

SUBJECT. FINANCIAL ACCOUNTING

ACCOUNTING FOR INCOMPLETE RECORDS (SINGLE ENTRY) - I

* INTRODUCTION

Single entry system is an incomplete form of recording financial transactions. It is the system, which does not record two aspects or accounts of all the financial transactions. It is the system, which has no fixed set of rules to record the financial transactions of the business. Single entry system records only one aspect of transaction. Thus, single entry system is not a proper system of recording financial transactions, which fails to present complete information required by the management. Single entry system mainly maintains Cash-book and personal accounts of debtor account. Hence, it is incomplete form of double entry system, which fails to disclose true profit or loss and financial position of a business organisation.

* WHO KEEPS SINGLE ENTRY SYSTEM?

Small business, such as shopkeepers, market stall holders, handdressers, landscape gardeners, do not always have the

knowledge, expertise and time to keep a complete set of accounting records. However, these businesses will need to have financial statements prepared annually (for tax purposes if nothing else).

* REASONS FOR INCOMPLETE RECORDS

Incomplete records may be due to partial recording of transactions as is the case with small shopkeepers such as grocers and vendors. In case of large sized organizations, the accounting records may be rendered to the state of incompleteness due to natural calamity, theft or fire. Thus partial recording of business transactions may take place due to:

↳ Lack of knowledge about double entry system.

↳ Deliberate omission to maintain records to take advantage of taxation.

↳ Unable to maintain his/her business transactions because of the time, effort & cost involved.

↳ Loss of records due to fire, theft or natural calamity.

* FEATURES OF SINGLE ENTRY

The following are the main features of single entry system

No Fixed Rules: | Single entry system is not guided by fixed set of accounting rules for determining the amount of profit & preparing the financial statements.

Incomplete system: | Single entry system is an incomplete system of accounting, which does not record all the aspects of financial transactions of the business.

Cash-book: | Single entry system maintains cash book for recording cash receipts & payments of the business organization during a given period of time.

Variations in Application: | Single entry system has no fixed set of principles for recording financial transactions and preparing different financial statements, hence it has variations in its application from one business to another.

Personal Account: | Single entry system maintains personal accounts of all the debtors and creditors for determining the amount of credit sales and credit purchases during a given period of time.