

# **Incomplete Records**

## **Study Unit 17**

Study Unit 17: Incomplete Records

# Introduction

**Lecture 1**

# What do we need to know about incomplete records?

- Disadvantages of using incomplete records
- Calculation of profit or loss from incomplete records
- Conversion from a single-entry to a double-entry system

# What are incomplete records?

- Small businesses, owners / managers without accounting knowledge will probably not record financial information using the double-entry system
- We need to know how to calculate profit or loss and to prepare accounts from incomplete records

# Disadvantages of incomplete records

- Incomplete financial information
- No record of non-current assets and liabilities
- Unreliable results

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# Calculation of profit or loss from incomplete records

**Lecture 2**

# How do we calculate profit?

- Compare Equity at the end of the year to Equity at the beginning of the year... the difference will be profit or loss (as long as you've taken out the effects of additional capital investments and Drawings)
- Where do we get Equity from then?

# Equity?

- Basic Accounting Equation:

ASSETS = EQUITY + LIABILITIES

thus...

EQUITY = ASSETS – LIABILITIES

So, prepare a statement of assets and liabilities for the beginning and end of the year, and you will have your equity for the beginning and end of the year

**Lecture 2**



# Formula for profit

Equity at the end of the year (before adjustments)

MINUS

Equity at the beginning of the year

PLUS

Income not yet accounted for

MINUS

Expenses not yet accounted for

PLUS

Drawings

MINUS

Additional capital contributions

EQUALS

**Estimated net profit or loss for the year**

**Lecture 2**

# Example

- Study Guide, Pg 342, Exercise 17.1

Note: The steps and processes require a solid understanding of the relationship between information and figures in the financial statements

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# Conversion from a single-entry to a double-entry system

**Lecture 4**

# Where do we begin?

- Where minimal accounts are kept
  1. Prepare a statement of assets and liabilities at the beginning of the period to determine equity
  2. Reconstruct the bank account (Use bank statements, source documents etc)
  3. Summarise receipts and payments from petty cash

# Where do we begin?

4. Calculate purchases and sales figures for the period. Prepare T-accounts for debtors and creditors. Use the account to calculate the Purchases and Sales
5. Determine prepayments, accruals, and other non-cash items

You should have enough information to prepare  
Financial Statements

## Lecture 4

# Where do we begin?

- Where subsidiary journals are kept
  1. Prepare a statement of assets and liabilities at the beginning of the period to determine equity
  2. Prepare the various journals (CRJ; CPJ; PJ; PRJ; SJ; SRJ etc) and bank reconciliations
  3. Post the journals to the ledgers
  4. Prepare the Trial Balance
  5. Compile the AFS

## Lecture 4

# Example

- Study Guide, Pg 346, Exercise 17.2

Note: The solution lecture has been split into three parts

**Lecture 5 - 7**