

## THIRD TERM E-LEARNING NOTE

**SUBJECT: FINANCIAL ACCOUNTING**

**CLASS: SS2**

### SCHEME OF WORK

WEEK	TOPICS
1-3	Single Entry and Incomplete Records
4-5	Control Accounts
6-8	Accounts of Non-Profit-Making Organizations
9	Joint Venture Accounts
10	Consignment Accounts

### WEEK ONE

#### TOPIC: SINGLE ENTRY AND INCOMPLETE RECORDS

**CONTENT:** (i) Introduction (ii) Steps Involved in preparing a P&L A/C and Balance Sheet from Incomplete Records (iii) Example

i. **INTRODUCTION:**

Most businesses keep records of receipts and payments. The records may consist of bank paying – in – book counterfoils, cheque book counterfoils and bank statements in addition to supplies invoices and copies of sales invoices. From these records it may be possible to prepare a P&L A/C and Balance Sheet.

ii STEPS INVOLVED IN PREPARING A P&L A/C AND BALANCE SHEET FROM INCOMPLETE RECORDS;- The necessary steps are as follows:-

Step 1: Preparing an opening statement of affairs (so as to obtain opening capital)

Step 2: Prepare a receipt and payments A/C

Step 3: Prepare control A/CS for debtors and creditors, if necessary to calculate sales and purchases. It is the sales and purchase figure that will be required to make the account balance.

Step 4: Adjust the receipts and payments accounts prepayments and accruals at beginning and end of the period.

Step 5: Calculate provisions for doubtful debts, depreciation and any other matters not mentioned above.

Step 6: Prepare the P&L A/C and Balance Sheet from the information now available

**Example:**

The only record that Azim has kept for his business are bank pay-in-book, counterfoils, cheque book counterfoils and records of debtors and creditors. With these it is possible to summarize his transactions with the bank in the year ended 31/12/03 as follows taking paid into the bank: ₦8000

Cheques drawn: Payment to suppliers ₦2430, rent ₦600, electricity ₦320, postage and stationeries ₦80, purchase of shop fittings ₦480, cheques drawn for personal expenses ₦2700.

Azim banked all his taking after paying the following in cash:-  
Creditor for supplies ₦400 and sundry expenses ₦115.

Azim estimated his assets and liabilities at 1<sup>st</sup> January, 2003 to be: shop fittings N1600. Stock N1960, debtors N240 rent prepaid N80. Bank balance N1500, cash in hand N 50, creditors for goods N420; electricity owing N130.

At 31<sup>st</sup> December, 2003 Azim listed his assets and liabilities as follows. Shop fittings N1800; stock N1520; debtors N380 rent repaired N50; bank balance N2640; cash in hand N 50; creditors for goods N390; electricity owing N225.

Required prepar Azim's profit and loss accounts for the year ended 31 December, 2003 and his Balance Sheet at that date.

**Solution:**

**Step 1: Opening statement of Affairs**

	N	N
<u>Assets</u>		
Shop fittings		1600
Stock		1960
Debtors		240
Rent prepaid		80
Bank		1500
Cash in hand		<u>50</u>
		<u>5,430</u>
<u>Less Liabilities</u>		
Creditors for goods 420		
Electricity owing <u>130</u>		<u>550</u>
CAPITAL AT 1 <sup>ST</sup> JAN. 2003		<u>4,880</u>

**Step 2: Receipts and payments Account.** This includes only those amounts actually received and spent. It is a cash book summary with columns for cash and bank.

	Cash	Bank		Cash	Bank
	N	N		N	N
1/1/03 Balance b/f	50	1500	Trade		
Takings			Creditors	400	2430
(8000+460+115)	8515		Rent		600
Cash		8000	Electricity		320
			Postage and		
			Stationery		80
			Shop fittings		480
			Sundry Exps.		115
			*Drawings		
			(2700+250)		2,950
			Bank C	8,000	
			Balance c/d	<u>50</u>	<u>2640</u>
	<u>8565</u>	<u>9500</u>		<u>8565</u>	<u>9,500</u>

\*N250 is money not accounted for and is treated as Azim's drawing.

**Step 3: Debtors and creditors controls accounts**

**Debtors Control A/C**

**Creditors Control A/C**

N	1/1/03 Bal b/f 240	N	31/12/03 Cash 8515	N	31/12 Bank 1/1/03 and Cash 2830	N	1/1/03 Bal b/f 420
	Sales (2) <u>8655</u>		Bal b/f N380		Bal b/f <u>390</u>		Purchase(3) 2800
	<u>8895</u>		<u>8895</u>		<u>3220</u>		<u>3220</u>

**Steps 4:** Adjustment for Prepayment and Accounts

Rent A/C		N	Electricity A/C			
N			N			
	Prepaid		Cash	320	1/1/03	
	At 31/12/03	50	Owing		Accrued b/f	130
1/1/03	P&L ac		31/12/03	<u>225</u>	P&L A/C	<u>415</u>
Prepaid b/f 80	(payable for)			<u>545</u>		<u>545</u>
Cash	the year	<u>630</u>				
<u>680</u>		<u>680</u>				

<b>Steps 5:</b> Calculate depreciation of shop fitting:	N
Shop fittings at valuation 1/1/03	1600
Add fittings purchased in the year	<u>480</u>
	2080
Shop fittings at valuation 31/12/03	<u>1800</u>
Therefore Depreciation for...	