

SUBJECT. FINANCIAL ACCOUNTING

PREPARATION OF ACCOUNTS FROM INCOMPLETE RECORDS

When books of accounts are incomplete, information regarding revenues, expenses, assets and liabilities is not known fully. Hence, it becomes difficult to prepare trading and profit & loss account and Balance-sheet. But with the available data, the missing figures can be found out and then the final accounts can be prepared.

I. Steps to be followed to prepare final accounts from incomplete records:-

1. Opening statement of affairs is to be prepared, to ascertain the opening capital.

2. Missing figures must be found out with the available data. This can be done by preparing memorandum accounts or by making necessary adjustments to the existing figures. For example,

(a) It may become necessary to prepare a Cash-book to find out the missing items such as cash purchases, cash sales, etc.

(b) By preparing total debtors account and total creditors account, credit sales and credit purchases can be ascertained.

respectively.

3. The final step is to prepare trading and profit & loss account and balance sheet.

Formats of important accounts, that is total debtors account, bills receivable account, total creditors account and bills payable account are given below;

(i) Format of total debtors account

Dr.		<u>Total debtors account</u>		Cr.
Particulars	₹	Particulars	₹	
To Balance b/d (op. Balance)	x x x	By Cash P/c (received)	x x x	
To Sales P/c (credit sales)	x x x	By Bank P/c (cheque received)	x x x	
To Bank P/c (cheque dishonoured)	x x x	By Discount allowed P/c	x x x	
To Bills receivable P/c (bills dishonoured)	x x x	By Sales returns P/c	x x x	
		By Bad debts P/c	x x x	
		By Bills receivable P/c (bills received)	x x x	
		By Balance c/d (closing Balance)	x x x	
	x x x		x x x	

(ii) Format of bills receivable account

Dr.		Bills receivable account		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d (opening balance)	x x x	By Cash / Bank etc (Bills receivable honoured)	x x x		
To Sundry debtors etc (Bills receivable received during the year)	x x x	By Sundry debtors etc (Bills receivable dishonoured)	x x x		
		By Balance c/d (closing balance)	x x x		
	x x x				x x x

(iii) Format of total creditors account

Dr.		Total creditors account		Cr.	
Particulars	₹	Particulars	₹		
To Cash etc (paid)	x x x	By Balance b/d (opening balance)	x x x		
To Bank etc (cheque paid)	x x x	By Purchase etc (credit purchases)	x x x		
To Bills payable etc (bills accepted)	x x x	By Bank etc (cheque dish- onoured)	x x x		
To Discount received etc	x x x	By Bills payable etc (dishonoured)	x x x		
To Purchase returns etc	x x x				
To Balance c/d (closing balance)	x x x				
	x x x				x x x

(iv) Format of bills payable account

Bills payable account		Cr.	
Dr.	₹	Particulars	₹
To Cash / Bank etc (bills payable paid)	xxx	By Balance b/d (opening balance)	xxx
To Sundry creditors etc (bills payable dishonoured)	xxx	By Sundry creditors etc (bills accepted)	xxx
To Balance c/d (closing balance)	xxx		
	xxx		xxx