

UNIT - IV

Single Entry - Conversion method

Converting single entry system into double entry system.

Student should be able to give entries for all transactions

purpose: preparation of final A/c i.e P/L a/c & Bal. Sheet.

What to do? You have to ascertain -

- a) credit purchases by preparing sundry creditors a/c along with Bills payable a/c
- b) credit sales by preparing sundry debtors a/c along with Bills receivable a/c.

Cash purchases are available from Cash Book payments (credit) side.

Cash sales are available from Receipts side of Cash Book (Dr. Side)

Total purchases = Cash purchases + credit purchases.

Total sales = cash sales + credit sales. Total purchases are debited to Trading a/c Dr. side, Total sales are credited to Trading a/c less: returns if any.

For ascertainment of credit purchases, student must be ~~thorough~~ in a position to give journal entries <sup>for transactions</sup> relating to sundry creditors and Bills payable. Example:

	Entries
<del>1. Cash received from</del> 1. Cash paid to creditors	Sundry creditors a/c Dr TO Cash/Bank a/c
2) purchase returns	Sundry creditors a/c Dr TO purchase Returns
3) Bills accepted in favour of S. creditors	Sundry creditors a/c Dr TO Bills payable a/c
4) Discount received from S. creditors.	Sundry creditors a/c Dr TO Discount received a/c





6. For Bad Debts	Bad Debts a/c Dr ↳ S. Debtors a/c
7. For Bad debts recovered	Cash a/c Dr ↳ Bad Debts recovered a/c
8. For provision for Bad debts	Profit & Loss a/c Dr ↳ Pro. for Bad debts a/c
9 For Bills Receivable honoured	Cash / Bank a/c Dr ↳ B/R a/c
10 For Cash sales	Cash / Bank a/c Dr ↳ Sales a/c
11. For credit sales	S. Debtors a/c Dr ↳ Sales a/c

Note ① entry no. 7, 8, 10 will not be recorded in S. Debtors & B/R a/c.

② If you are thorough with ~~above~~ above entries you will <sup>all</sup> secure 12 marks in OU exams.

③ You ~~need~~ need not write entries. You must ~~know~~ know them to record in S. creditors / B/P a/c / S. Debtors a/c / B/R a/c which ever is applicable as per Journal entries.

Now let us work out Exercises given in The Text Book

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Bills payable A/c		Cr	
	Amount		Amount
↳ Cash a/c (B/P. honoured)	44,500	By Balance b/d (Op) (opening)	25,000
↳ Balance c/d (closing)	35,000	" S. creditors a/c (Derived) (Bills accepted)	54,500
	<u>79,500</u>		<u>79,500</u>
		By Balance b/d (closing)	35,000



Dr

### Sundry Creditors

Dr		Cr	
	Am't		Am't
TO Cash a/c	2	By Balance b/d	30,000
" Purchase Returns a/c	1,51,000	" Purchases a/c	2,01,500
" B/P a/c (Bills accepted derived from B/P a/c)	6,000	(Cv. purchase ascertained)	
" Balance c/d (closing)	54,500		
	20,000		
	<u>2,31,500</u>		<u>2,31,500</u>
		By Balance b/d (closing)	20,000

← Total purchases = Cash purchases + Credit purchases  
 = 1,29,000 (given in problem) + 2,01,500 (derived now)  
 = 3,30,500 : This amount will be debited to Trading a/c

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Dr

### Bills Receivable a/c

Dr		Cr	
	Am't		Am't
TO Balance b/d (Op. balance)	7,800	By Cash a/c (B.R. honoured)	20,900
TO S. Debtors a/c (derived; B.R. received from debtors)	20,900	" S. Debtors (B/R dishonoured)	1,800
	<u>28,700</u>	" Balance c/d (closing)	6,000
TO Balance b/d (closing)	6,000		<u>28,700</u>

Dr

### Sundry Debtors a/c

Dr		Cr	
	Am't		Am't
TO Balance b/d (Op. balance)	30,800	By Cash a/c	70,000
" B/R a/c (dishonoured)	1,800	" Bad debts	2,800
" Sales a/c → (credit sales - ascertained)	95,300	" Sales returns	8,700
	<u>1,27,900</u>	" B/R a/c (posted - derived)	20,900
		" Balance c/d → (closing)	25,500
			<u>1,27,900</u>

← Total Sales = Cash sales + Credit sales = 40,900 + 95,300 = 1,36,200  
 This amount will be credited to Trading a/c

Ascertainment of cr. purchases, sales and total purchases & sales

Dr		Sundry Creditors a/c (Suppliers)		Cr	
		₹		₹	
			1-1-2019		
TO Cash a/c	21,620	By Balance b/d (Opening)		10,200	
" Purchase Returns a/c	245	" B/P. a/c (BP dishonored)		600	
" Discount Received a/c	740	" Purchases a/c (Cr. purchases-ascertained)		21,530	
" Bills Payable a/c (B/P. accepted) derived	2,890				
	6,835				
31-12-2019 From B/P. a/c	<del>26,195</del>				
TO Balance c/d	<u>32,330</u>	By Balance b/d (Closing)		6,835	
				<u>32,330</u>	

Dr		Bills payable a/c		Cr	
		₹		₹	
			1-1-2019		
TO Cash (BP honored)	2,580	By Balance b/d (Opening)		890	
" S. Creditors a/c (BP-dishonored)	600	" S. Creditors a/c (Derived - Bills accepted)		2,890	
31-12-2019					
" Balance c/d (Closing)	600				
	<u>3,780</u>	1-1-2020			
		By Balance b/d		<u>3,780</u>	
				600	

Dr		Bills Receivable a/c		Cr	
		₹		₹	
			1-1-2019		
TO Balance b/d (Opening)	1400	By Cash a/c (B/R honored)		4200	
TO S. Debtors a/c (Derived - BR Received)	5050	" S. Debtors a/c (BR Dishonoured)		750	
		31-12-2019			
		" Balance c/d (Clo)		1,500	
	<u>6,450</u>				
1-1-2020					
TO Balance b/d	1,500				

Dr		Sundry Debtors a/c (Customers)		Cr	
		₹		₹	
			1-1-2019		
TO Balance b/d (Opening)	15,500	By Cash a/c		32,400	
" B/R a/c (B/R Dishonoured)	750	" Bad debts a/c		850	
		" Sales Returns a/c		630	
TO Sales a/c (Cr. Sales-ascertained)	39,990	" Discount allowed a/c		960	
		31-12-19 By B/R a/c (Derived)		5050	
		" Balance c/d		16,350	
	<u>56,240</u>				
1-1-2020					
TO Balance b/d	16,350				



$\leftarrow$  Total purchases = Cash purchases + credit purchase  
 = NIL + 21530 = 21530

~~Total Sales~~ = Cash sales + credit sales  
 = NIL + 39900 = 39900

Note: ~~For~~ Under SF. Concession Method, ~~Total~~ Trading & P&L acc and Balance sheets are to be prepared.

Total purchases - Dr to Trading acc

Total Sales - Cr to " "

Debtors & B/R closing balance appear in BS as Assets

Creditors & B/P closing balance appear in BS as liabilities

Imp: ~~to prepare the above 4 accounts, you~~ <sup>①</sup> while ascertaining credit purchases, first close B/P acc and then S. Creditors acc

② while ascertaining credit sales - first close B/R acc and then later close S. Debtors acc

③ Bad debts ~~recovered~~ recovered, provision for Bad debts acc will not affect S. Debtors acc (ref. to J. Entries for this)

④ ~~To~~ To prepare above 4 accounts, you need not write Journal Entries, only accounts need to be prepared. If you have any double doubt write entries in 'Rough' sheet in order ledger post in the account concerned.

Feel free to call on my phone no. 9440746717 for any doubt. Share it with all your classmates of B Com I year.

Single entry - Conventional Method

Prob. No. 14

Preparation of financial statements

Cash Book

Receipts		Payments	
	₹		₹
1-7-2018			
↳ Balance b/d		By purchases (cash)	28,850
Cash	400	" Gen. Expenses	21,450
Bank	6,250	" S. Creditors	1,32,000
" Sales acc (cash)	31,250	" Wages	15,000
" S. Debtors	1,60,000	" Drawings	6,800
30-6-2019		30-6-2019	
" Balance c/d	7,000	By Balance c/d	800
(c/b. Bank)			
	<u>2,04,900</u>		<u>2,04,800</u>
<del>30-6-2019</del>		1-7-2019	
1-7-2019		By Bal b/d	7,000 cr
↳ Balance b/d	800 Dr	Bank	
Cash		(OD)	

Dr Sundry Creditors acc Cr

	₹		₹
1-7-2018		By Balance b/d (OP)	12,500
↳ Cash acc (CB)	1,32,000	" purchases acc	1,29,500
30-6-2019		(cr. purchases - ascertained)	
↳ Bal. c/d	10,800		
(c/b)			
	<u>1,42,800</u>	1-7-2019	
		By Balance b/d	10,000
		(c/b)	
			<u>1,42,800</u>

Dr Sundry Debtors acc Cr

	₹		₹
1-7-2018		By Cash acc (CB)	1,60,000
↳ Bal b/d (OP)	8,000	30-6-2019	
↳ Sales (ascertained)	1,77,500	By Bal c/d	25,500
		(c/b)	
	<u>1,85,500</u>		<u>1,85,500</u>
1-7-2019			
↳ Bal b/d	25,500		



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Ascertainment of Capital  $\frac{\text{Page - 8}}{2}$  Capital = Total Assets - Liabilities

Capital on ~~30-6-20~~ 1-7-2018

<u>Assets:</u>	P & Machinery	25000
	Stock	22000
	Debtors	8000
	Bank	6250
	Cash	600
	Total assets	61,650

<u>Less: Liabilities:</u>	S. Creditors	12,500
	Capital as on 1-7-2018	49,150

OR

You may prepare BS as on 1-7-2018 to ascertain Capital

Liabilities	Assets
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Trading & P&L acc of Mr. NISHAAR for the year ending 30-6-2019

	₹		
TO Op. Stock on 1-7-2018	22000	By Sales	
" purchases:		Cash	31250
Cash	28850	Credit	177500
Credit	129500	Total Sales	2,08,750
Total purchases	1,58,350	Sales Returns	Nil
- Goods taken by owner	1950	By Cl. Stock on 30-6-2019	19500
" Wages	15000		
TO Gross Profit	34,850		2,08,750
	2,28,250		2,28,250
TO Gen. Exp. of business	21,450	By Gross Profit	34,850
" Depreciation on P Machinery	2500		
(25000 x 10/100)	10,900		
TO Net Profit	34,850		34,850
	34,850		34,850

Balance sheet of Mr NISHAAR as on 30-6-2019

Liabilities	₹	Assets	₹
Capital (Op)	49,150	Plant & Machinery	25,000
+ Net Profit	10,900	- Dep.	2,500
	60,050	Stock	19,500
<u>Less: Drawings:</u>		Debtors	25,500
Cash	6,800	Cash	800
Goods	1,950		
	8,750		
Bank OD (Cr)	7,000		
S. Creditors	10,000		
	68,300		68,300



Notes ① Cash Book Receipts side gives details of —

- a) Incomes
  - b) Loans taken by business
  - c) Cash sales
  - d) Received from Debtors
  - e) B/R honoured (received) (3) additional Capital brought in by owner etc.
- Cash Book Payments side gives —

- a) Expenses paid
- b) Loans repaid/discharged
- c) Cash purchases
- d) Cash paid to creditors
- e) B/P. honoured (paid) (e) Cash drawings by owner etc.

② Capital at the beginning of the year is to be ascertained by Accounting equation: i.e. Assets - Liabilities equals to Capital.

3) Credit purchases are debited from S. creditors as usual

4) credit sales are to be debited from S. Debtors as explained earlier.

5) Op. Stock & clo. Stock will be given in the problem.

6) Expenses of business are available from Cash Book payments side

7) Incomes of the business available from C.B. Dr. side

8) Any adjustments given carry them out as you have done in final accounts of I Semester

Note: This model problems (preparation of T, P & L and Balance sheet) may not be given in OU Exams. for 12 marks, as it requires more time to ~~write~~ work out. Solve it.

Sundry Creditors

	₹		Cr
TO Cash a/c (paid) 31-12-2019	50,000	By purchases a/c (Cr. purchases)	65,000
TO Balance c/d (Given) (Clo)	15,000		
	<u>65,000</u>		
		1-1-2020 By Balance b/d (closing)	<u>65,000</u> 15,000

Dr

Sundry Debtors a/c

	₹		Cr
TO Sales a/c (Cr. sales)	70,000	By Discount allowed	800
		" Bad debts	1,500
		" Cash (derived) (Cash received from Debtors)	46,700
		31-12-2019 By Balance c/d (Clo) (Given)	21,000
	<u>70,000</u>		
1-1-2020 TO Balance b/d	21,000		

Dr

Cash Book

Receipts		₹	Payments		₹
2019 Jan 1	TO Capital a/c	25,000	By Furniture a/c	4,000	
	" Borrowings from wife	5,000	" Carriage inwards	700	
	" Capital a/c	3,000	" purchases a/c (Cash)	10,000	
	" Sales (Cash sales)	30,000	" Wages a/c	300	
	" S. Debtors	46,700	" Salaries a/c (600 x 12) →	<del>7,200</del> 6,200	
			" Trade expenses	1,200	
			" Advertising Exp	2,200	
			" Drawings (600 x 12 = 7,200 + 500)	7,700	
			" S. Creditors (Cash)	50,000	
			31-12-2019 By Balance c/d (Clo balance of Cash)	27,400	
		<u>1,09,700</u>			<u>1,09,700</u>
1-1-2020	TO Balance b/d	27,400			



Trading Profit and Loss a/c of Mr. G. Lal for the year ended 31 Dec. 2019 Cr

		₹			₹
TO purchases: Cash	10000		By Sales: Cash	30000	
	credit	65000		credit	70000
	Goods T. purchases	75000	Total Sales	100000	100,000
less: Taken for personal use	1300	73,700	By clo. Stock (31-12-2019)	10000	10,000
TO Wages a/c		300			
" Carriage inwards		700			
TO Gross profit		35300			
		<u>1,10,000</u>			<u>1,10,000</u>
TO Salaries		6200	By Gross profit		35300
" Trade expenses		1200			
" Advertising exp.		2200			
" Discount allowed		800			
" Bad debts		1500			
" Dep. on Furniture 10% (4000 x 10/100)		400			
TO Net profit		23,000			
Cr. to Capital a/c		23,000			
		<u>35,300</u>			<u>35,300</u>

Balance Sheet of Mr. Giridhar Lal as on 31-12-2019

Liabilities		₹	Assets		₹
Capital (Op)	25000		Furniture	4000	
+ add. Capital	3000		less: Depreciate	400	3600
+ net profit	23000		Stock		10,000
	<u>51,000</u>		S. Debtors		21,000
less: Drawings	9000	42000	Cash		27,400
(7200 + 500 + 1300)		5000			
Loan from wife		15000			
Sundry creditors		<u>62,000</u>			<u>62,000</u>

Explanatory notes: ① Total Sales 100000; Cash Sales 30000; credit Sales 70000

- ② Total purchases 75000; Cash purchases 10000; Cr. purchases 65000
- ③ Goods taken by proprietor ₹. 1300; less from purchases and Capital; Cash drawings 7200 + 500 = 7700. Total drawings 9000
- 4) Cash Book/a/c is prepared to ascertain clo. balance of Cash i.e. 27400
- 5) ~~Debtors~~ From creditors a/c, Cash paid to creditors ascertained i.e. 50000
- 6) From Debtors a/c: Cash received from Debtors ascertained i.e. 46700

Note: Work out all illustrations once again

Call if have any doubt-