

Points of Difference	Double Entry	Single Entry
1. Effect of Transactions :	Every transaction has two effects.	All transactions do not have two effects.
2. Ledger Accounts :	All accounts are opened in the ledger.	Only personal accounts are opened in the ledger.
3. Trial Balance :	As all accounts have been prepared in the ledger, it is possible to prepare the Trial Balance, and arithmetical errors can be detected.	It is not possible to prepare a Trial Balance because all accounts are not prepared in the ledger, hence arithmetical errors cannot be detected.
4. Final Accounts :	It is possible to prepare systematically Profit and Loss Account and Balance Sheet.	Profit and Loss Account cannot be prepared systematically, but profit is ascertained by crude method of comparing capitals. Similarly, exact Balance Sheet cannot be prepared.
5. Errors & Frauds :	As arithmetical errors can be detected, there are less scope for errors and frauds.	As the Trial Balance cannot be prepared, it is difficult to detect frauds and errors.
6. By whom maintained :	Large and medium business houses maintain accounts on double entry.	Only very small businessmen keep accounts under this method.
7. Information for Decision-making :	In case of big business sufficient information is available for decision making, as it is a scientific and perfect system.	Sufficient information is not available for decision making, as it is not a scientific system.
8. Control-based on Rules :	By means of accounts it is possible to keep control over various activities of the business, as it is written according to certain rules and principles.	As accounts are incomplete, it is not possible to keep control over activities of business, as no rules are observed in writing accounts.
9. For Taxation :	For taxation purpose, accounts maintained under this system can be relied upon. It is approved by law.	For taxation purpose, accounts maintained under this system can not be relied upon and is not approved by legal authorities.
10. For Loan, Purchase of business etc.	If accounts are maintained by this system, then all necessary information are available for the purpose of granting loan or purchase of business etc.	Under this method sufficient information is not available for granting of loan or purchase of business etc.

Illustration 1 JAIN INSTITUTE OF COMMERCE, CTM-VASTRAL
[YOUR PARTNER IN CMA JOURNEY]

Shri Dinesh Desai does not maintain proper books of account. He gives following information about his assets and liabilities as on 1-4-2017 :

	Rs.		Rs.
Creditors	1,50,000	Cash balance	1,500
Bank balance	35,000	Book debts	1,23,000
Stock in trade	1,05,000	Furniture	7,500

He found that his drawings during the year amounted to Rs. 36,000. He had introduced additional capital of Rs. 50,000 during the year. On 31-3-2018 his position was as follows :

	Rs.		Rs.
Bills Payable	24,000	Creditors	1,35,000
Cash balance	3,000	Bank balance	27,000
Bills Receivable	15,000	Book debts	1,44,500
Stock-in-trade	1,27,000	Furniture	6,500

From the above mentioned information, you are required to ascertain his profit or loss for the year 2017-2018.

Solution :

Opening and closing capitals are not given. Hence, the Statement of Affairs on the opening day and on the closing day should be prepared.

**Statement of Affairs
as on 1st April, 2017**

Liabilities	Rs.	Assets	Rs.
Creditors	1,50,000	Cash balance	1,500
Excess of assets over liabilities i.e. Capital (?)	1,22,000	Cash at Bank	35,000
		Book debts	1,23,000
		Stock	1,05,000
		Furniture	7,500
	2,72,000		2,72,000

**Statement of Affairs
as on 31st March, 2018**

Liabilities	Rs.	Assets	Rs.
Bills Payable	24,000	Cash in hand	3,000
Creditors	1,35,000	Cash at bank	27,000

Illustration 5 :**JAIN INSTITUTE OF COMMERCE, CTM-VASTRAL
[YOUR PARTNER IN CMA JOURNEY]**

The following information is available from the Cash Book and certain rough statements maintained by Mr. Rajesh Pilot in respect of his business :

	1-4-2017	31-3-2018
	Rs.	Rs.
Sundry Debtors	48,000	75,000
Sundry Creditors	31,000	52,000
Stock-in trade	87,000	55,000
Bills Receivable	2,000	5,000
Bills Payable	3,000	4,000

Transactions During the year 2017-2018 :

	Rs.
Cash received from debtors	5,41,000
Cash received from bills receivable	47,000

JAIN INSTITUTE OF COMMERCE, CTM-VASTRAL	
[YOUR PARTNER IN CMA JOURNEY]	
Cash sales	11,000
Cash paid to creditors	4,36,000
Cash paid for bills payable	9,000
Returns outward	6,000
Discount earned	4,000
Returns inward	5,000
Discount allowed	3,000
Bad debts written off	2,000
Cash purchases	3,000

From the above mentioned information, you are requested to ascertain credit purchases and credit sales.

Solution :

For finding out Credit Sales, we have to prepare Total Debtors' Account; whereas for ascertainment of Credit Purchases, Total Creditors Account will be prepared.

In order to find out Bills Receivable received from debtors, we have to prepare Bills Receivable Account and similarly for finding out Bills accepted in favour of creditors, we have to prepare Bills Payable Account.

Dr. Bills Receivable Account Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d (Op. Bal.)	2,000	By Cash	47,000
" Debtors. A/c (?)		" Balance c/d (Cl. Bal.)	5,000
(B/R recd. during year)	50,000		
	52,000		52,000

Dr. Total Debtors Account Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d (Op. Bal.)	48,000	By Cash (received)	5,41,000
" Credit Sales (?)	6,28,000	" Discount allowed	3,000
		" Returns Inward	5,000
		" Bad Debts written off	2,000
		" Bills Receivable	50,000
		" Balance c/d (Cl. Bal.)	75,000
	6,76,000		6,76,000

Note : Firstly, by preparing Bills Receivable Account we found out that Bills Receivable received from debtors during the year is Rs. 50,000. Now Debtors Account will be credited by bills received for Rs. 50,000 and then we will find out the missing item of Credit sales of Rs. 6,28,000 from the Debtors Account.

Dr.		Bills Payable Account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Cash	9,000	By Balance b/d. (Op. Bal.)	3,000		
" Balance c/d. (Cl. Bal.)	4,000	By Creditors A/c (?) (Bills accepted during year)	*10,000		
	13,000		13,000		

Dr.		Total Creditors Account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Cash (paid)	4,36,000	By Balance b/d. (Op. Bal.)	31,000		
" Discount Earned	4,000	" Credit Purchases (?)	4,77,000		
" Returns Outward	6,000				
" Bills Payable A/c (bills accepted)	*10,000				
" Balance c/d. (Cl. bal.)	52,000				
	5,08,000		5,08,000		

***Note :** From Bills Payable Account, we found out the missing item of Bills accepted in favour of creditors and give the effect of it in Creditors Account, and then we found out Credit Purchases from Creditors Account.

Illustration 7 :

A and B are equal partners. The firm maintained books of accounts on Single Entry System. Find out profit from the following information and prepare its B/S at the close of the year.

Balances on 1-4-2017 : Creditors Rs. 19,500; Bills Payable Rs. 800; Capital : A Rs. 40,000; B Rs. 30,000; B.D. Reserve Rs. 500; Debtors Rs. 20,000; Building Rs. 27,000; Cash Rs. 800; Stock Rs. 23,000; Bills Receivable Rs. 5,000; Machinery 15,000.

Cash transactions during the year : Debts collected Rs. 86,000; B/R honoured Rs. 18,000; Sales Rs. 12,000; Paid to creditors Rs. 61,000; Purchases Rs. 15,000; B/P paid Rs. 23,000; Salary Rs. 5,000; Rent Rs. 3,000; Interest Rs. 300; Investments purchased Rs. 4,000; Drawings : A Rs. 3,000; B Rs. 2,500.

Other details : Total Purchases for the year Rs. 1,05,000; Total Sales for the year Rs. 1,20,000; B/R received Rs. 30,000; B/P accepted Rs. 25,000; Gross profit 25% on sales.

At the end of the year : Expenses due Rs. 700. Commission receivable Rs. 600; B. D. Reserve is to be maintained at 5% on debtors; Machinery is to be depreciated at 10%.

Solution :

Here, certain items are missing which are necessary for preparing the closing balance sheet.

(a) Closing Stock (b) Closing balance of debtors (c) Closing balance of creditors (d) Closing balance of B/R (e) Closing balance of B/P (f) Closing cash balance.

Following accounts will be prepared to find out these missing items :

(1) Stock Account (2) Total Debtors Account (3) Total Creditors Account (4) Bills Receivable Account (5) Bills Payable Account (6) Cash Account.

Remember : When bill transactions are given in the example, the Bills Receivable Account must be prepared first and then Debtors Account should be prepared.

Dr.

Stock Account

Cr.

Particulars	Rs.	Particulars	Rs.
To Opening Stock	23,000	By Total Sales	1,20,000
" Total Purchases	1,05,000	" Closing Stock (?)	38,000
" Gross Profit - 25% on Sales	30,000		
	<u>1,58,000</u>		<u>1,58,000</u>

Note : Total Sales given is Rs. 1,20,000 and the cash transactions show sales of Rs. 12,000, hence credit sales must be Rs. 1,08,000. Similarly, out of purchases of Rs. 1,05,000, the cash purchases are Rs. 15,000; hence, the credit purchases must be Rs. 90,000.

Dr.

Bills Receivable Account

Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	5,000	By Cash	18,000
" Debtors A/c - B/R received during the year	30,000	" Balance c/d (?)	17,000
	<u>35,000</u>		<u>35,000</u>

Dr.

Bills Payable Account

Cr.

Particulars	Rs.	Particulars	Rs.
To Cash A/c	23,000	By Balance b/d	800
" Balance c/d (?)	2,800	" Creditors A/c	25,000
	<u>25,800</u>		<u>25,800</u>

Dr.

Total Debtors Account

Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	20,000	By Cash	86,000
" Credit Sales	1,08,000	" Bills Receivable	30,000
	<u>1,28,000</u>	" Balance c/d (?)	12,000
			<u>1,28,000</u>

Dr.

Total Creditors Account

Cr.

Particulars	Rs.	Particulars	Rs.
To Cash	61,000	By Balance c/d	19,500
" Bills payable	25,000	" Credit Purchases	90,000
" Balance c/d (?)	23,500		
	<u>1,09,500</u>		<u>1,09,500</u>

Notes : (1) As the totals of two sides of Cash Account are equal, there is no closing cash balance.

(2) If we prepare Trading Account, the Gross Profit will be Rs. 30,000 and the profit and Loss Account, will show Net Profit of Rs. 20,000. The Balance

SINGLE ENTRY

Sheet total will be Rs. 1,11,500; The closing balance of capital accounts will be
A Rs. 47,000 and B Rs. 37,500.

16. Find out the net total purchases and net total sales of the business of Shri Siddharth :

(1) Particulars	1-4-'13 Rs.	31-3-'14 Rs.
Debtors	1,25,000	1,00,000
Creditors	1,12,500	1,50,000
Bills Receivable	25,000	87,500
Bills Payable	30,000	42,500

(2) Transactions during the year :	Rs.
Cash received from Debtors	7,50,000
Discount allowed to Debtors	37,500
Bad Debts	25,000
Expenses paid on behalf of debtors	12,500
Goods returned by Debtors	20,000
Goods returned to Creditors	12,500
Cash paid for Bills Payable	37,500
Cash received against Bills Receivable	62,500
Cash paid to Creditors	4,50,000
Cash purchases	1,50,000

Net Cash sales is 20%.

[Guj. Uni., F.Y., Nov. 2014]

[Ans. : Total Net Purchases Rs. 6,87,500 (Cash Purchases Rs. 1,50,000 + Credit Purchases Rs. 5,50,000 – Goods Return Rs. 12,500), Bills Payable accepted Rs. 50,000.

Total Net Sales Rs. 11,25,000 (Cash Sales Rs. 2,25,000 + Credit Sales 9,20,000 – Goods Return Rs. 20,000). Bills receivable received Rs. 1,25,000.]