***Week three lesson***

***Subject: Accounting/Bookkeeping***

***Class: SS2: Topic: Single Entry/Incomplete Records***

***Subtopic: Preparation of final Accounts from a set of incomplete records.***

***INTRODUCTION:*** Business organizations whose books are being kept under the single entry system may decide to improve the system of accounting by introducing a complete double entry system. It is possible for complete records to be reconstructed by applying the principles of double entry to the information available. The books necessary may include: (1). Sales ledger. (2). Purchases ledger. (3). Day book. (4). Cash book. (5). Assets and liabilities account. (6). Nominal accounts.

The trial balance may be extracted to show the accuracy of the postings. There are no specific set of rules to be followed except a proper understanding of the principle of double entry.

***Accounting Entries***

In preparing final accounts from incomplete records, the following operations must be followed:

(i). Preparation of a statement of affairs to calculate the capital.

(ii). Analysis of the cash book.

(iii). Reconstruct those accounts that are necessary to find figures not given in the question. Analysis of purchase and sales control account to get both purchases and sales respectively.

(iv). Preparation of any other required working schedule e.g. reconstruction of nominal accounts.

(v). Preparation of trading, profit and loss account.

(vi). Balance sheet.

(a). Preparation of statement of affairs: This is a balance sheet with the list of assets and liabilities. The difference between the assets and liabilities will give the capital.

(b). Analysis of the cash book: The cash book must be prepared from the information deduced from the pass book, pay-in-slip.

(c). Reconstruct the control account: Reconstruct the total debtor control and total creditor control accounts to calculate sales and purchases figures respectively.

(d). Preparation of any other required working schedules: For example, expenses that will be charged to the profit and loss must be calculated.

(e). Preparation of trading, profit and loss account: The trading, profit and loss will be prepared, since the purchases and sales figures have been arrived at using the control account:- The gross and net profit must be ascertained. The principles follow the normal procedures, i.e sales less cost of goods sold will give the gross profit.

(f). Preparation of balance sheet: The balance sheet can now be prepared using the closing balances of assets and liabilities and the capital calculated in the statement of affairs.

***ASSIGNMENT***:

Doris runs a restaurant business from her apartment. He does not keep proper accounting records. The following information was extracted from her notebook:

1/1/2006: Land and buildings #500,000, motor vehicle #250,000, stock #20,000, debtors #12,000, Creditors #50,000, bank #5,000, cash #1,000.

31/12/2006: Land and buildings #700,000, motor vehicles #200,000, stock #40,000, debtors #35,000, creditors #54,000, bank (#2250), cash #250, drawings #12,000.

You are required to prepare:

(a). Opening and closing statement e affairs.

(b). Profit and loss account for the year ended 31st December, 2006.

(c). Balance sheet as at that date.

Submit the assignment on Monday 1st June.

Submit at the security post in school. If you have questions, forward them to my WhatsApp page: 08062433021.