## UNIT V

## SINGLE ENTRY

**Course Content**

Meaning, Features, Defects, Differences between Single Entry and Double Entry System, alongproblems and solutions for practice. with Statement of Affairs Method, Conversion Method, including some

### Meaning of Single Entry System and Double Entry System

**Single Entry System:**

- A bookkeeping system where only one entry is made for each transaction.
- Usually records only cash and personal accounts.
- It is incomplete and does not follow the accounting equation strictly.

**Double Entry System:**

- Every transaction is recorded in two accounts: debit in one account and credit in another.
- It follows the accounting equation: **Assets = Liabilities + Capital**.
- Provides a complete record of all transactions.

**Features**

| **Feature** | **Single Entry System** | **Double Entry System** |
|---|---|---|
| Entries | One entry per transaction | Two entries per transaction (debit & credit) |
| Accounts | Mainly personal and cash accounts | All types of accounts (personal, real, nominal) |
| Completeness | Incomplete system | Complete system |

| | | |
|---|---|---|
| Error Detection | Difficult to detect errors | Easier to detect errors |
| Financial Statements | Difficult to prepare | Financial statements can be prepared easily |
| Use | Small businesses, informal records | Businesses requiring detailed records |

**Defects of Single Entry System**

- Incomplete records.
- No proper trial balance.
- Difficult to find profit or loss.
- No proper control over cash and stock.
- Difficult to locate errors.
- Not accepted legally for large businesses.

**Differences between Single Entry and Double Entry System**

| **Aspect** | **Single Entry System** | **Double Entry System** |
|---|---|---|
| Nature | Partial bookkeeping | Complete bookkeeping |
| Recording | One side of transaction | Both sides of transaction |
| Financial Statement | Difficult to prepare | Easy to prepare |
| Error Detection | Difficult | Easier |
| Suitability | Small businesses | All sizes of businesses |
| Accuracy | Less accurate | Highly accurate |

**Statement of Affairs Method**

- Used to find profit or loss under single entry.
- It is a method of preparing a statement of assets and liabilities at the beginning and end of the period.
- Profit or loss = Increase or decrease in net worth (capital).

**Format:**

**Profit or Loss = Closing Capital - Opening Capital + Drawings - Additional Capital**

**Conversion Method**

- Converts single-entry records into a double-entry system.
- Requires making adjustments for missing accounts like expenses, income, assets, liabilities.
- A trial balance is prepared after conversion.
- Helps to prepare financial statements accurately.

**Problems and Solutions**

**Problem 1: Statement of Affairs Method**

**Given:**
Opening Assets = ₹80,000
Opening Liabilities = ₹40,000
Closing Assets = ₹1,20,000
Closing Liabilities = ₹50,000
Drawings during the year = ₹10,000
Additional capital introduced = ₹15,000

Find the profit or loss for the year.

**Solution:**

Opening Capital = Assets - Liabilities = ₹80,000 - ₹40,000 = ₹40,000
Closing Capital = ₹120,000 - ₹50,000 = ₹70,000

Profit = Closing Capital - Opening Capital + Drawings - Additional Capital
= ₹70,000 - ₹40,000 + ₹10,000 - ₹15,000
= ₹25,000 (Profit)

**Problem 2: Conversion Method (Simple)**

**Given:**
From single entry records:

Cash balance on 1st Jan ₹15,000

Cash balance on 31st Dec ₹20,000

Creditors on 1st Jan ₹8,000

Creditors on 31st Dec ₹12,000

Debtors on 1st Jan ₹10,000

Debtors on 31st Dec ₹15,000

Additional capital introduced ₹5,000

Drawings ₹3,000

Prepare a trial balance after converting the above data into double entry.

**Solution:**

- Cash Account: Opening ₹15,000, Closing ₹20,000
- Creditors Account: Opening ₹8,000 (Liability), Closing ₹12,000
- Debtors Account: Opening ₹10,000 (Asset), Closing ₹15,000
- Capital Account: Adjusted for additional capital and drawings.

Create ledger accounts and balance them to prepare the trial balance.

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**Problem 3: Statement of Affairs Method — Find Profit or Loss**

**Given:**

- Assets on 1st Jan: ₹2,00,000
- Liabilities on 1st Jan: ₹80,000

- Assets on 31st Dec: ₹2,50,000
- Liabilities on 31st Dec: ₹90,000
- Drawings during the year: ₹20,000
- Additional Capital introduced during the year: ₹30,000

Calculate the profit or loss for the year.

**Solution:**

**Step 1:** Calculate Opening Capital
Opening Capital = Assets - Liabilities = ₹2,00,000 - ₹80,000 = ₹1,20,000

**Step 2:** Calculate Closing Capital
Closing Capital = Assets - Liabilities = ₹2,50,000 - ₹90,000 = ₹1,60,000

**Step 3:** Apply formula for profit or loss:
Profit = Closing Capital - Opening Capital + Drawings - Additional Capital
= ₹1,60,000 - ₹1,20,000 + ₹20,000 - ₹30,000
= ₹30,000 (Profit)

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**Problem 4: Statement of Affairs Method — Find Profit or Loss**

Given:

* Assets on 1st Jan: ₹2,00,000

* Liabilities on 1st Jan: ₹80,000

* Assets on 31st Dec: ₹2,50,000

* Liabilities on 31st Dec: ₹90,000

* Drawings during the year: ₹20,000

* Additional Capital introduced during the year: ₹30,000

Calculate the profit or loss for the year.

**Solution:**

Step 1: Calculate Opening Capital

Opening Capital = Assets - Liabilities = ₹2,00,000 - ₹80,000 = ₹1,20,000

Step 2: Calculate Closing Capital

Closing Capital = Assets - Liabilities = ₹2,50,000 - ₹90,000 = ₹1,60,000

Step 3: Apply formula for profit or loss:

Profit = Closing Capital - Opening Capital + Drawings - Additional Capital

= ₹1,60,000 - ₹1,20,000 + ₹20,000 - ₹30,000 = ₹30,000 (Profit)

**Problem 5: Single Entry to Double Entry Conversion (Partial)**

Given:

From single entry records for a business:

* Cash balance on 1st Jan ₹25,000
* Cash balance on 31st Dec ₹30,000
* Creditors on 1st Jan ₹10,000
* Creditors on 31st Dec ₹15,000
* Debtors on 1st Jan ₹12,000
* Debtors on 31st Dec ₹18,000
* Stock on 1st Jan ₹40,000
* Stock on 31st Dec ₹45,000
* Additional capital introduced ₹10,000
* Drawings ₹5,000

Prepare the Trial Balance (closing balances only).

Solution:

| Account | Debit (RS) | Credit |
|---|---|---|
| C\ash | 30000 | - |
| Debtors | 18000 | - |
| Stock | 45000 | - |

| | | |
|---|---|---|
| Creditors | - | 15000 |
| Capital | - | ? |
| Drawings | 5000 | - |

Step 1: Calculate Opening Capital: (Not provided, so we calculate closing capital)

Step 2:Calculate Closing Capital:

Assets = Cash + Debtors + Stock = ₹30,000 + ₹18,000 + ₹45,000 = ₹93,000

Liabilities = Creditors = ₹15,000

Net Worth = Assets - Liabilities = ₹93,000 - ₹15,000 = ₹78,000

Step 3:Capital Account:

Capital = Closing Capital - Additional Capital + Drawings

Capital = ₹78,000 - ₹10,000 + ₹5,000 = ₹73,000 (Credit)

Trial Balance:

| Account | Debit (₹) | Credit (₹) |
|---|---|---|
| Cash | 30,000 | |
| Debtors | 18,000 | |
| Stock | 45,000 | |
| Drawings | 5,000 | |
| Creditors | | 15,000 |
| Capital | | 73,000 |
| **Totals** | 98,000 | 88,000 |

Note:The Trial Balance does not balance here — usually, the difference arises because not all accounts or transactions are recorded. Additional information is needed for complete conversion.

**Problem 5: Identify Defects in Single Entry**

Given: A small trader uses the single entry system. Mention 4 possible defects of this system that can cause problems in his business.

**Solution:**

1. Incomplete records, only cash and personal accounts are recorded.

2. Cannot prepare accurate profit and loss account easily.

3. Errors and frauds are hard to detect.

4. No proper trial balance can be prepared.

**Prepare the Trial Balance (closing balances only).**

**Solution:**

| **Account** | **Debit (₹)** | **Credit (₹)** |
|---|---|---|
| Cash | 30,000 | |
| Debtors | 18,000 | |
| Stock | 45,000 | |
| Creditors | | 15,000 |
| Capital | | ? |
| Drawings | 5,000 | |

**Step 1:** Calculate Opening Capital: (Not provided, so we calculate closing capital)

**Step 2:** Calculate Closing Capital:

Assets = Cash + Debtors + Stock = ₹30,000 + ₹18,000 + ₹45,000 = ₹93,000
Liabilities = Creditors = ₹15,000

Net Worth = Assets - Liabilities = ₹93,000 - ₹15,000 = ₹78,000

**Step 3:** Capital Account:
Capital = Closing Capital - Additional Capital + Drawings
Capital = ₹78,000 - ₹10,000 + ₹5,000 = ₹73,000 (Credit)

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**Trial Balance:**

| **Account** | **Debit (₹)** | **Credit (₹)** |
|---|---|---|
| Cash | 30,000 | |
| Debtors | 18,000 | |
| Stock | 45,000 | |
| Drawings | 5,000 | |
| Creditors | | 15,000 |
| Capital | | 73,000 |
| **Totals** | 98,000 | 88,000 |

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**Multiple Choice Questions (MCQs)**

1. Which system records only one side of a transaction?
   a) Double Entry System
   b) Single Entry System
   c) Both
   d) None

2. In which system is it easier to prepare Trial Balance?
   a) Single Entry System
   b) Double Entry System
   c) Both
   d) None

3. Statement of Affairs method is used to calculate profit in:
   a) Double Entry System
   b) Single Entry System
   c) Both
   d) None

4. Which of the following is a defect of Single Entry System?
   a) Completeness of records
   b) Easy detection of errors
   c) Incomplete records
   d) Trial balance preparation

5. Which account is always credited in a double entry system when capital is introduced?
   a) Cash Account
   b) Capital Account
   c) Drawings Account
   d) Expense Account

6. Profit or loss under Statement of Affairs method is calculated by:
   a) Closing Capital - Opening Capital
   b) Assets - Liabilities
   c) Revenue - Expenses
   d) Closing Capital - Opening Capital + Drawings - Additional Capital

7. Which system is mostly used by large businesses?
   a) Single Entry System
   b) Double Entry System
   c) Neither
   d) Both

8. Conversion method is used to convert:
   a) Double Entry to Single Entry
   b) Single Entry to Double Entry
   c) Both to Cash Basis
   d) None

9. Which of the following is not recorded properly in Single Entry system?
   a) Cash transactions
   b) Personal accounts
   c) Nominal accounts
   d) None

10. The capital of a business is calculated as:
    a) Assets + Liabilities
    b) Assets - Liabilities
    c) Liabilities - Assets
    d) Revenue - Expenses

11. In Single Entry system, the accounts maintained are mainly:
    a) Real accounts only
    b) Personal accounts only
    c) Cash and personal accounts
    d) Nominal accounts only

12. Which of the following statements is TRUE?
    a) Single Entry system always prepares financial statements
    b) Double Entry system follows the accounting equation
    c) Single Entry system detects errors easily
    d) Double Entry system is incomplete

13. Drawings in business are:
    a) Addition to capital
    b) Withdrawal from capital
    c) Expense
    d) Liability

14. Which method is used to find profit when only partial records are available?
    a) Statement of Affairs
    b) Trial Balance
    c) Double Entry System
    d) Journals

15. In the double entry system, for every debit, there must be:
    a) No credit
    b) Equal credit
    c) More credit
    d) Less credit

16. Which of the following is an asset?
    a) Creditors
    b) Capital
    c) Stock
    d) Loans

17. Which system makes it difficult to detect fraud?
    a) Double Entry
    b) Single Entry
    c) Both
    d) None

18. Additional capital introduced during the year is:
    a) Added to opening capital
    b) Subtracted from opening capital
    c) Considered as expense
    d) Ignored

19. The basic accounting equation is:
    a) Assets = Liabilities - Capital
    b) Assets = Capital + Liabilities
    c) Assets + Capital = Liabilities
    d) Capital = Assets - Liabilities

20. In Single Entry system, which financial statement is difficult to prepare?
    a) Profit & Loss Account
    b) Balance Sheet
    c) Both (a) and (b)
    d) None

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**Answers:**

1. b) Single Entry System
2. b) Double Entry System
3. b) Single Entry System
4. c) Incomplete records
5. b) Capital Account
6. d) Closing Capital - Opening Capital + Drawings - Additional Capital
7. b) Double Entry System
8. b) Single Entry to Double Entry
9. c) Nominal accounts

10. b) Assets - Liabilities
11. c) Cash and personal accounts
12. b) Double Entry system follows the accounting equation
13. b) Withdrawal from capital
14. a) Statement of Affairs
15. b) Equal credit
16. c) Stock
17. b) Single Entry
18. a) Added to opening capital
19. b) Assets = Capital + Liabilities
20. c) Both (a) and (b)

**Summary Table**

| **Concept** | **Single Entry System** | **Double Entry System** |
|---|---|---|
| Entries | One-sided | Two-sided (debit and credit) |
| Records | Partial | Complete |
| Errors | Hard to detect | Easier to detect |
| Financial Statements | Difficult to prepare | Easy to prepare |
| Profit/Loss Calculation | Using Statement of Affairs | Using Trial Balance and Accounts |

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