

Systems of Recording Transactions:

1. Single Entry System
2. Double Entry System

Accounting for Incomplete Records/Single Entry

1. Pure Single Entry
2. Mixed Single Entry

Pure Single Entry:

1. Beginning assets and liabilities → Beginning capital
2. **Accounts receivable, accounts payable, drawings and additional investment**
3. Ending assets and liabilities → Ending capital.

We have no data for revenues and expenses → So income statement cannot be prepared on the normal format.

Causes of Change in Capital:

Increase in Capital:

1. Additional Investment
2. Net Income

Decrease in Capital:

1. Drawing
2. Loss

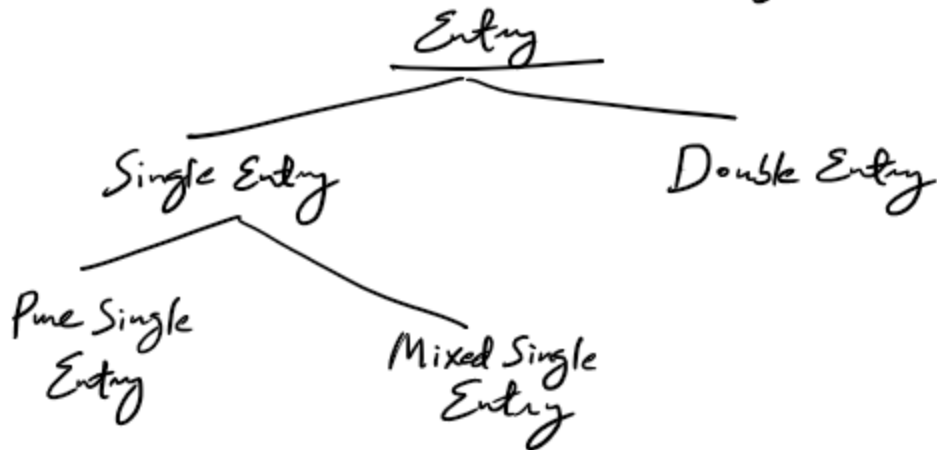
Formula for Ending Capital:

Ending Capital = Beginning capital + Additional Investment + Net Income (-Net Loss) - Drawing

Conversion of the above formula into formula for net income or loss:

Net Income(Loss) = Ending Capital + Drawing - Additional Investment - Beginning Capital

Dual Aspect: Every transaction should be recorded by recording all credit & debit aspects in journals & ledgers.



Pure Single Entry:

- 1) Beginning assets & beginning liabilities → Beginning Capital
 - 2) Accounts payable, Accounts Receivable, Additional Investment & Drawing.
 - 3) Ending assets & ending liabilities → Ending Capital
- Note: There is no journal & no ledger.

Equation for Ending Capital

$$\text{Capital(Beg)} + \text{Net Income} + \text{Additional Investment} - \text{Drawing} - \text{Net Loss} = \text{Capital(End)}$$

$$\text{Net Income(Net Loss)} = \boxed{\text{Capital(End)}} + \text{Drawing} - \text{Additional Investment} - \text{Capital(Beg)}$$

↓ ↓
 Unadjusted Profit(Loss) Unadjusted

Computation for Ending Capital			
Beginning Capital			100,000
Add:Net Income		50,000	
Additional Investment	<u>20,000</u>	<u>70,000</u>	
Sub Total			170,000
Less: Drawing			<u>(10,000)</u>
Ending Capital			<u><u>160,000</u></u>
Computation for Net Income/Loss			
Ending Capital			160,000
Add:Drawing			<u>10,000</u>
Sub Total			170,000
Less:Additional investment	20,000		
Beginning Captial	<u>100,000</u>	<u>(120,000)</u>	
Unadjusted Profit			<u><u>50,000</u></u>