

## LESSON-21 ACCOUNTS FROM INCOMPLETE RECORDS


### SUMMARY

Unlike Double Entry System in Single Entry system, no set rules are followed. Even the books of account to be maintained are not certain. Usually, under this system the cash book and personal ledgers are maintained : real and nominal accounts are not. In this system because both the aspects of transactions are not recorded the system is known as 'Accounts from Incomplete Records' or 'Single Entry System of Accounting'.

### DEFINITION

Kohler defines Single Entry System as 

*"A system of book keeping in which as a rule only records of cash and of personal accounts are maintained, it is always incomplete double entry varying with the circumstances."*

The features of the Single Entry System are as follows 

- Suitability
- Preparation of Cash Book
- Preparation of Personal Accounts
- No Uniformity
- Requirement of Original Vouchers
- Preparation of Final Accounts

### USES OF SINGLE ENTRY SYSTEM

- i. **Simple Method:** Single entry is a very simple method of recording business transactions.
- ii. **Less Expensive:** It is less expensive when it is compared to Double Entry System of book keeping.
- iii. **Suitable for Small Concerns:** It is mainly suited to small business concerns with limited number of transactions and very few assets and liabilities.
- iv. **No Need of Knowledge of Principles of Book Keeping:** Under Single Entry System, accounting records can be easily maintained as their maintenance does not require knowledge of the principles of book keeping.
- v. **Easy to Ascertain Profit or Loss :** Ascertainment of profit or loss is much easier. To ascertain profit or loss, the proprietor has to compare the financial position of business at the close of the accounting period with that at the beginning.

### Limitations of Single Entry System

- Arithmetical Accuracy Cannot be Proved
- No Control on Assets

- True Profits cannot be Known
- Financial Position of the Business cannot be Judged
- No Internal Check
- Difficult to Ascertain the Business Value
- Inadequate for Planning and Control
- Incomplete and Unscientific System
- Comparative Study is Difficult


available from incomplete records. The important ones are discussed below



- Ascertaining Total Purchases
- Ascertaining Total Sales

### ASCERTAINING PROFIT FROM INCOMPLETE RECORDS

To ascertain profit or loss becomes all the more essential if the business happens to be a partnership firm because the partners have to share the profits of the firm at the end of the each accounting period. Then, the question arises as to how to ascertain profits when the accounting records are incomplete. The reason is that Profit and Loss Account cannot be prepared in the absence of Trial Balance. In such a situation, there are two methods used for ascertaining profits of the business.

They are 

- i. Net Worth Method or Statement of Affairs Method, and
- ii. Conversion Method

### CALCULATION OF MISSING FIGURES

The information required for preparing the Final Accounts is not direct