

Incomplete Records

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WHAT ARE INCOMPLETE RECORDS

- Double entry is very important to keep records of transactions formally and accurately.
- Failure to follow a double-entry system and failure to maintain records of transactions formally is an **incomplete entry system**.
- Because of the failure to maintain a formal recording system of business transactions, various problems can arise.
- Decision makers have to face various problems and difficulties because of such an informal entry system.
- An accounting system **contrary to double entry system** is incomplete records.
- Keeping only one of the double entries of a transaction is known as “**The single-entry system**”.

REASONS FOR KEEPING INCOMPLETE RECORDS

1. Unawareness of the double entry system.
2. Keeping double entries is too expensive.
3. Double entry accounting system has not been made compulsory.
4. Intention of deception.
5. Negligence.

DISADVANTAGES OF MAINTAINING INCOMPLETE RECORDS

- Impossibility of knowing the accurate operational outcome.
- Impossibility of being accurately aware of the financial position.
- Inability of accurate decision making due to lack of correct information

CALCULATING THE FINANCIAL OUTCOMES BY COMPARING THE NET ASSETS

- Owner's equity as at a particular date is the net assets of the business.
- Net assets can be computed as follows


$$\text{Net assets} = \text{Closing net assets} - \text{Opening net assets}$$

- In order to compute the net assets a statement of affairs can be used.
- The profit in connection with the net assets can be calculated as follows.

$$\text{Net profit} = (\text{Closing net assets} - \text{Opening net assets}) + \text{Drawings} - \text{Additional capital}$$

MARK-UP & MARGIN

$$\text{Cost} + \text{Profit} = \text{Sales}$$

1. 2017 JUL – QUESTION 01

The following information were extracted from the books of **Kapila Motors** for the year ended 31st 2017:

Description	Rs.
Net assets as at 01.04.2016	325,000
Net assets as at 31.03.2017	385,000
Drawings during the year	35,000
Additional capital introduced during the year	10000

Based on the above information, the net profit / (loss) for the year ended 31st March 2017 would be:

- (1) Rs. 105,000 (2) Rs. 35,000 (3) Rs. 85,000 (4) Rs. 15,000
- (02 marks)



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2. 2018 JUL – QUESTION 01

The following information was extracted from the book of **Rose Traders** for the year ended 31st March 2018:

Description	Rs.
Capital as at 01 st April 2017	500,000
Profit for the year ended 31 st March 2018	175,000
Liabilities as at 31 st March 2018	425,000
Drawings during the year	25,000

Base on the above information,

Calculate the value of total assets as at 31st March 2018 of **Rose Traders**.

(03 marks)



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3. 2019 JAN – QUESTION 01

The following information was extracted from the books of **Moon Lanka Traders** for the year ended 31st March 2018:

Description	Rs.
Capital as at 01 st April 2017	750,000
Additional capital introduction during the year	50,000
Liabilities as at 31 st March 2018	75,000
Total assets as at 31 st March 2018	987,000

Based on the above information, profit for the year ended 31st March 2018 would be:

- (1) Rs.112,000/- (2) Rs.237,000/- (3) Rs.187,000/- (4) Rs.162,000/-



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4. 2020 JAN AAT II QUESTION 9

The following information was extracted from the books of Pavani Traders a sole proprietorship:

- (1) Assets and liabilities are as follows:

	As at 01 st April 2018	As at 31 st March 2019
Land and Building at carrying value	7,500	7,200
Motor vehicles at carrying value	10,500	11,100
Inventory	3,750	3,600
Trade Debtors	4,200	4,050
Insurance Prepaid	750	900
Bank Balance	1950	?
Trade Creditors	2,400	2,025
Accrued Electricity	330	255

- (2) Pavani does not keep proper books of accounts and statement from 01st April 2018 to 31st March 2019 are summarized as follows:

Receipts	Rs.
Cash Sales	5,250,000
Receipts from trade debtors	3,750,000
Payments:	
Payments to trade creditors	1,875,000
Cash purchases	2,250,000
Purchase of a new motor vehicle	1,500,000
Insurance	375,000
Electricity	420,000
Wages	2,100,000
Other expenses	495,000

- (3) Pavani had deposited all cash receipts into the bank account and all the payments are made through cheques.

You are required to :

Prepare Trial Balance as at 31st March 2019 for Pavani Traders.

(10 marks)

5. 2019 JAN AAT II QUESTION 8

Assistant Accountant of **Suvimali Fashions**, has prepared the income statement for the year ended 31st March 2018, and arrived at a net profit of Rs.1, 783,000/- for the year.

- (1) Balances that appeared in the ledger accounts as at 31st March 2018 were as follows:

	As at 31 st March 2018 (Rs.)
Motor Vehicles at cost	4,900,000
Office Equipment at cost	550,000
Accumulated Depreciation:	
Motor Vehicles	2,450,000
Office Equipment	137,500
Inventories at Cost	165,000
Trade Receivables	420,000
Prepayments	11,500
Cash in hand and at Bank	125,000
Trade Payables	720,000
Accrued Expenses	65,000
Capital as at 01 st April 2017	1,190,000
Proprietor`s Drawings	174,000

You are given the following additional information:

- (2) Closing inventory which was valued at cost as at 31st March 2018 was taken into the books of accounts when preparing the income statement. However, Net Realizable Value (NRV) of the inventories was Rs.150, 000/-.
- (3) A motor vehicle, which was acquired for Rs.2,000, 000/- on 01st April 2016 was sold on 31st March 2018 for Rs.1,300, 000/- accepting a cheque dated 10th April 2018. No entries have been made in the books of accounts in this regard. Motor vehicles are depreciated at 25% per annum on the straight –line basis at cost.

You are required to:

Prepare the Statement of Financial Position of **Suvimali Fashions** as at 31st March 2018

(10 marks)

6. 2018 JUL AAT II QUESTION 8

Fatty Collection is a farm shop owned and run by **Mr.Perera**, who is not maintaining proper books of accounts.

The following information was extracted from the records of **Fatty Collection**:

(1) Assets and liabilities of the business are as follows:

(Rs.`000)

	As at 01 st April 2017	As at 31 st March 2018
Land and Building at carrying value	15,000	13,000
Motor Vehicles at carrying value	7,000	9,000
Inventory at cost	5,000	7,000
Bank Balances	6,000	?
Trade Receivables	6,000	7,000
Trade Payables	7,000	9,000
Accrued Electricity	500	750

- (2) On 01st October 2017, a motor vehicle was purchased at a cost of Rs.5, 000,000/- for use of the business. Other than that there were no additions or disposal of Property, Plants and Equipment during the year.
- (3) He withdrew Rs.1, 000, 000/- for his personal use during the year from the business`s bank account.
- (4) Other Bank Payment made during the year were as follows:

	Rs.`000
Payments to trade payables	45,000
Repair and maintenance	5000
Electricity	1,500
Salaries	5,000

- (5) All purchases and sales are on credit basis.
- (6) On all sales, **Mr.Perera** keeps a gross profit of 50% on cost.
- (7) All the transactions are made through the business bank account.

You are required to:

Prepare the Trial Balance of Fatty Collection as at 31st March 2018. (10 marks)