

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

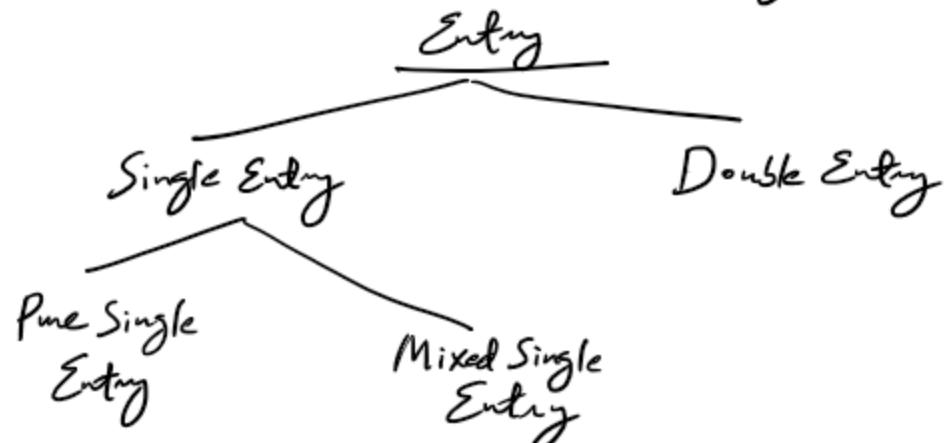
Formula for Ending Capital:

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 \rightarrow Beginning Capital
- 2) Accounts payable, Accounts Receivable, Additional Investment & Drawing.
- 3) Ending assets & ending liabilities \rightarrow Ending Capital

Note: There is no journal & no ledger.

Equation for Ending Capital

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

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

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 Capital	<u>100,000</u>	<u>(120,000)</u>
Unadjusted Profit		<u><u>50,000</u></u>