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- ★ Govt. Model Question Paper - 2019 (**Govt. MQP-'19**), Quarterly Exam - 2019 & 2023 (**QY-'19 & '23**), Half Yearly Exam - 2019 & 2023 (**HY-'19 & '23**), Public Exam March - 2020, 2024 May - 2022 & April - 2023 (**Mar-2020, '24, May-'22 & April-'23**), Govt. Supplementary Exam September 2020, August 2021, July 2022 & June-2023 (**Sep-2020, Aug'21, July-'22 & June-'23**) and First & Second Revision Test - 2022 (**FRT & SRT-'22**) questions are incorporated in the appropriate sections.
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## 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.**

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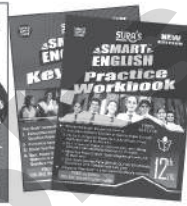
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UNIT

1

# ACCOUNTS FROM INCOMPLETE RECORDS

## CHAPTER SNAPSHOT

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li><b>1.1</b> Introduction</li><li><b>1.2</b> Meaning of incomplete records</li><li><b>1.3</b> Features of incomplete records</li><li><b>1.4</b> Limitations of incomplete records</li><li><b>1.5</b> Differences between double entry system and incomplete records</li><li><b>1.6</b> Accounts from incomplete records</li><li><b>1.7</b> Ascertaining profit or loss from incomplete records through statement of affairs<ul style="list-style-type: none"><li><b>1.7.1</b> Calculation of profit or loss through statement of affairs</li></ul></li></ul> | <ul style="list-style-type: none"><li><b>1.7.2</b> Steps to be followed to find out the profit or loss by preparing statement of affairs</li><li><b>1.7.3</b> Statement of affairs</li><li><b>1.7.4</b> Format of statement of affairs</li><li><b>1.7.5</b> Differences between statement of affairs and balance sheet</li><li><b>1.8</b> Preparation of final accounts from incomplete records<ul style="list-style-type: none"><li><b>1.8.1</b> Steps to be followed to prepare final accounts from incomplete records</li></ul></li></ul> |
|--|--|



# 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

### I. MULTIPLE CHOICE QUESTIONS

#### CHOOSE THE CORRECT ANSWER

1. Incomplete records are generally maintained by [PTA-1; Aug-'21; FRT & July-'22; QY-'23]

- (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-'19 & '24; FRT & May-'22; June-'24]

- (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; June-'23]

- (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-'19 & '23; Sep-2020; FRT, May & July-'22]

- (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; FRT-'22; HY-'23; QY-'24]

- (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-'19; Sep- 2020; June-'23; Mar-'24]

- (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-'19; PTA-4; HY-'23]

- (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-'19; Mar-'24]

- (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; QY-'23 & '24]

- (a) ₹ 30,000 (b) ₹ 1,30,000  
(c) ₹ 40,000 (d) ₹ 20,000

Hint :

[Ans. (d) ₹ 20,000]

Total Debtors account			
Dr	₹	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; July-'22; QY-'23 & '24]

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. [June-'24]

[PTA-2; FRT-'22; April-'23]

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-'19; Sep-2020; FRT & May-'22; HY-'23]

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?

[FRT-'22; June-'23]

- 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; QY-'24]

- 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-'19; PTA-3; Aug-'21; FRT-'22; April, QY & HY-'23]

**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 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-'19; Aug-'21; FRT-'22; QY-'23; Mar-'23]

**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		

**IV EXERCISES****1. From the following particulars ascertain profit or loss:**

[PTA-1, 6; April-'23]

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; QY-'24]*

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.***[QY-'23]*

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; June-'23; Mar-'24]

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
	1,60,000
Adjusted closing capital	1,00,000
<b>Less:</b> Opening capital as on 1st January 2018	
Profit for the year	60,000

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

[PTA-5; HY-'19; June-'24]

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
	48,000
Adjusted closing capital	40,000
<b>Less:</b> Opening capital as on 1 <sup>st</sup> January 2018	
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; FRT-'22; June-'23]

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/> 10,00,000		<hr/> 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; FRT & July-'22; April-'23]*

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/> 8,00,000		<hr/> 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
Adjusted closing capital	<hr/> 4,10,000
<b>Less:</b> Opening capital as on 01.04.2018	1,20,000
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-'19; 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/> 5,20,000		<hr/> 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/> 6,00,000		<hr/> 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; June-'24]

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; FRT-22]

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	2,80,000	By Discount allowed	5,000		
(Balancing figure)		By Returns inward	25,000		
		By Balance c/d	1,20,000		
	3,80,000		3,80,000		

11. From the following details find out total sales made during the year. [PTA-5; HY-'19; FRT & May-'22]

From the following details find out total sales made during the year. [PTA-6; QY-'24]

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	5,40,000	By Sales return A/c	35,000
(Balancing figure)		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		Bills receivable account		Cr	
Particulars	₹	Particulars	₹		
To Balance b/d	1,40,000	By Cash A/c	3,90,000		
To Debtors A/c	4,80,000	By Debtors A/c	30,000		
(Bills received during the year - balancing figure)		(Bills receivable dishonored)			
		By Balance c/d	2,00,000		
	6,20,000		6,20,000		

**13. From the following particulars, calculate total sales.**

[PTA-5; QY-'19; May & July-'22; April-'23; June-'24]

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	2,05,000	By Debtors	15,000		
(Bills received during the year - balancing figure)		(Bills receivable dishonored)			
		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		
(dishonored)		By Bills receivable	2,05,000		
To Credit sales	9,85,000	(bills received)			
		By Bad debts	30,000		
		By Balance c/d	2,40,000		
	12,50,000		12,50,000		

Total sales = Cash sales + Credit sales

= ₹ 3,15,000 + ₹ 9,85,000 = ₹ 13,00,000

**14. From the following details, calculate credit purchases.**

[FRT-'22]

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	4,90,000		
To Balance c/d	1,90,000	(balancing figure)			
	6,60,000		6,60,000		

**15. From the following particulars calculate total purchases.**

[PTA-3; QY-'19; 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	25,000		
	50,000	(Bills accepted - balancing figure)			
			50,000		

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	1,55,000		
To Bills payable	25,000	(balancing figure)			
(Bills accepted)	25,000				
To Balance c/d					
	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.**

[Govt. MQP-'19; PTA-2; QY-'24]

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	42,000	By Debtors	4,000		
(Bills received - Balancing figure)		(Bills receivable dishonoured)			
		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	4,000	By Discount allowed A/c	25,000		
(dishonoured)		By Bad debts	16,000		
To Sales (credit)	6,59,000	By Bills receivable (bills received)	42,000		
(Balancing figure)		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	40,000		
		(Bills accepted balancing figure)			
	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)	4,00,000		
To Bills payable (Bills accepted)	40,000	(Balancing figure)			
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	13,85,000	By Discounts allowed A/c	25,000		
(Balancing figure)		By Balance c/d	6,40,000		
	19,15,000		19,15,000		

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	11,85,000		
To Balance c/d	4,20,000	(Balancing figure)			
	15,55,000		15,55,000		

**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	1,60,000	Credit sales	13,85,000	
(Transferred to profit and loss A/c)				14,05,000
	15,65,000	By Closing stock		1,60,000
				15,65,000
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)	50,000			
	1,95,000			1,95,000

**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 : Net profit</b>	50,000		Machinery	80,000
	5,70,000		Closing stock	1,60,000
<b>Less : Drawings</b>	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 31<sup>st</sup> March, 2019 and a balance sheet as on that date.

[PTA - 3; QY-'24]

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		
		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

Total Debtors account

Dr.		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	80,000
	4,20,000	(Balancing figure)	
			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		3,20,000			
(Transferred to profit and loss A/c)					
		8,30,000			8,30,000
To Sundry expenses		1,27,000	By Gross profits b/d		3,20,000
To Depreciation on machinery 10%		8,000	(Transferred from trading A/c)		
To Net profit		1,85,000			
(Transferred to capital A/c)		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>	1,85,000	4,65,000	Stock of goods		1,80,000
			Debtors		80,000
Creditors		90,000	Furniture and fittings	80,000	
			<b>Less : Depreciation</b>	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: [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
	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 A/c	30,000	By Credit purchases	<b>6,25,000</b>		
To Balance c/d	45,000	(balancing figure)			
	6,75,000				6,75,000

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		<u>Less : Sales returns</u>	25,000	7,45,000
<u>Less : Purchase returns</u>	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>			
		9,15,000			9,15,000
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>			
		1,35,000			1,35,000

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

Liabilities	₹	₹	Assets	₹	₹
Capital	3,80,000		Land and buildings	2,40,000	
<u>Add : Net profit</u>	86,000		<u>Less : Depreciation 5%</u>	12,000	2,28,000
	4,66,000		Closing stock		1,70,000
<u>Less : Drawings</u>	10,000	4,56,000	Debtors	51,500	
			<u>Less : Provision for debtors</u>	1,500	50,000
Creditors		45,000	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 & Loss A/c and Balance Sheet as on 31-12-2018 [PTA-4; HY-'23]

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
	2,20,000		2,20,000

**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	<b>1,80,000</b>	2,00,000
Credit	<b>52,000</b>	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>			
		2,22,000			2,22,000
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>			
		1,11,000			1,11,000

**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 : Depreciation 10%</b>	<b>6,000</b>	54,000
Capital	1,50,000		Cash at bank		33,000
<b>Add : Net profit</b>	<b>69,000</b>		Sundry debtors	1,00,000	
	2,19,000		<b>Less : Reserve for doubtful debts</b>	<b>1,000</b>	
<b>Add : Additional capital</b>	<b>21,000</b>				99,000
	2,40,000		Closing stock		22,000
<b>Less : Drawings</b>	<b>60,000</b>	1,80,000	Bills receivable		38,000
		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	30,000
1,10,000	30,000	40,000	80,000	20,000
70,000	10,000	30,000	40,000	10,000
60,000	20,000	40,000	50,000	-10,000
2,00,000	30,000	10,000	1,00,000	1,20,000

## GOVERNMENT EXAM QUESTIONS AND ANSWERS

### I. MULTIPLE CHOICE QUESTIONS 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-'19; FRT-'22; April-'23]

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

[Ans. (a) ₹65,000]

Hint: Capital = Assets - Liabilities

$$= ₹ 85,000 - ₹ 20,000 = ₹ 65,000$$

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-'21]

- (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]

5. Both debit and credit aspects of all the transactions are recorded. They are : [FRT-'22]

- (a) Statement of affairs (b) Double entry system  
(c) Incomplete records (d) All of the above

[Ans. (b) Double entry system]

6. The amount of credit purchases can be computed from [FRT-'22]

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

[Ans. (a) Total creditors account]

7. The excess of assets over Capital is [April-'23]

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

[Ans. (a) Liabilities]

### II. VERY SHORT ANSWER QUESTIONS

2 MARKS

1. From the following particulars ascertain profit or loss: [QY-'19]

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-'19]

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	<b>3,00,000</b>

**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.

**4. Calculate the missing figure : [FRT-'22]**

Capital in the beginning	₹ 10,000	Drawings	₹ 6,000
Profit	₹ 2,000	Additional capital	₹ 3,000
Capital at the End	₹ ???	[Closing capital]	

**Ans. Statement of Profit or loss**

Particulars	₹
Closing Capital	<b>9,000</b>
<b>Add :</b> Drawings	6,000
	15,000
<b>Less:</b> Additional capital	3,000
Adjusted closing capital	12,000
<b>Less:</b> Opening Capital	10,000
Profit	2,000

**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 31st December, 2018**

Particulars	₹
Closing capital (as on 31.12.2018)	35,000
<b>Add:</b> Drawings during the year (goods taken for personal use)	<b>5,000</b>
	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

**2. From the following details find out total sales made during the year. [July-'22]**

Particulars	₹
Debtors on 1 <sup>st</sup> April 2019	1,00,000
Cash received from debtors during the year	2,00,000
Returns inward	30,000
Bad debts	10,000
Debtors on 31 <sup>st</sup> March 2020	1,20,000
Cash Sales	2,40,000

**Solution : Dr**

**Total Debtors account**

**Cr**

Particulars	₹	Particulars	₹
To Balance b/d	1,00,000	By Cash A/c	2,00,000
To Sales A/c (Credit)	<b>2,60,000</b>	By Returns Inward A/c	30,000
(Balancing figure)		By Bad debts	10,000
		By Balance c/d	1,20,000
	3,60,000		3,60,000

Total sales = Cash sales + Credit sales  
= 2,40,000 + 2,60,000  
= **₹ 5,00,000**



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

[HY-'23]

	₹
Debtors on 1 <sup>st</sup> April 2020	50,000
Cash received from debtors during the year	1,50,000
Returns inward	15,000
Bad debts	5,000
Debtors on 31 <sup>st</sup> March 2021	70,000
Cash sales	1,40,000

**Solution :** Refer Ch-1, Text Book Illustration 11

#### 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-'19 & '23; Aug-'21; Mar-'24]

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)	88,000	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	8,000



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

Particulars	1.4.2018 ₹	31.3.2019 ₹	[QY-'19; June & HY-'23]
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	

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

3. Arjun carries on grocery business and does not keep his books on double entry basis.

[HY-'19]

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

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		<b>Less : Sales</b>		
<b>Less : Purchase returns</b>	2,000	63,000	returns	1,000	84,000
To Carriage inwards		8,000	By Closing stock		16,000
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	
<b>Add :</b> Net profit	14,000		<b>Less :</b> Depreciation	1,000	19,000
	44,000		Closing stock		16,000
<b>Less :</b> Drawings	2,000	42,000	Sundry Debtors	5,300	
Sundry Creditors		4,000	<b>Less :</b> 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*	90,000	By Debtors A/c	10,000		
(Bills received during the year - balancing figure)		(Bills receivable dishonoured)			
		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	10,000	By Sales returns A/c	40,000		
(dishonoured)		By Bills receivable A/c*	90,000		
To Sales A/c (Credit)	4,90,000	(bills received)			
		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-'21; May-'22]

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 :** Refer Ch-1, Text Book Illustration 15

6. Draw the format of Bills Receivable Account.

[FRT-'22]

**Solution :** Refer Ch-1, Text Book Illustration 11 (ii)

## 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. 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]

5. 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]

6. 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]

7. 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]

8. 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]





**Hint :**

Total Debtors account			
Dr			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]

**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]**
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) Networth  
 (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]**

**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



**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) :** Incomplete records are maintained only personal and cash accounts.

**Reason (R) :** Real and nominal accounts are not maintained fully.

- (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)]

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

**Reason (R) :** It is not based on dual 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. (c) (A) is true, but (R) is false]

**(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		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)	60,000	
To Purchase return	7,500			
To Balance c/d	90,000			
	1,35,000		1,35,000	

**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)	1,16,500	Sundry debtors	50,000
		Furniture	2,500
		Cash in hand	2,000
	1,42,500		1,42,500

**Statement of profit or loss**

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





## 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	<u>Less : Bad debts</u>	2,000	
			1,38,000	
		<u>Less : Provision @5%</u>	6,900	1,31,100
		Furniture	60,000	
		<u>Less : Depreciation @10%</u>	6,000	54,000
		Bills receivable		28,000
		Prepaid insurance		700
		Machinery	1,00,000	
		<u>Less : Depreciation @10%</u>	10,000	90,000
		Investment		80,000
	4,87,800			4,87,800

**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	30,000	By Balance c/d	35,000
(Balancing figure)			
	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	<b>1,79,000</b>	By Return inwards	4,000
(balancing figure)		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 1.4.2017 ₹	As on 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		<u>Less : Sales returns</u>	<u>3,750</u>	1,62,500
<u>Less : Purchase returns</u>	<u>1,250</u>	1,22,500	By Closing stock		12,500
To Gross profit c/d		<b>27,500</b>			<u>1,75,000</u>
		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			<u>31,250</u>

**Balance sheet as on 31.3.2018**

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

## 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	3,30,000	Bills receivables	1,00,000
(Balancing figure)		Debtors	1,50,000
	4,00,000		4,00,000

#### Calculation of Profit

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

#### 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.





# UNIT 2

## ACCOUNTS OF NOT - FOR - PROFIT ORGANISATION

### CHAPTER SNAPSHOT

- |  |   |
|--|---|
| <b>2.1</b> Introduction  | <b>2.5.2</b> Format of Income and Expenditure Account   |
| <b>2.2</b> Features of not-for-profit organisations  | <b>2.5.3</b> Differences between receipts and payments account and income and expenditure account |
| <b>2.3</b> Receipts and Payments Account   | <b>2.5.4</b> Treatment of revenue receipts  |
| <b>2.3.1</b> Steps in preparation of receipts and payments account                                     | <b>2.6</b> Balance Sheet  |
| <b>2.4</b> Items peculiar to not-for-profit organisations  |   |
| <b>2.5</b> Income and Expenditure Account  |   |
| <b>2.5.1</b> Steps in preparation of income and expenditure account from receipts and payments account |   |

# Important Points

- ❑ Not-for-profit entities exist to provide services to the members or to the society at large.
- ❑ The three principal accounting statements of a not-for-profit organisation include Receipts and Payments Account, Income and Expenditure Account and Balance Sheet.
- ❑ The Receipts and Payments Account is a summarised cash book which records all cash receipts and cash payments effected during an accounting year irrespective of the nature as to capital or revenue, irrespective of the period to which it belongs, that is, whether it relates to the previous or current year or subsequent year.
- ❑ Income and Expenditure Account is prepared to ascertain the excess of revenue income over revenue expenditure (surplus) or excess of revenue expenditure over revenue income (deficit) for a particular accounting year, which is the result of the entity's over all activities for the accounting year.
- ❑ Opening capital is found out by comparing the opening balances of assets and liabilities.
- ❑ The Balance sheet is prepared at the end of the accounting year to show the financial position on that date.
- ❑ It includes the capital fund or accumulated fund, special purpose funds, long term liabilities and current liabilities on the liabilities side and fixed assets and current assets on the assets side.

## SELF-EXAMINATION QUESTIONS

### I MULTIPLE CHOICE QUESTIONS CHOOSE THE CORRECT ANSWER

1. Receipts and payments account is a [PTA-5; Sep-2020; Aug-'21; FRT-'22; QY-'23 & '24]  
 (a) Nominal A/c (b) Real A/c  
 (c) Personal A/c  
 (d) Representative personal account  
**[Ans. (b) Real A/c]**
2. Receipts and payments account records receipts and payments of [PTA-4; HY-'23]  
 (a) Revenue nature only  
 (b) Capital nature only  
 (c) Both revenue and capital nature  
 (d) None of the above  
**[Ans. (c) Both revenue and capital nature]**
3. Balance of receipts and payments account indicates the [PTA-2, 3; July-'22]  
 (a) Loss incurred during the period  
 (b) Excess of income over expenditure of the period  
 (c) Total cash payments during the period  
 (d) Cash and bank balance as on the date  
**[Ans. (d) Cash and bank balance as on the date]**

4. Income and expenditure account is a [Mar-2020; FRT-'22; June & QY-'24]  
 (a) Nominal A/c (b) Real A/c  
 (c) Personal A/c  
 (d) Representative personal account  
**[Ans. (a) Nominal A/c]**
5. Income and Expenditure Account is prepared to find out [PTA-1; QY-'19 & '23; Aug-'21; FRT & May-'22; June-'23; Mar-'24]  
 (a) Profit or loss  
 (b) Cash and bank balance  
 (c) Surplus or deficit  
 (d) Financial position  
**[Ans. (c) Surplus or deficit]**
6. Which of the following should not be recorded in the income and expenditure account? [PTA-1, 6; Govt. MQP & HY-'19; FRT-'22]  
 (a) Sale of old news papers  
 (b) Loss on sale of asset  
 (c) Honorarium paid to the secretary  
 (d) Sale proceeds of furniture  
**[Ans. (d) Sale proceeds of furniture]**



7. Subscription due but not received for the current year is [PTA-2; HY-'19 & '23; QY-'23; Mar-'24]  
 (a) An asset (b) A liability  
 (c) An expense  
 (d) An item to be ignored [Ans. (a) An asset]
8. Legacy is a [QY-'19; FRT & July-'22]  
 (a) Revenue expenditure  
 (b) Capital expenditure  
 (c) Revenue receipt  
 (d) Capital receipt [Ans. (d) Capital receipt]
9. Donations received for a specific purpose is [Sep-2020; May-'22; June-'23 & '24]  
 (a) Revenue receipt (b) Capital receipt  
 (c) Revenue expenditure  
 (d) Capital expenditure  
 [Ans. (b) Capital receipt]
10. There are 500 members in a club each paying ₹ 100 as annual subscription. Subscription due but not received for the current year is ₹ 200; Subscription received in advance is ₹ 300. Find out the amount of subscription to be shown in the income and expenditure account. [PTA-5; Govt. MQP-'19; QY-'19 & '24; Mar-2020]  
 (a) ₹ 50,000 (b) ₹ 50,200  
 (c) ₹ 49,900 (d) ₹ 49,800  
 [Ans. (a) ₹ 50,000]

## II VERY SHORT ANSWER QUESTIONS

1. State the meaning of not-for-profit organisation. [PTA-1; Aug-'21; FRT-'22; June-'24]

- Ans. (i) Some organisations are established for the purpose of rendering services to the public without any profit motive.  
 (ii) They may be created for the promotion of art, culture, education, sports, etc. These organisations are called not-for-profit organisation.  
 (iii) Charitable institutions, educational institutions, cultural societies, sports and recreation clubs, hospitals, libraries and literary associations are some of the examples of not-for-profit organisations.

2. What is receipts and payments account?

[PTA-2; Mar-'24]

- Ans. (i) Receipts and Payments account is a summary of cash and bank transactions of not-for-profit organisations prepared at the end of each financial year.

- (ii) It is a real account in nature. The receipts and payments account begins with the opening balances of cash and bank and ends with closing balances of cash and bank.

3. What is legacy? [PTA-3; May-'22]

Ans. A gift made to a not-for-profit organisation by a will, is called legacy. It is a capital receipt.

4. Write a short note on life membership fees. [PTA-4; Sep-2020; FRT-'22; June-'23]

Ans. Amount received towards life membership fee from members is a capital receipt as it is non-recurring in nature.

5. Give four examples for capital receipts of not-for-profit organisation.

[PTA-5; Govt. MQP-'19; QY-'19, '23 & '24; Mar-'20; FRT & July-'22]

Ans. (i) Life membership fee

(ii) Endowment fund

(iii) Sale of fixed assets

(iv) Specific donations.

6. Give four examples for revenue receipts of not-for-profit organisation.

Ans. (i) Interest on investment

(ii) Interest on fixed deposit

(iii) Sale of (old) sports materials

(iv) Sale of (old) news papers.

## III SHORT ANSWER QUESTIONS

1. What is income and expenditure account?

[PTA-6]

Ans. (i) Income and expenditure account is a summary of income and expenditure of a not-for-profit organisation prepared at the end of an accounting year.

(ii) It is prepared to find out the surplus or deficit pertaining to a particular year.

(iii) It is a nominal account in nature in which items of revenue receipts and revenue expenditure, relating to the current year alone are recorded.

(iv) It is just like preparing a profit and loss account. In this account, incomes are shown on the credit side and expenses are shown on the debit side.

(v) Apart from cash items, non-cash items such as income accrued but not received, loss or gain on sale of fixed assets, depreciation, etc. will also be recorded.

**2. State the differences between Receipts and Payments Account and Income and Expenditure Account.****Ans.***[PTA-2; Sep-2020; FRT & July-'22; QY-'24]*

S.No.	Basis	Receipts and Payments Account	Income and Expenditure Account
1.	Nature of account	It is a real account. Cash receipts are recorded on the debit side and cash payments are recorded on the credit side.	It is a nominal account. Expenses are recorded on the debit side and incomes are recorded on the credit side.
2.	Basis of accounting	It is based on cash system of accounting. Non-cash items are not recorded	It is based on accrual system of accounting. Non-cash items like outstanding expenses, depreciation, etc. are also recorded.
3.	Opening and closing balance	It commences with an opening balance of cash and bank and ends with closing balance of cash and bank.	There is no opening balance. It ends with surplus or deficit.
4.	Nature of items	It contains actual receipts and payments irrespective of revenue or capital items in nature.	It contains only revenue items, that is, only revenue expenses and revenue incomes.
5.	Period	All cash receipts and payments made during the year pertaining to the past period, current period and subsequent period are recorded.	It contains only the items relating to the current period.

**3. How annual subscription is dealt with in the final accounts of not-for-profit organisation?***[FRT-'22]***Ans. (a) Treatment in income and Expenditure account :**

When subscription received for the current year, previous years and subsequent period are given separately, subscription received for the current year will be shown on the credit side of Income and Expenditure Account after making the adjustments given below:

- (i) Subscription outstanding for the current year is to be added.
- (ii) Subscription received in advance in the previous year which is meant for the current year, is to be added.

When total subscription received during the current year is given, that total subscriptions received during the current year will be shown on the credit side of Income and Expenditure Account after making the following adjustments:

- (i) Subscription outstanding in the previous year which is received in the current year will be subtracted.

- (ii) Subscriptions received in advance in the previous year which is meant for the current year, is added and subscriptions received in advance in the current year which is meant for the subsequent year must be subtracted.

**(b) Treatment in Balance Sheet**

- (i) Subscriptions outstanding for the current year and still outstanding for the previous year will be shown on the assets side of the balance sheet.
- (ii) Subscriptions received in advance in the current year will be shown on the liabilities side of the balance sheet.

**4. How the following items are dealt with in the final accounts of not-for-profit organisation?**

- a) Sale of sports materials *[PTA-4; QY-'23]*
- b) Life membership fees
- c) Tournament fund

**Ans. (a) Sale of sports materials :**

- (i) Consumable items such as sports materials, stationery, medicines, etc., consumed during the year will appear on the debit side of income and expenditure account.
- (ii) Consumption = Opening stock + Purchases during the current year - Closing stock



- (iii) Closing stock will appear on the assets side of the balance sheet as at the end of the year.
- (iv) If there is any sale of old sports materials, etc., that will be shown on the credit side of income and expenditure account or can be subtracted from the respective items consumed on the debit side of income and expenditure account.

- (b) **Life membership fees** : Amount received towards life membership fee from members is a capital receipt as it is non-recurring in nature.
- (c) **Tournament fund** : It is recurring in nature. It is revenue receipt. It is shown liabilities side of balance sheet. Opening balance added donations and subtracted expenses incurred.

#### IV EXERCISES

1. From the information given below, prepare Receipts and Payments account of Kurunji Sports Club for the year ended 31<sup>st</sup> December, 2018. [Govt. MQP-'19; PTA-1, 6; June-'23]

Particulars	₹	Particulars	₹
Cash in hand (1.1.2018)	4,000	Paid for printing charges	2,500
Salaries paid	3,000	Lockers rent received	1,000
Life membership fees received	10,000	Tournament receipts	14,000
Subscription received	15,000	Tournament expenses	10,500
Rent received	2,000	Investments purchased	25,000

**Solution :**

**In the books of kurunji sports club**

**Receipts and Payments Account for the year ended 31<sup>st</sup> December 2018**

Dr.		Cr.	
Receipts	₹	Payments	₹
To Balance b/d		By Salaries	3,000
Cash in hand	4,000	By Printing Charges	2,500
To Life membership fees	10,000	By Tournament expenses	10,500
To Subscription received	15,000	By Investment purchased	25,000
To Rent received	2,000	By Balance c/d	
To Lockers rent received	1,000	Cash in hand	5,000
To Tournament receipts	14,000		
	46,000		46,000

2. From the information given below, prepare Receipts and Payments account of Coimbatore Cricket Club for the year ending 31<sup>st</sup> March, 2019. [PTA-2, 6; QY-'24]

Particulars	₹	₹	Particulars	₹
Bank overdraft (1.4.2018)		6,000	Honorarium paid	2,800
Cash in hand (1.4.2018)		1,000	Water and electricity charges	700
Wages paid for ground maintenance		2,000	Match expenses	2,600
Subscription received:			Sports material purchased	1,900
Previous year	500		Match fund receipts	5,200
Current year	9,600		Legacies received	2,000
Subsequent year	400	10,500	Cash balance (31.03.2019)	300
Wages yet to be paid		2,200	Donation received for pavilion	2,000
Interest on loan paid		2,000		





**Solution :**

**In the books of Coimbatore Cricket Club**

**Receipts and Payments Account for the year ended 31st March 2019**

Dr.				Cr.
Receipts	₹	₹	Payments	₹
To Balance b/d			By Balance b/d	
Cash in hand		1,000	Bank overdraft	6,000
To Subscription received:			By Wages paid for ground maintenance	2,000
Previous year	500		By Interest on loan	2,000
Current year	9,600		By Honorarium paid	2,800
Subsequent year	400	10,500	By Water and electricity charges	700
			By Match expenses	2,600
To Match fund receipts		5,200	By Sports material purchased	1,900
To Legacies received		2,000	By Balance c/d	
To Donation received		2,000	Cash in hand	300
			Cash at bank	2,400
		20,700		20,700

[Hint : Wages yet to be paid is a non cash item. Hence it is excluded in receipts and payments account]

3. From the information given below, prepare Receipts and Payments account of Madurai Mother Theresa Mahalir Mandram for the year ended 31<sup>st</sup> December, 2018. [PTA - 3]

Particulars	₹	Particulars	₹
Cash balance as on 1.1.2018	2,000	Fire Insurance premium paid	1,500
Bank balance as on 1.1.2018	3,000	Subscription received	8,500
Sale of old newspapers	500	Furniture purchased	6,000
Stationery purchased	6,000	Purchase of newspapers	700
Audit fees paid	2,000	Depreciation on furniture	900
Entrance fees received	3,000	Cash balance as on 31.12.2018	2,500
Sundry charges	6,000	Conveyance paid	1,000
Scholarships given	2,000	Sale of furniture	4,000
Interest on investments	2,000		

**Solution :**

**In the books of Madurai Mother Theresa Mahalir Mandram**

**Receipts and payments Accounts for the year ended 31<sup>st</sup> December 2018**

Dr.				Cr.
Receipts	₹	₹	Payments	₹
To Balance b/d			By Stationery purchased	6,000
Cash in hand	2,000		By Audit fees	2,000
Cash at bank	3,000	5,000	By Scholarship	2,000
			By Sundry charges	6,000
To Sale of old news papers		5,00	By Fire insurance premium	1,500
To Entrance fees received		3,000	By Furniture purchased	6,000
To Subscription received		8,500	By Purchase of news papers	700
To Sales of furniture		4,000	By Conveyance paid	1,000
To Interest on investment		2,000	By Balance c/d	
To Balance c/d (Bank overdraft)		4,700	Cash in hand	2,500
		27,700		27,700

[Hint : As depreciation on furniture is a non cash item, it is excluded in receipts and payments account]



**Solution :**

Dr				Cr
Receipts	₹	₹	Payments	₹
To Balance b/d			By Refreshments charges	13,000
Cash in hand	15,000		By Construction of tennis	
Cash at bank	25,000	40,000	cocert	7,000
To Donation received		48,000	By Rent paid	1,000
To Sale of old equipment		26,000	By Salary of watchman	12,000
To Club annual day			By Club annual day expenses	15,000
collections		18,000	By Lighting charges	16,500
To Receipts from charity show		4,000	By Entertainment expenses	13,500
To Sale of Investments		12,000	By Billiards table purchased	5,000
			By Expenses of charity show	3,000
			By Balance c/d	
			Cash in hand	12,000
			Cash at bank	50,000
		1,48,000		1,48,000

- 5. From the following information, prepare Receipts and Payments account of Cuddalore Kabaddi Association for the year ended 31<sup>st</sup> March, 2019.** [PTA-2; HY-'19]

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**Solution :**

**In the books of Cuddalore Kabaddi Association Receipts and Payments  
Account for the year ended 31st March 2019**

Dr		Cr	
Receipts	₹	Payments	₹
To Balance b/d		By Balance b/d	
Cash in hand	11,000	Bank overdraft	20,000
To Dividend received	3,000	By Stationery purchased	5,200
To Admission fees	4,000	By Travelling expenses	1,800
To Grant from government	12,000	By General expenses	500
To Endowment fund receipt	10,000	By Courier charges	2,000
To Miscellaneous income	350	By Municipal taxes paid	3,000
To Balance c/d (Bank overdraft)	4,500	By Interest on bank charges	250
		By Upkeep of ground	550
		By Telephone charges	2,800
		By Insurance premium	2,000
		By Electricity charges	5,000
		By Balance c/d	
		Cash in hand	1,750
	44,850		44,850

6. From the following receipts and payments account of Tenkasi Thiruvalluvar Manram, prepare income and expenditure account for the year ended 31<sup>st</sup> March, 2019. [Govt. MQP-'19; PTA-3; June & QY-'24]

Receipts	₹	Payments	₹
To Balance b/d		By Salaries	20,000
Cash in hand	14,000	By Rent	24,000
To Interest received	5,000	By Travelling expenses	2,000
To Subscription	55,000	By Printing and stationery	6,000
To Legacies	48,000	By Investments made	50,000
To Entrance fees	7,000	By Sports equipment purchased	33,000
To Sale of furniture (Book value: ₹17,000)	16,000	By Balance c/d	
		Cash in hand	10,000
	1,45,000		1,45,000

**Solution :**

**In the books of Tenkasi Thiruvalluvar Manram Income and Expenditure  
Account for the year ended 31<sup>st</sup> March, 2019**

Dr		Cr	
Expenditure	₹	Income	₹
To Rent	24,000	By Interest received	5,000
To Travelling expenses	2,000	By Subscription	55,000
To Salaries	20,000	By Entrance fees	7,000
To Printing and stationary	6,000		
To Loss on sale of furniture	1,000		
To Surplus (Excess of income over expenditure)	14,000		
	67,000		67,000



7. From the following receipts and payment account, prepare income and expenditure account of Kumbakonam Basket Ball Association for the year ended 31<sup>st</sup> March, 2018. [PTA-4; June-'23; Mar-'24]

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Rent of ground paid		12,000
Cash in hand	23,000		By Printing charges		5,000
Cash at bank	12,000	35,000	By Bank charges		1,000
To Rent of hall received		6,000	By Insurance for building		2,000
To Subscription received		9,000	By Tournament expenses		16,000
To Life membership fees		7,000	By Audit fees		3,000
To Locker rent received		2,000	By Sports materials purchased		4,000
			By Balance c/d		
			Cash in hand	2,000	
			Cash at bank	14,000	16,000
		59,000			59,000

**Solution :** In the books of Kumbakonam Basket Ball Association  
Income and Expenditure Account for the year 31<sup>st</sup> March, 2018

Dr			Cr
Expenditure	₹	Income	₹
To Rent of ground	12,000	By Rent of hall received	6,000
To Printing Charges	5,000	By Subscription received	9,000
To Bank charges	1,000	By Locker rent received	2,000
To Tournament expenses	16,000	By Deficit	26,000
To Audit fees	3,000	(Excess of expenditure over income)	
To Sports materials purchased	4,000		
To Insurance for building	2,000		
	43,000		43,000

8. From the following receipts and payments account and the additional information given below, calculate the amount of subscription to be shown in Income and expenditure account for the year ending 31<sup>st</sup> December, 2018. [HY-'23; QY-'24]

Receipts	₹	₹	Payments	₹
To Subscription				
2017	28,000			
2018	1,72,000			
2019	12,000	2,12,000		

Additional information: Subscription outstanding for the year 2018 is ₹8,000.

**Solution :** Income and Expenditure Account for the year 31<sup>st</sup> December 2018

Dr			Cr
Expenditure	₹	Income	₹
		By Subscription	1,72,000
		<u>Add:</u>	
		Outstanding Subscription for 2018	8,000
			1,80,000

9. How the following items will appear in the final accounts of a club for the year ending 31<sup>st</sup> March 2019? [QY-'19; June-'24]

Dr. Receipts and Payments Account for the year ended 31<sup>st</sup> March, 2019 Cr.

Receipts	₹	₹	Payments	₹
To Subscription				
2017-2018	10,000			
2018-2019	50,000			
2019-2020	5,000	65,000		

There are 200 members in the club each paying an annual subscription of ₹400 per annum. Subscription still outstanding for the year 2017- 2018 is ₹2,000.

**Solution :** Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2019

Dr Cr

Expenditure	₹	Income	₹	₹
		By Subscription 2018 -2019	50,000	
		<b>Add :</b>		
		Outstanding for the year 2017-2018	30,000	80,000

**Notes:**

Total subscription due for current year (2018-19) = 80,000  
(200 × 400)

**Less :** Amount received for the current year (2018-19) = 50,000

Outstanding subscription for the current year (2018-19) ₹ 30,000

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

Liabilities	₹	Assets	₹	₹
Subscription received in advance for the year 2019-20	5,000	Outstanding subscription 2017 - 2018	2,000	
		2018 - 2019	30,000	32,000

10. How will the following items appear in the final accounts of a club for the year ending 31<sup>st</sup> March 2017? Received subscription of ₹40,000 during the year 2016-17. This includes subscription of ₹5,000 for 2015-16 and ₹3,000 for the year 2017-18. Subscription of ₹1,000 is still outstanding for the year 2016-17.

**Solution :** Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2017

Dr Cr

Expenditure	₹	Income	₹	₹
		By Subscription	40,000	
		<b>Less :</b> Previous year 2015-2016	5,000	
			35,000	
		<b>Less :</b> Subscription for the year 2017-2018	3,000	
			32,000	
		<b>Add:</b>		
		Outstanding subscription for the year 2016-2017	1,000	33,000



**Balance sheet as on 31st March, 2017**

Liabilities	₹	Assets	₹
Subscription received in advance for the year 2017-2018	3,000	Outstanding subscription for the year 2016 - 2017	1,000

- 11. Compute income from subscription for the year 2018 from the following particulars relating to a club.**  
[Govt. MQP-'19; PTA-4; July-'22;; QY-'23]

Particulars	1.1.2018 ₹	31.12.2018 ₹
Outstanding subscription	3,000	5,000
Subscription received in advance	4,000	7,000

Subscription received during the year 2018: ₹45,000.

**Solution :** **Income and Expenditure Account for the year 2018**

Dr		Cr		
Expenditure	₹	Income	₹	₹
		By Subscription	45,000	
		<u>Add :</u> Outstanding for the year 2018	5,000	
			50,000	
		<u>Less :</u> Outstanding subscription in 2017	3,000	
			47,000	
		<u>Less :</u> Subscription received in advance 31.12.2018	7,000	
			40,000	
		<u>Add :</u> Subscription received in advance 1.1.2018	4,000	44,000

- 12. From the following particulars, show how the item 'subscription' will appear in the Income and Expenditure Account for the year ended 31-12-2018?**

Subscription received in 2018 is ₹50,000 which includes ₹5,000 for 2017 and ₹7,000 for 2019. Subscription outstanding for the year 2018 is ₹6,000. Subscription of ₹4,000 was received in advance for 2018 in the year 2017. [PTA-1]

**Solution :** **Income and Expenditure Account for the year ended 31<sup>st</sup> December, 2018**

Dr		Cr		
Expenditure	₹	Income	₹	₹
		By Subscription received during the year		
		<u>Less:</u> Subscription received for 2017	50,000	
		<u>Less:</u> Subscription received in advance (2019)	5,000	
			45,000	
		<u>Add:</u> Subscription Outstanding (2018)	7,000	
			38,000	
		<u>Add:</u> Subscription received in advance (2017)	6,000	
			44,000	
			4,000	48,000

- 13.** How the following items appear in the final accounts of Thoothukudi Young Pioneers Association? There are one hundred members in the association each paying ₹25 as annual subscription. By the end of the year 10 members had not paid their subscription but four members had paid for the next year in advance. [PTA-1]

**Solution :**

Dr		Income and Expenditure Account		Cr
Expenditure	₹	Income	₹	₹
		By Subscription	2,250	
		<b>Add :</b> Outstanding Subscription	250	<b>2,500</b>

**Note :** Subscription (2017 - 18) = 2,500

(100 Members for ₹25)

**Less :** Received for 10 Members (100 × 25) =  $\frac{250}{2,250}$

**Balance sheet**

Liabilities	₹	Assets	₹
Subscription received in advance (₹ 25 × 4)	100	Outstanding subscription (₹ 25 × 10)	250

- 14.** How will the following appear in the final accounts of Marthandam Women Cultural Association? [PTA-3; HY-'19; FRT-'22]

	₹
Stock of sports materials on 1.4.2018	16,000
Sports materials purchased during the year	84,000
Stock of sports materials on 31.3.2019	10,000

**Solution : Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2019**

Dr		Cr	
Expenditure	₹	Income	₹
To Sports materials consumed :			
Opening stock	16,000		
<b>Add:</b> Purchased in the current year	84,000		
	1,00,000		
<b>Less:</b> Closing stock	10,000		
			90,000

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

Liabilities	₹	Assets	₹
		Closing Stock of Sports materials	10,000

- 15.** How will the following appear in the final accounts of Vedaranyam Sports club?

[PTA-4; QY-'19; FRT-'22]

	₹
Opening stock of bats and balls	3,000
Purchase of bats and balls during the year	17,000
Sale of old bats and balls	2,000
Closing stock of bats and balls	4,000