

UNIT-3

SINGLE Entry System.

Meaning: There is no system of accounts called 'Single Entry System'. The term single entry is used to refer to any method of maintaining accounts which does not conform to strict principles of double entry system.

Definition: Kohler - Defines single entry system as "A system of book keeping in which as a rule only records of cash and personal accounts are maintained. It is always incomplete double entry, varying with the circumstances".

Methods of ascertainment of profits:

When business records are incomplete profit or loss can be found through any one of the following method:

1. Net worth method:

This method is also called as Statement of Affairs method. The following five steps are to be followed for find out the profit or loss in this method;

Sept

Step: 1 - Calculating opening Capital,

- (i) It can be found by preparing a Statement of affairs at the beginning of the year.
- (ii) It is just like a Balance Sheet, and assets are shown on the right-hand side, liabilities are shown on the left hand side.
- (iii) The difference between both the sides consider as 'opening Capital'.

Step: 2 ~~Asset~~
Ascertainment of Drawings:

- (i) Money may be used for personal purposes out of sales proceeds, therefore it ~~can~~ should be found out and treated as 'Drawings'.
- (ii) Amount which are given to their family members for personal use, also ~~can~~ to be consider as 'Drawings'.
- (iii) All the amount, which are used personally throughout the financial year should be added together.
~~and~~ ~~to~~

Step: 3 Ascertainment of capital introduced during the year.

- (i) This called as additional capital, which is provided by the owner during the year.
- (ii) The total amount must be recorded, in whatever form it should be brought in.

Step: 4 - Computing Closing Capital.

- (i) Closing capital may be found by preparing a statement of affairs at the end of the year.
- (ii) while preparing the statement of year at the end, ~~we~~ we have to consider all the adjustments, such as bad debts, Depreciation provisions etc.,

Step-5: Preparing statement of profit

Statement of profit is prepared by the following way.

	Closing Capital	xxx	
Add:	Drawings	<u>xxx</u>	xxx
<u>Less:</u>	Additional Capital		<u>xxx</u>
			xxx
<u>Less:</u>	opening Capital		<u>xxx</u>
	Profit / loss,		<u>xxx.</u>

II Conversion method:

Meaning: The process of collecting, computing and recording missing information along with the available data in the incomplete books of a business is called 'conversion method.'

Steps to be followed:

Step: 1 - Statement of affairs at the beginning to be prepared to ascertain the opening capital.

Step 2 - If cash balance is missing in the records the cash book should be prepared to find out the ~~opening~~ closing balance of cash and bank.

Step 3 - Bills receivables account, Bills payable accounts, Total debtors account and Total Creditors account must be prepared. By this we can ascertain the credit sales, credit purchases, debtors at the end, Creditors at the end and the total sales and total purchases.

Step 4 - After find out all the missing items, we should prepare the ~~Trading~~ Trading and Profit & Loss A/c and Balance sheet.

(i) Format for Total Debtors A/c

To Balance b/d	xxx	By Cash received	xxx
To Bills receivable	xxx	By Bank	xxx
To Freight	xxx	By Bills receivable	xxx
To Interest on overdue A/c	xxx	By Discounts	xxx
To Cash (refund)	xxx	By Return inwards	xxx
To Credit sales (If it is not given balancing figure is taken)	xxx	By Bad debts	xxx
		By Transfers to creditors	xxx
		By Balance c/d (If it is not given balancing figure has been taken).	xxx
	<u>xxx</u>		<u>xxx</u>

(ii) Format for Total Creditors:

To Cash paid	xxx	By Balance b/d	xxx
To Bank	xxx	By Cash (refund)	xxx
To Bills payable	xxx	By Bills payable	xxx
To Returns outwards	xxx	By Credit Purchases (B/F).	xxx
To Discounts received	xxx		
To Allowances & rebates	xxx		
To Transfer from Debtors	xxx		
To Balance c/d or (B/F).	xxx		