Topic 6

INCOMPLETE RECORDS

An Incomplete record situation is whereby the accounting system falls short of the double entry. This maybe due:

- Lack of records.
- Insufficient records
- Lack of skills in preparing and maintaing accounting records.

⇒ There are four main approaches in preparing final account incase of incomplete records.

(a) Estimating income from the net assets.

- Prepare statement of affairs showing the net worth of the business at the beginning and at the end of the period.
- Income statement is estimated as follows:

Income/Loss = Closing Capital − Opening Capital + Drawings − Additional Capital

(b) Use of Ratios

There are three ratios.

1. Gross profit Margin

- If a firm has uniform Gross profit for all the items sold then any information available on sales or purchases can be used to derive the total Gross profit for the period.

$$\text{Gross profit Margin} = \frac{\text{Gross profit} \times 100}{\text{Sales}}$$

$$\text{Mark up} = \frac{\text{Gross profit} \times 100}{\text{Cost of Sales}}$$

If Mark up is given as 25/100

Margin will be $\frac{25}{100+25} = 25/125$

and if Margin is given as 50/100

Mark up will be $\frac{50}{100-50} = 50/50$

Use of Cashbook and bank statement

=> Steps in preparing the final accounts

1. Prepare a statement of affairs at the beginning of the period (a list of assets and liabilities) to determine the beginning capital.
2. Open and post the balances and transactions to these 3 relevant accounts (i.e cashbook, sales ledger control account and purchases ledger control account.
3. Make adjustments for accruals or prepayments.
4. Extract a list of the balances
5. prepare the final account.

CPA AUG 2021 Q2

WI Statement of affairs

		Sh"000"
Assets:		
Accounts receivables		2000
Freehold property		2400
Motor vehicle		3000
furnitures and fixtures		960
Inventory		1560
		9920
Liabilities:		
Bank overdraft	240	
Accounts payable	1520	
Accrued electricity	60	
Bank loan	2400	

Allowance for doubtful debts	·100	(4320)
Capital		5600

(W2)

Bank A/C

	Sh'000"		Sh'000"
Accounts receivable	7560	Bal b/d	240
Disposal motor vehicle	480	Electricity	260
Sales	2880	General expenses	140
Bal c/d	640	Interest on loan	120
		Drawings	240
	11560	Loan	400
		Salaries & wages	640
		Furniture	800
		Accounts payable	7760
		Purchases	960
			11560

ALPHA OMEGA INCOME STATEMENT FOR THE PERIOD ENDED 31st MARCH 2021

	Sh'000"	Sh'000"
Sales 8320+2880		11200
Less: Cost of sales.		
Opening Inventory	1560	
Add: Purchases 7600+960	8560	
Less: Closing Inventory	(1720)	(8400)
Gross profit 25% x 11200		2800
Discount received		160
Total Incomes		2960
Expenses:		
Electricity 260-60+76	276	

W3

Debtors A/C

Bal b/d	2000	Bad debts	80
Credit Sales	8320	Discount allowed	280
		Bank	7560
		Bal c/d	2400
	10320		10320

W4

Creditors A/C

Bank	7760	Bal b/d	1520
Discount received	160	Purchases	7600
Bal c/d	1200		
	9120		9120

W5

Motorvehicle A/C

Bal b/d	3000	Disposal	512
		Bal c/d	2488
	3000		3000

W6

Disposal A/C

N'B'V	512	Bank	480
		loss	32
	512		512

W7 Interest on loan

$10/100 \times 2400 \times 6/12 = 120$

$10/100 \times 2000 \times 6/12 = 100$

Total Interest 220

ALPHA OMEGA INCOME STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2021

		Sh'000"	Sh'000"
Sales 8320+2880			11200
Less: Cost of Sales:			
Opening inventory.		1560	
Add: purchases 7600+960		8560	
Less: closing Inventory		(1720)	(8400)
Gross profit 25%			2800
Discount received			160
Expenses:			
Electricity 260-60+76		276	
General expenses.		140	
Interest on loan 120+100		220	
Salaries and wages		640	
Bad debts		80	
provision for bad debt 120-100		20	
Discount allowed.		280	
loss on disposal.		32	
Depreciation motorvehicle 20%×2488		497.6	
Depreciation furniture and fittings			
10%×1600×12/12 → 160			
10%×800×6/12 → 40		200	(2385.6)
Profit			574.4

(W8) Provision for bad debts

5/100 × 2400 = 120

100 – is the opening balance

ALPHA AND OMEGA STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2021

	Sh"000"
NON CURRENT ASSETS	
Freehold property	2400
Motorvehicles 2488 − 497.6	1990.4
Furniture 960+800−200	1560
CURRENT ASSETS	
Inventory	1720
Receivables 2400−120	2280
	9950.4
CAPITAL AND LIABILITIES	
Capital	5600
Add: Net profit	574.4
Less: Drawings	(240)
NON CURRENT LIABILITIES	
Bank loan 2400−400	2000
CURRENT LIABILITIES	
Creditors	1200
Accrued loan interest	100
Accrued electricity	76
Bank overdraft	640
	9950.4

Nov 2017 CPS

Receivable

			Shs'000
Bal b/d	—	Bank	7350
Credit sales	8750		
		Bal c/d	1400

Payables

	Shs'000		Shs'000
Bank	5460	Bal b/d	—
		purchases	8400
Bal c/d	2940		
	8400		8400

Bank A/C

	Shs'000		Shs'000
Bal b/d - Capital	14000	Furniture & Fittings	2450
Loan	5600	Salaries	399
Receivables	7350	Electricity	14
		Rent	175
		Payables	5460
		Drawings	210
		Insurance	35
		Bal c/d	18207
	26950		26950

Margin = 20/100

David Kwera

Income statement for the year ended 30th June 2017

		Sh'000
Sales		8750
Less: Cost of sales:		
Opening Inventory	—	
Add: purchases.	8400	
Less: Closing Stock.	(1400)	(7000)
Gross profit 20/80 × 7000		1750
Less: Expenses:		
Depreciation: Furniture & fittings		
10% × 2450	245	
Salaries	399	
Rent. (175+70)	245	
Electricity	14	
Insurance	35	
Interest on loan.		
12% × 5600 × 6/12	336	(1274)
Net profit		476

David Kwera

Statement of Financial Position as at 30 June 2017

NON CURRENT ASSETS		
Furniture and Fittings	2450 − 245	2205
CURRENT ASSETS:		
Inventory		1400
Accounts receivable.		1400
Bank		18207
		23212
CAPITAL AND LIABILITIES		
Capital		14000
Add: Net profit		476

Less: Drawings		(2107)
Non current liabilities:		
Long term loan		5600
Current liabilities		
Accounts payable		2940
Accrued rent		70
Interest on loan		336
		23212

CPA Nov 2019 Q2

(W1) Statement of affairs

		Sh'000"
Assets		
Land and buildings		18000
Equipment		4800
Furniture and fittings		2400
Motor vehicles		6000
Inventory		3600
Accounts receivable		5400
Prepaid rates		180
Bank		1620
		42000
Liabilities		
15% Bank loan	12000	
Accounts payable	2700	
Accrued electricity	300	(15000)
Capital		27000

W2 Bank A/C

	Sh'000"		Sh'000"
Bal b/d	1620	Loan	6000
Receivables	357000	Equipment	600
		Salaries	36210
		Rates, Insurance and electricity.	23280
		Interest on loan	900
		Payables.	252000
		Drawings (bal figure)	24000
		Bal c/d	15630
	358620		358620

W3 Accounts Receivable A/C

	Sh'000"		Sh'000"
Bal b/d	5400	Discount allowed	960
Sales	360,000	Bad debt	240
		Bank	357000
		Bal c/d	7200
	365400		365400

W4 Accounts Payables A/C

	Sh'000"		Sh'000"
Discount received	900	Bal b/d	2700
Bank	252000	Purchases (bal fig)	253200
Bal c/d	3000		
	255900		255900

WS

Equipment A/c

	Sh'000		Sh'000
Bal b/d	4800	Depreciation	1560
Bank	600	Bal c/d	3840

Regina Rai
Income Statement for the Year ended 30th Sept 2019

	Sh'000	Sh'000
Sales:		360,000
Less: Cost of Sales:		
Opening Inventory	3600	
Add: Purchases	253200	
Less: Closing Inventory	(4800)	(252000)
Gross profit. 3/10 x 360,000		108000
Discount received.		900
Total Income		108900
Less: Expenses:		
Discount allowed.	960	
Bad debts	240	
Depreciation equipment	1560	
Depreciation furniture 2400-1920)	480	
" Motorvehicle 6000-4500	1500	
Salaries	36210	
Rent, rate, electricity and Insurance 23280+180-240+480-300	23400	
Interest on loan 15% x (12000 x 6/12) + 15% x (6000 x 6/12)	1350	(65700)
Net profit		43200

REGINA Raj STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPT 2019

NON CURRENT ASSETS	SL'000
Land and buildings	18000
Equipment	3840
Fixtures and Fittings	1920
Motor vehicles	4500
CURRENT ASSETS	
Inventory	4800
Accounts receivable	7200
Bank	15630
Prepaid rates	240
	56130
CAPITAL AND LIABILITIES	
Capital	27000
Add: Net profit	43200
Less: Drawings	(24000)
NON CURRENT LIABILITIES	
15% Bank loan	6000
CURRENT LIABILITIES	
Accounts payable	3000
Accrued electricity	480
Accrued loan interest	450
	56130

WB

Mark up = $3/7$

Margin = $3/10$ i.e $\frac{3}{7+3}$

CPA May 2019 Q5

W1

Bank A/C			
Capital	500,000	Rent	120,000
Loan	90,000	Paint	35000
Debtor	620000	Furniture	120,000
		Safe	30,000
		Insurance	90000
		Bal c/d	815000
	1210,000		1210,000

W2

Cash A/C			
Capital	70000	Painting	7500
Capital	7500	Electricity	286000
Sales	5600,000	Salaries	1120,000
		Consumables	120000
		Sundry	43000
		Supplier	2300,000
		Drawings	240000
		Bal c/d	1561000
	5677500		5677500

W3

Capital			
Bal c/d	727500	Bank	500,000
		Cash	70000
		Equipment	150,000
		Cash	7500
	727500		727500

MOSES ROWO

INCOME STATEMENT FOR THE PERIOD ENDED 31st MARCH 2019

Sales			6,380,000
Less: Cost of sales:			
Opening Inventory		—	
Add: purchases		2600,000	
Less: Drawings		(20,000)	
Less: Closing Inventory		(235000)	(2345000)
Gross Profit			4035000
Expenses:			
Dep. Furniture 15% x 120,000	18000		
" Equipment 15% x 150,000	22500		
Accrued loan Interest 10% x 90000	9000		
Electricity 286000 + 26000	312000		
Rent	120000		
Painting	42500		
Insurance	90000		
Salaries	1120000		
Consumables	120000		
Sundry	43000		(1897000)
Net Profit			2138000

Moses Riwo.

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2019.

NON CURRENT ASSETS		
Furniture	120,000 - 18000	102000
Equipment	150,000 - 22500	127500
Safe		30000
CURRENT ASSETS		
Inventory		235000
Debtors		160000
Bank		815000
Cash		1561000
		3030500
CAPITAL AND LIABILITIES		
Capital		727500
Add: Net Profit		2138000
Less: Drawings:	240000+20,000	(260,000)
Loan		90,000
Creditors		300,000
Accruals	26000+9000	35000
		3030500