	25,000
Expenses outstanding	1,000

She keeps her books under single entry system, determine for profit or loss for the year 2003-04.

Solution :

#### Statement of affairs as on 31<sup>st</sup> March 2019

Liabilities	₹	Assets	₹
Sundry creditors	25,000	Bank balance	8,000
Expenses outstanding	1,000	Stock	80,000
Closing capital (B/F)	<b>1,16,500</b>	Sundry debtors	50,000
		Furniture	2,500
		Cash in hand	2,000
	<u>1,42,500</u>		<u>1,42,500</u>

#### Statement of profit or loss

Particulars	₹
Closing capital	1,16,500
<b>Add:</b> Drawings (1000 × 12)	12,000
	<u>1,28,500</u>
<b>Less:</b> Additional capital	20,000
	<u>1,08,500</u>
Adjusted closing capital	1,08,500
<b>Less:</b> Opening capital	1,20,000
Loss for the year	<b>11,500</b>

IV PROBLEMS

5 MARKS

1. M/s Saniya sport equipment does not keep proper records. From the following information, find out profit or loss and also prepare balance sheet for the year ended 31<sup>st</sup> December 2017.

Particulars	31.12.2016 ₹	31.12.2017 ₹
Cash in hand	6,000	24,000
Bank overdraft	30,000	-
Stock	50,000	80,000
Sundry creditors	26,000	40,000
Sundry debtors	60,000	1,40,000
Bills payable	6,000	12,000
Furniture	40,000	60,000
Bills receivable	8,000	28,000
Machinery	50,000	1,00,000
Investment	30,000	80,000

Drawings ₹10,000 per month for personal use, additional capital introduced during the year ₹2,00,000. A bad debts ₹2,000 and a provision of 5% it to be made on debtors. Outstanding salary ₹2,400, prepaid insurance ₹700, depreciation charged on furniture @10% per annum.

Solution :

Statement of affairs as on 31st December 2016

Liabilities	₹	Assets	₹
Bank overdraft	30,000	Cash in hand	6,000
Sundry creditors	26,000	Stock	50,000
Bills payable	6,000	Sundry Debtors	60,000
Capital (Balancing figure)	1,82,000	Furniture	40,000
		Bills receivable	8,000
		Machinery	50,000
		Investment	30,000
	2,44,000		2,44,000

Statement of affairs as on 31st December 2017

Liabilities	₹	Assets	₹	₹
Sundry creditors	40,000	Cash in hand		24,000
Bills payable	12,000	Stock		80,000
Outstanding salary	2,400	Debtors	1,40,000	
Capital (Balancing figure)	4,33,400	<b>Less : Bad debts</b>	2,000	
			1,38,000	
		<b>Less : Provision @5%</b>	6,900	1,31,100
		Furniture	60,000	
		<b>Less : Depreciation @10%</b>	6,000	54,000
		Bills receivable		28,000
		Prepaid insurance		700
		Machinery	1,00,000	
		<b>Less : Depreciation @10%</b>	10,000	90,000
		Investment		80,000
	4,87,800			4,87,800

ACCOUNTS FROM INCOMPLETE RECORDS



Statement showing profit or loss for the year ending 31st December 2017

Particulars	₹
Capital at the end of the year	4,33,400
<b>Add:</b> Drawings during the year (10,000 × 12)	1,20,000
	5,53,400
<b>Less:</b> Additional capital introduced in the year	2,00,000
Adjusted closing capital	3,53,400
<b>Less:</b> Capital in the beginning of the year	1,82,000
Profit for the year 2017	<b>1,71,400</b>

2. Compute the amount of total purchases and total sales of Mr. Amit from the following information for the year ending on March 31, 2018.

	₹
Total debtors as on April 01, 2017	40,000
Total creditors as on April 01, 2017	50,000
Bills receivable as on April 01, 2017	30,000
Bills payable as on April 01, 2017	45,000
Discount received	5,000
Bad debts	2,000
Return inwards	4,000
Discount allowed	3,000
Cash sales	10,000
Cash purchases	8,000
Total debtors as on March 31, 2018	80,000
Cash received from debtors	1,00,000
Cash paid to creditors	80,000
Cash received against bills receivable	25,000
Payment made against bills receivable	40,000
Total creditors as on March 31, 2018	40,000
Bills payable as on March 31, 2018	50,000
Bills receivable as on March 31, 2018	35,000

Solution :

Total Bills receivable account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	30,000	By Cash	25,000
To Total Debtors (Balancing figure)	30,000	By Balance c/d	35,000
	60,000		60,000



**Total Bills payable account**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Cash	40,000	By Balance b/d	45,000
To Balance c/d	50,000	By Total creditors (Balancing figure)	<b>45,000</b>
	<u>90,000</u>		<u>90,000</u>

**Total Debtors account**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	40,000	By Bad debts	2,000
To Sales (balancing figure)	<b>1,79,000</b>	By Return inwards	4,000
		By Discount allowed	3,000
		By Cash	1,00,000
		By Bills receivable (Transfer from bills receivable account)	30,000
		By Balance c/d	80,000
	<u>2,19,000</u>		<u>2,19,000</u>

**Total Creditors account**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Discount received	5,000	By Balance b/d	50,000
To Cash	80,000	By Purchases (credit)	<b>1,20,000</b>
To Bills payable (transfer from bills payable account)	45,000	(Balancing figure)	
To Balance c/d	40,000		
	<u>1,70,000</u>		<u>1,70,000</u>

3. From the following details of vijay who maintains incomplete records, prepare trading and profit and loss account for the year ended 31<sup>st</sup> March 2018 and a Balance sheet as on the date.

Particulars	As on	As on
	1.4.2017	31.3.2018
	₹	₹
Sundry Creditors	37,500	43,750
Furniture	2,500	2,500
Cash	6,250	10,000
Sundry debtors	62,500	87,500
Stock	25,000	12,500

**Other details :**

	₹
Drawings	10,000
Discount received	3,750
Discount allowed	2,500
Cash received from sundry debtors	1,35,000
Cash paid to creditors	1,12,500
Sales returns	3,750
Purchase returns	1,250
Sundry expenses paid	8,750

Charge depreciation on furniture @ 5%

**Solution :**

Calculation of opening capital:

**Statement of affairs as on 1.4.2017**

Liabilities	₹	Assets	₹
Sundry creditors	37,500	Furniture	2,500
Opening capital (B/F)	<b>58,750</b>	Cash	6,250
		Sundry Debtors	62,500
		Stock	25,000
	<u>96,250</u>		<u>96,250</u>

Calculation of Credit sales:

**Total Debtors account**

Dr.

Cr.

Particulars	₹	Particulars	₹
To Balance b/d	62,500	By Cash received	1,35,000
To Credit Sales (B/F)	<b>1,66,250</b>	By Discount allowed	2,500
		By Sales returns	3,750
		By Balance c/d	87,500
	<u>2,28,750</u>		<u>2,28,750</u>

Calculation of Credit Purchase :

**Total Creditors account**

Dr.

Cr.

Particulars	₹	Particulars	₹
To Cash paid	1,12,500	By Balance b/d	37,500
To Discount received	3,750	By Credit purchases (B/F)	<b>1,23,750</b>
To Purchase returns	1,250		
To Balance c/d	43,750		
	<u>1,61,250</u>		<u>1,61,250</u>

Trading and Profit and loss account for the year ended 31.3.2018

Dr.			Cr.		
Particulars	₹	₹	Particulars	₹	₹
To Opening stock		25,000	By Sales	1,66,250	
To Purchases	1,23,750		<b>Less : Sales returns</b>	3,750	1,62,500
<b>Less : Purchase returns</b>	1,250	1,22,500			
To Gross profit c/d		<b>27,500</b>	By Closing stock		12,500
		1,75,000			1,75,000
To Discount allowed		2,500	By Gross profit b/d		27,500
To Sundry expenses		8,750	By Discount received		3,750
To Depreciation		125			
To Net profit		<b>19,875</b>			
(Transferred to capital a/c)		31,250			31,250

Balance sheet as on 31.3.2018

Liabilities	₹	₹	Assets	₹	₹
Capital	58,750		Furniture	2,500	
<b>Add : Net profit</b>	19,875		<b>Less : Depreciation</b>	125	2,375
	78,625		Cash		10,000
<b>Less : Drawings</b>	10,000	68,625	Sundry debtors		87,500
Sundry creditors		43,750	Closing stock		12,500
		1,12,375			1,12,375

## HOTS QUESTIONS AND ANSWERS

1. Under single entry system is it possible to check the arithmetical accuracy of books of accounts?

**Ans.** No, as arithmetical accuracy is checked by preparing a trial balance and in case of single entry system a trial balance cannot be prepared as it does not record both aspects of a transaction.

2. Can a limited company maintain its accounts under single entry system?

**Ans.** No, due to legal restrictions, a company cannot maintain its accounts under single entry system.

3. Why is statement of affairs prepared under single entry system not referred to as balance sheet?

**Ans.** Statement of affairs prepared under single entry system is not called a balance sheet because statement of affairs is not prepared with the list of ledger balances kept on the basis of double entry system. Also value of assets and liabilities shown in statement of affairs are only the estimates and not the actual values.

4. What are the possible reasons for keeping incomplete records?

**Ans.** It is observed that many businessmen keep incomplete records because of the following reasons.

- Single entry system can be adopted by people who do not have the proper knowledge of accounting principles.
- As specialised accountants are not required, it is an inexpensive mode of maintaining records.
- As only a few books are maintained, time consumed in maintaining records is also less.
- It is suitable for organisations which have limited number of transactions and very few assets and liabilities.

## VALUE BASED QUESTIONS AND ANSWERS

1. Radhika started a small bakery for providing healthy and good quality bakery product at reasonable prices on 1<sup>st</sup> January, 2019 with a capital of ₹1,80,000. She appointed a ten year old boy as a sweeper. She withdrew ₹60,000 for household expenses. She introduced ₹20,000 as fresh capital. Her position of assets and liabilities as at 31<sup>st</sup> December, 2019 stood as follows.

	₹
Cash in hand	70,000
Stock	80,000
Bills receivable	1,00,000
Debtors	1,50,000
Creditors	60,000
Bills payable	10,000

You are required to calculate profit or loss and also identify the values introduced in this question.

**Solution :**

Statement of affairs as on 31.12.2019

Liabilities	₹	Assets	₹
Creditors	60,000	Cash in hand	70,000
Bills payables	10,000	Stock	80,000
Capital	<b>3,30,000</b>	Bills receivables	1,00,000
(Balancing figure)		Debtors	1,50,000
	<u>4,00,000</u>		<u>4,00,000</u>

### Calculation of Profit

Particulars	₹
Capital at the end	3,30,000
<b>Add:</b> Drawings	60,000
	<u>3,90,000</u>
<b>Less:</b> Additional capital	20,000
	<u>3,70,000</u>
<b>Less:</b> Opening capital	1,80,000
Profit for the year	<b>1,90,000</b>

### Values involved are

- Violating child labour act by employing 10 year old boy.
- By providing good quality product she is promoting the welfare and health of society
- By charging reasonable prices she is not indulged in profiteering.

2. Which values are affected, when accounts are maintained on single entry system basis.

**Ans.** Values being affected are

- Reliability :** Value of reliability is affected as accounts maintained on single entry system are less reliable as they are prepared from incomplete records.
- Accuracy :** Value of arithmetical accuracy is affected, as in single entry system, trial balance cannot be prepared which proves arithmetical accuracy of accounts.





Call @  
**9600175757**  
**8124301000**  
 orders@surabooks.com

Buy Online @

**surabooks.com**

www.kalviexpress.in