



St. Lawrence High School



A Jesuit Christian Minority Institution

Study Material 14

Sub: ACCOUNTANCY

Class 11

Chapter: Unit 9: Financial Statements

Date: 06/02/2021

Topic: Accounting from Incomplete Records

Meaning of Incomplete Records

Incomplete Records may be defined as a system in which accounting records are not kept strictly according to the double entry principles of book-keeping. There are many small scale businesses which do not maintain a full set of accounting records using the double entry system.

Features of Incomplete Records

1. Under this system certain transactions are recorded fully and certain transactions are recorded partly.
2. In this system generally personal accounts are kept but real and nominal accounts are ignored.
3. The degree of incompleteness of records differs from one business to another, according to the nature and complexity of the business.
4. Under this system, it is not possible to prepare Trial Balance and check the arithmetical accuracy of the books of account because it does not record all transactions in full.
5. Under this method, the profit or loss can be found out of the details of expenses and incomes will not be available.
6. Under this method, no Balance Sheet can be prepared in the absence of balances in the ledger.
7. This method is highly changeable and flexible and it is not governed by any definite rules of operation.

Uses of Incomplete Records

1. This method is suitable for small business units where the proprietor can directly control the affairs of the business.
2. A layman can keep account under this system.
3. This method is inexpensive and simple.
4. This method can be applied where the books of account are destroyed by natural calamities.

Limitations of Incomplete Records

1. The personal transactions of the proprietor get mixed up with the business transactions.
2. The arithmetical accuracy of the books of account cannot be checked.
3. There is no complete record of the assets owned, or their depreciation.
4. There is no clear record purchases, sales and returns or expenses.
5. This system invites frauds and misappropriations.
6. It is not possible to find out the amount of capital employed in the business.
7. Because of legal restrictions, no limited company can keep account under this system.

Accounting Process under Incomplete Records

Under this system we need to prepare the following:

1. Statement of Affairs as on opening and closing date (to ascertain opening & closing capital)
2. Statement of Profit & Loss (to ascertain the amount of profit)
3. Statement of Affairs as on closing date (it means closing balance sheet)

Statement of Affairs as on opening & closing date

Liabilities	Opening	Closing	Assets	Opening	Opening
Capital (Balancing figure)	-----	-----	All fixed assets	-----	-----
Loan	-----	-----	All current assets	-----	-----
Creditors	-----	-----			
Bills Payable	-----	-----			
All other current liabilities	-----	-----			
	-----	-----		-----	-----

Statement of Profit & Loss for the year ended

Particulars	Amount(Rs)	Amount(Rs)
Closing Capital	-----	
Add: Drawings	-----	
Less: Opening capital	-----	
Less: Further Capital	-----	
Gross Profit		-----
Add: Adjustments:		
Interest on drawings	-----	
Accrued incomes	-----	
Prepaid expenses	-----	
Less: Adjustments:		-----
Interest on capital	-----	
Depreciation of fixed assets	-----	
Bad Debt	-----	
Provision for doubtful debt	-----	
Provision for discount on debtors	-----	
Interest on loan	-----	
Outstanding expenses	-----	
Pre-received incomes	-----	

Net Profit		-----

Statement of Affairs as on closing date.....

Liabilities	Amount(Rs)	Assets	Amount(Rs)
Opening Capital		All fixed assets (after depreciation)	-----
Add: Further capital		All current assets	-----
Add: Interest on capital			
Add: Net Profit			
Less: Net Loss (if any)			
Less: Drawings			
Less: Interest on drawings	_____		
Loan	-----		
All current liabilities	-----		
	-----		-----

Calculation of Credit Sales and Credit Purchases from the given data

For calculation of credit sales we need to prepare Debtors Account and for credit purchases we need to prepare Creditors Account as follows:

Dr. Debtor Account Cr.

Particulars	Amount(Rs)	Particulars	Amount(Rs)
To, Balance b/d		By, Cash A/C	
To, Bank A/C		By, Bank A/C	
To, BR A/C		By, BR A/C	
To, BR A/C		By, Bad Debt A/C	
To, Sundry Charges A/C		By, Discount Allowed A/C	
To, Sales A/C (Balancing figure)		By, Return Inward A/C	
		By, Balance c/d	

Dr.

Creditors Account

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To, Return Outward A/C		By, Balance b/d	
To, Cash A/C		By, Bank A/C	
To, Bank A/C		By, BP A/c	
To, BP A/c		By, Sundry Charges A/C	
To, BR A/C		By, Purchases A/C (Balancing fig)	
To, Discount Received A/C			
To, Balance c/d			

Prepared by

Pralay Kabi