Basic Terms

Book-keeping - It's a part of accounting. It involves recording business transactions in the journal, posting to the ledger and balancing the accounts.

Accounting - It begins where book-keeping ends. It involves the actual process of preparing and presenting the accounting information.

Accountancy - It includes accounting and book-keeping. It explains 'why to do' and 'how to do' of various aspects of accounting.

Transactions - Business activities which involve money are called transactions. There are two types - cash & credit.

Cash Transaction - Cash receipt or payment is involved immediately in a transaction. Eg:- Mr. Sam bought goods and paid cash.

Credit Transaction - Cash receipt or payment is not involved immediately involve in a transaction. Eg:- Mr. Sam purchased goods on credit.

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Current Assets - They are short-term assets. They have the shortest uselful life, less than one year. Eg:- stock, debtors, bank and cash.

Intangible Assets - Assets having on physical existence. It can not be seen or touched. Eg:- goodwill, copyright, trademark.

Liabilities - The amount which a business owes to others. Eg:- bank loan, creditors, bank overdraft. This may be long-term liability or short-term/current liability.

Long-term liability - liabilities which are not due to be paid within a year. Eg:- long-term bank loan.

Current Liabilities - liabilities which are due to be paid within a year. Eg:- creditors, bank overdraft.

Debtors - Credit customers are called debtors. They are also called trade receivables.

Creditors - Credit suppliers are called creditors. They are also called trade payables.

Purchases - Goods bought by the business for resale or for use in the production.

Proprietor – A person who owns a business and invests money to gain profit.

Capital – The amount invested by the proprietor into the business. Eg:- Mr. X starts the business with the capital of $40,000.

Drawings – It is the amount of cash or value of goods taken by the proprietor from the business for his personal use. It is deducted from the capital.

Assets – Properties owned by the business. Eg:- land, buildings, machinery, vehicles, cash. Assets can be classified into tangible or intangible asset.

Tangible Assets – Assets having physical existence, they can be seen and touched. Two types:- Fixed and current.

Fixed Asset – They are long-term assets. They have longest useful life, more than one year. Eg:- land, buildings, machinery, ~~buildings~~ vehicles, furniture.

Double Entry Bookkeeping - Part A

- Introduction
  - day-to-day transactions are recorded in the books of a business using the double enstry system of book keeping.
  - The term double entry has two effects:- giving and receiving side.
  - Seperate ledger account for each asset, expens liability and income.
  - A ledger is traditionally a bound book where each account appears on a seperate page
  - Ledgers are divided into two sections:- left - debit side and right - credit side
  - A folio number column is used for reference purposes.
- Uses of double entry book keeping :-
  - easy to prepare final accounts, help to locate errors, easy to calculate ratios.

Trial Balance

- Introduction
  - list of balances on the accounts in the ledger at a certain date.
  - prepared to check arithmetical accuracy of the ledger account.
  - it is not a part of double entry system, it is simply a list of balances.
- Purpose
  - locates arithmeticall errors.
  - useful is preparing final accounts.

Purchases returns (returns outward) — When goods are returned to the supplier due to poor quality or not as per the terms of purchase, it is called as purchases returns.

Sales — sales refers to the amount of goods sold.

Sales returns (returns inward) — when goods are returned from the buyer due to poor quality or not as per the terms of sale.

Accounting Equation :

Assets = Capital + Liabilities.

Carraige means transport charges. Carraige inwards is a part of the cost of goods purchased. Carraige outwards is the selling expenses, which occurs when a business pays for goods to be delivered to the customer's place.

- original entry - wrong amount.
- compensating - two or more errors cancel out each other.

Division of Ledger

- Division into Specialist Areas.
  - convenient to use, as similar accounts appear together.
  - can be divided between several people.
- Division :-
  - Sales - debtor accounts.
  - Purchases - Creditor accounts.
  - Cash book - all cash and bank transactions.
  - Nominal - all other (asset, lia., exp., inc., cap., dr)

- Contra Entries
  - surplus cash paid into the bank, money withdrawn from bank to place in cash.
  - appear on both sides of cash book.
- Bank Overdraft.
  - credit balance in the bank account. It is a short term liability. Interest will be charged.
  - not possible to have a credit balance on a cash a/c (physical existence)
- Cash discount.
  - allowance given to a customer when an account is settled within a time limit set by the supplier.
- Dishonoured cheque.
  - cheque received, which debtors' bank refuses to pay. (not enough balance, prob. with details.

- If Trial Balance Fails to balance :-
  - error of addition within the trial balance.
  - error of addition in ledger accounts.
  - different amount entered on the debit and credit of either accounts.
  - making a single entry.
  - entering the transaction twice on same side of the ledger.

Debit	Credit
Assets	Liabilities
Drawings	Capital
Purchases	Purchases Returns
Sales Returns	Sales
Expenses	Income

- Limitations of trial balance
  - does not ensure accounting accuracy.
  - all the errors made, aren't disclosed.
- Errors which do not affect Trial Balance:-
  - Commission - correct amount, correct side, same class, wrong account.
  - Principle - correct amount, correct side, wrong class.
  - Complete reversal - correct amount, correct account, wrong side.
  - omission - completely omitted.

- Debit Note.
  - Buyer → Seller.
  - contains details of invoice and reasons for returning goods.
  - proof for returning goods purchased, which are damaged or not as per purchase terms. (reduction in the amount on the invoice)
  - no entries are recorded
- Credit Note.
  - Seller → Buyer.
  - contains details of debit note.
  - proof for accepting the debit note.
- Statement of Account.
  - Seller → Debtors
  - a reminder to the debtor for the amount due by them, summarizing the transactions took place with them.
  - no entries made.
- Cheque
  - Debtor → Seller.
  - payment is carried out.
- Receipt.
  - Seller → Buyer.
  - contains date, receipt no., add. of seller, amt. received, ~~for whom~~ payment details.
  - proof for Payment made by the customer.

Petty Cash Books

- Introduction
  - prime entry book.
  - used to record low value transactions.
- Purpose.
  - list the transactions for transferring to ledgers.
  - acts as a ledger account for petty cash transactions.
- Amount of cash acts as float, which make cash payments.
- Imperest system.
  - The petty cashier starts each period with a fixed amount of money, which is known as imperest or float.
- Advantages.
  - help reduce fraud.
  - control expenditure of petty cash.

Business Documents

- Introduction
  - evidences of business transactions.
  - serves as a legal evidence in case of dispute.
  - needed for audit and tax assessment.
- Invoice
  - seller $\longrightarrow$ buyer.
  - contains: date, name & address of buyer and seller, details of goods sold (quantity, price, value)
  - proof for selling goods on credit.

Financial Statements

— Divided in two parts:-
- Income Statement.
- Balance Sheet.

— Income Statement.
- Trading a/c — Calculates GP.

  GP = Sales Revenue − COS

  COS = Op. Stock + Net Pur. − Cl. Stock

  Net Purchases = Purchases − Pur. Returns + Carraige inwards − Drawing of goods.
- Profit & Loss a/c. — Calculates NP.

  NP = GP + Other Income − Expenses.

— Balance Sheet
- Total Assets = Total Liabilities + Capital
- Fixed Assets + W.C. = Capital Employed.
- Capital Employed = Non-current lia. + Capital.
- Working Capital = Current Assets − Current Lia.
- Capital = Op. Capital + Add. Capital + Net Profit − Drawings.

— Purpose of Balance Sheet.
- to know the value of assets.
- to ascertain the value of liabilities
- to know the financial position.
- calculate and interpret financial ratios.

Accounting Rules

— Business Entity.
- business is treated as being completely separate from the owner of the business.

— Duality
- every transaction has two aspects — giving and receiving.

Books of Prime Entry

- Used to list all transactions of a similar kind, before posted into ledger accounts
- Sales Journal
  - To record credit sales.
  - total is transferred to sales a/c at the end of accounting period.
- Sales Returns Journal
  - to ~~re~~record all goods returned from credit customers.
  - total is transferred to sales returns a/c at the end of accounting period.
- Purchases Journal
  - To record credit purchases.
  - total is transferred to purchases a/c at the end of accounting period.
- Purchases Returns Journal.
  - to record all goods returned to credit suppliers.
  - total is transferred to purchases returns a/c at the end of accounting period.
- Petty cash book.
  - to record all small cash transactions.
- Cash book.
  - to record all cash & bank transactions.
- General Journal
  - to record opening entries.
  - to adjust year-end transactions.
  - to rectify errors
  - purchase and sale of fixed assets.

- Materiality.
  - items of very low value, are not worth recording as seperate items.
- Historical Costs.
  - all assets and expenses are recorded in the ledger accounts at their actual cost.
- Accounting Period.
  - the life of the business is divided into accounting periods - usually years.
- Objectives in selecting policies.
  - Relevance - information is provided on time to make decisions.
  - Reliability - information provided should be reliable.
  - Comparability - information should be available to compare with another business period or business.
  - Understandability - information should be understood by users.
- Capital & Revenue Expenditure & Receipts.
  - Capital Exp. - ~~recurring~~ non-recurring exp. spent by the business on buying fixed assets, improving, extending fixed assets.
  - Revenue Exp. - Recurring money spent on running a business on a day-to-day basis.
  - Capital Receipts - Money received when fixed assets are sold.
  - Revenue Receipts - Sales or other Income.

- Money Measurement.
  - only information which can be expressed in terms of money can be recorded in the accounting records.
- Realisation.
  - profit is only regarded as being earned when the legal title to goods or services passes from the seller to the buyer.
- Consistency.
  - the same treatment must be applied from one accounting period to the next.
- Accruals.
  - matching principle.
  - revenue of the accounting period is matched against the costs of the same period.
- Prudence
  - principle of conservatism.
  - profits and assets should not be overstated and losses and liabilities should not be understated.
- Going Concern.
  - it is assumed that the business will cont. to operate for an indefinite period of time and that there is no intention to close down the business or reduce the size of the business by any significant amount.

- Accrued Income.
  - another person receiving the benefit or service has not paid for it.
  - added to the amount received in income st.
  - balance b/d is on dr. side of the ledger.
  - current asset in the balance sheet.
- Prepaid Income
  - a person has paid for a benefit or service in advance.
  - deducted from amount received in the income statement.
  - balance bld on cr. side in the ledger.
  - current liability in the balance sheet.

<u>Depreciation & Disposal on Non-Current Assets</u>

- Introduction.
  - Depreciation is the estimate of the loss in the value of a fixed asset over its expected working life.
- Causes of Depreciation.
  - wear and tear.
  - economic reasons.
  - passage of time.
  - depletion.
- Straight Line Method.
  - fixed installment method.
  - same amount or percentage of depreciation every year (on cost.).

$$\frac{\text{Cost of Asset} - \text{Residal Value}}{\text{Expected years of life}} \quad \text{or} \quad \text{Cost} \times \%$$

- Valuation of Stock
  - Inventory is to be valued at lower of cost or net realisable value.
  - Net Realisable Value is the value of estimated sales value less cost of completing the goods.
  - Prudence principle is applied.

Accruals & Prepayments

- Accrued Expenses.
  - remains unpaid at the end of the year.
  - some benefit or service has been received during the accounting but amount is yet to be paid.
  - is added to the amount paid in the income statement.
  - balance b/d is on cr. side in the ledger account.
  - current liability in balance sheet.
- Prepaid Expenses.
  - payment is made but some benefit or service will be received in the future.
  - deducted from the amount paid in the income statement.
  - balance b/d on dr. side in the ledger.
  - current asset in balance sheet.

- Bad Debts Recovered.
  - arises when a debtor pays some, or all, of the amount owed, after the amount was written off as a bad debt.
- Reducing the possibility of bad debts.
  - not to sell goods on credit.
  - credit reference may be made before trade credit.
  - set a credit limit.
  - send statement of account promptly.
  - charge interest on overdue accounts.
  - take legal action
  - debt factoring.
- Provision for Doubtful Debts.
  - estimate of the amount which a business will lose because of bad debts.
  - Factors considered :-
    1) monitoring each debtor a/c and estimate which wouldn't be paid.
    2) past experience.
    3) length of time taken to pay the debts.
  - increase in provision = expense.
  - decrease in provision = income.

Bank Reconciliation Statement

- Introduction.
  - A bank statement is a copy of customer's account in the books of the bank.
  - record of transactions as they affect the bank.
  - A positive balance will appear on debit side of Cash book and credit side of bank statement.

- Reducing Balance Method.
  - diminishing balance method.
  - same percentage is applied on the book-value every year.
  - Net Book Value = Cost − Depreciation.
  - Depreciation = Net Book Value × $\frac{\%}{100}$
- Revaluation Method.
  - Assets are valued at the end of each year.
  - The difference between the value at the start of the year and the value at the end of the year is the depreciation for the year.
  - Non-current assets such as loose tools and packing cases.
- Disposal of Non-Current Assets.
  - recorded as a capital receipt.
  - The difference between the sales price and the net book value is recorded as the profit/loss on disposal in the income statement.

Bad Debts & Provision for Doubtful Debts

- Introduction.
  - A bad debt is an amount owing to a business which will not be paid by a debtor.
  - Maybe because the debtor has disappeared, gone out-of-business or unable to pay.

- Narratives.
  - brief explanation of what is being recorded and the entry is being made.
  - anyone who reads it, gets an idea of why is the entry being made.
- Suspense a/c.
  - if trial balance doesn't agree, it is entered as a difference between the two sides.

Control Accounts

- Advantages.
  - can assist in locating errors if trial balance fails to agree.
  - proof of arithmetical accuracy of the ledgers they contain.
  - information of trade receivables and trade payables available immediately.
  - draft financial statements can be prepared.
  - help to reduce fraud.
  - provide a summary of transactions affecting the debtors and creditors.
- Sources of information for SLCA:-
  - sales - sales journal
  - sales returns - sales returns journal.
  - payment from debtors, discount allowed, dis. cheques, refunds — cash book.
  - bad debts, interest, contra - journal

- Reasons Why Balances Differ.
  - Timing differences:-
    1) Cheques not yet presented.
    2) Amounts not yet credited.
  - Items not recorded in Cash book:-
    1) Bank charges and interest.
    2) Dishonoured cheques.
    3) Amount paid directly into bank (by others).
    4) Amount paid directly by the bank.
- Advantages of BRS:-
  - accurate bank balance available.
  - errors in BS and CB are found.
  - Discovering fraud.
  - Amounts not yet credited are identified.
  - Cheques not presented are identified.
  - Any stale cheques can be identified and written back into the bank account.

Journal Entries & Correction of Errors.

- A journal shows:-
  - date of the transaction.
  - account to be debited and ~~name~~ amount.
  - account to be credited and amount.
  - a narrative.
- Items recorded:-
  - Opening entries
  - Purchase and sale of fixed assets.
  - Year-end transactions.
  - Correction of errors.

- Margin.
  - GP ÷ Sales ×100
- Markup
  - GP ÷ Cost of Sales × 100
- Margin $- \frac{0}{1}$ = Markup.

- Rate of Inventory Turnover.
  - number of times a business replaces its stock in a given period of time.
  - $\frac{\text{COS}}{\text{Av. Stock}}$ (Times)

Accounts of Clubs & Societies

- Introduction.
  - non-trading organisations work for the benefit of its members and customers.
  - main source of income is subscriptions.
- ~~Three~~ 4 main accounts.
  - Receipts & Payments a/c.
  - Income & Expenditure a/c.
  - Balance Sheet.
  - Trading a/c of income statements. (shop)
- Replacing terms
  - Sales → Subscription.
  - Profit → Surplus.
  - Loss → Defecit.
  - Cash Book → Reciepts & Payments a/c
  - P&L a/c → Inc. & Exp. a/c.
- Accounts are prepared by a treasurer.

- Sources of information for PLCA:-
  - Purchases – Purchases journal
  - Purchases returns – Purchases returns journal.
  - payment, dis. recieved, refunds – CB.
  - interest, contra – Journal.
- Contra Entry.
  - inter-ledger transfer.
  - if a business is both, a customer and a supplier.
- Reasons for cr. balance on SLCA.
  - advance payment by debtor.
  - discount not deducted.
  - over-charge to debtor.
- Reasons for dr. balance on PLCA.
  - advance payment to creditor.
  - ~~cash~~ discount not deducted.
  - over-charge by creditor.

Incomplete Records

- Statement of Affairs.
  - list of assets and liabilities.
  - prepared without double entry records.
  - used to find opening capital.
- Calculations.
  - Credit Sales = Debtors + Cl. TR – Op. TR
  - Credit Purchases = Creditors + Cl. TP – Cl. TP
  - Bank Balance = Reciepts – Payments.
  - Cl. Capital = Op. Capital + Add. Capital + Profit – Drawings.

- Residual Profit.
  - net profit + int. on draw. - int. on capital - partners' salary.
- Balance on current a/c.
  - credit - amount owed to the partner by the business.
  - debit - amount owed by the partner to the business.

Accounts of Manufacturing Business

- Purpose.
  - to calculate how much it has cost the busines to manufacture the goods produced in the financial year.
- Elements of cost.
  - direct material
  - direct labour
  - direct expenses
  - factory over heads.
- Formulae.
  - Prime Cost = Direct material + labour + expenses.
  - C.O.P = Prime Cost + Factory Overheads.
  - COS = Op. Stock + Purchases + COP - Cl. Stock
- W.I.P.
  - work in progress.
  - goods which are partly completed.
  - excluded from C.O.P.
- Reason for purchasing finished goods.
  - demand exceeds production.
  - cheaper to buy goods rather than make.
  - particular items can not be made by bus.

Partnership Accounts

- Introduction.
  - two or more people work together as owners, sharing profits.
- Advantages.
  - risks can be shared.
  - more ~~risks~~ ideas can be generated.
  - more finance is available.
  - workload can be shared.
- Disadvantages.
  - Profits shared.
  - decisions can be delayed.
  - misunderstandings may occur.
  - all partners are responsible for debts.
- Partnership Agreement.
  - not legally necessary, it is advisable to do so.
  - include: –
    1) capital invested
    2) how profits/losses are to be shared.
    3) interest on capital.
    4) interest on partner's loan.
    5) interest on drawings.
    6) limit on drawings.
    7) salary to partner.
- P&L appropriation a/c.
  - prepared after P&L a/c.
  - shows how net profit is shared.
  - adjustments for interest on drawings, capital, partner's salary.
  - shows residual profit.

- Ordinary Shares. – equity shares.
  1) dividend can only be paid after dividend is paid on preference shares.
  2) dividend is not a fixed amount.
  3) if a company is wound up, they are the last to be repaid.
  4) entitled to vote as shareholders' meetings on the basis of one vote per share.
  5) dividend appears in appropriation a/c.

– Debentures.
- long-term loans.
- fixed rate of interest.
- will be repaid before any share capital.
- not entitled to vote at meetings.

– Retained Profit.
- Net profit – General Reserve – Dividends.

– Interim Dividend.
- paid during the year.
- an appropriation of profit.
- to satisfy shareholders and attract new.

Limited Company Accounts

- Introduction.
  - limited company - legal entity, seperate identity from its shareholders, whose liability for the company's debts is limited upto the amount invested.
- Nature of a Limited Company.
  - capital of comany is divided into units known as shares.
  - profits are distributed among the members in the form of dividends.
- Share Capital
  - authorised - maximum amount of share capital the company is allowed to issue.
  - issued - amount actually required which will be issued to the shareholders.
  - called up - total amount a company has requested from the shareholders.
  - paid up - part of that called up capital for which a company has actually received cash from its shareholders.
- Types of Shares
  - Preference :-
    1) get preference over ordinary shares.
    2) fixed rate of dividend.
    3) dividend should be included in the p&l a/c of the income statement.
    4) if company is wound up, after outside liabilities, preference shareholders are paid before ordinary.
    5) not entitled to vote at shareholders' meetings.

- if low, difficult to expand, attract inv., satisfy stakeholders.
- can improve by, improving GP by ↑ sales have control over expenses.

- GP Ratio.
  - $\frac{GP}{Sales} \times 100$
  - measure profitability and performance.
  - higher the return, more profitable.
  - more trade discount allowed, low sales price, not passing increased cost to customes can lead to low GP ratio.
  - if low, difficult to cover overhead, NP is affected, difficult to attract inv.
  - can be improved by increasing SP, getting cheaper supplies, promotional activities.

- Current Ratio.
  - Current Assets ÷ Current Liabilities.
  - ability to pay off short-term debts, meet day-to-day expenditure.
  - ideal is 1.5:1 to 2:1.
  - more drawings, buying more fixed assets, bank overdraft can lead to low CR.
  - if low, can not meet short-term debts, difficult to get further supplies, can not avail cash discount, affects production, affects smooth functioning of business, business may be forced to shut down by creditors.

Analysis & Interpretation

- Profitability Ratios.
  - Return on Capital Employed.
  - Gross Profit Margin.
  - Net Profit Margin.
- Liquidity Ratios.
  - Current Ratio.
  - Quick / Acid test ratio.
  - Rate of inventory turnover.
  - Collection period of trade recievables.
  - Payment period for trade payables.
- ROCE
  - $\frac{NP}{CE} \times 100$
  - shows profit earned on every $100 invested into the business.
  - higher the return, the more effectively capital is being invested.
  - fall in NP may lead to fall in ROCE.
  - if low, difficult to expand, difficult to attract investors, difficult to satisfy stakeholders.
  - improve NP and control over expenses, may improve ROCE.
- NP Ratio.
  - $\frac{NP}{Sales} \times 100$
  - measure performance and profitability, shows the control over expences.
  - higher the NP ratio, more profitable.
  - Fall in GP, less control over expenses → low.

- Collection Period for Trade Recievables.
  - $\dfrac{\text{Debtors}}{\text{Credit Sales}} \times 365$ (days)
  - measures the average time taken by debtors to pay their accounts.
  - quicker they pay, better it is.
  - may be ~~too~~ very high (bad), if too long credit period allowed, ineffeciency in collecting the amount on or before due date.
  - if high, greater risk of becoming a bad debt, money tied up in debtors.
  - to improve., send statement of accounts regularly, charge interest on overdue accounts, reduce credit period, refuse further supplies until outstanding account cleared.

- additional capital may be introduced, selling surplus fixed assets, obtain long-term loan, reducing drawings can improve.

— Quick / Acid test ratio.

- $\frac{\text{(Current Assets - Inventory)}}{\text{Current Liabilities}}$
- measure of the instant debt paying capacity of the business.
- ideal is 0.75:1 to 1:1.
- >1.1 → high bank balance.
  <0.75 → bank overdraft
- if low, can not meet instant debt, poor management of liquid assets may force the business to shut down.
- to improve, same as CR.

— Rate of Stock Turnover.

- $\frac{\text{COS}}{\text{Average Stock}}$
- calculates no. of times a business sells and replaces its stock.
- if high, indicates improved effeciency.
- lower sales, stock over-purchased, high SP, falling demand, business ineffeciency, poor demand forecast may lead to low RoST.
- low RoST leads to decreased profits, difficult to cover overheads, to sell old stock, money tied up in stock.
- to improve, have clear demand forecast, increase promotional activities, follow stock ~~[illegible]~~ management systems.

Trial Balance

Trader

Trial Balance at dd Month, yyyy

Details	Debit ($)	Credit ($)
Asset	xxx	
Liability		xxx
Expense	xxx	
Income		xxx
Capital		xxx
Drawings	xxx	
Sales		xxx
Purchases	xxx	
	xxx	= xxx

Cash Books

Trader

~~Trader~~

~~Nominal Ledger~~

Cash Book

Date	Details	F	Dis. All.	Cash	Bank	Date	Details	F	Dis. Rec.	Cash	Bank

Trader

Petty Cash Book

Analysis Columns.

Date	Amt. Rec.	Details	Vo.	Amt. Paid				

Journal

Trader
Journal

Date	Details	Debit ($)	Credit ($)
yy	~~~ a/c — Dr.	xxx	
dd/mm	~~~ a/c — Cr.		xxx
	(Narrative - - - -		
	- - - - - -		
	- - - - -)		
		xxx	xxx

Ledger

Trader
Y Ledger
Z a/c

Date	Details	F	$	Date	Details	F	$
yyyy				yyyy			
dd Month	Balance b/d		xxx	dd Month	Income Statement (P&L a/c)		xxx
dd Month	ABC		xxx	dd Month	Balance c/d		xxx
			xxx				xxx
yyyy							
dd Month	Balance b/d		xxx				

Statement of Account

Statement of Acc.				
Date	Reference	Debit($)	Credit($)	Balance($)
	Invoice No. xxx	xxx		xxx
	Credit Note No. xxx		xxx	xxx
				xxx

Final balance, is the amount due.
Discount terms
Interest terms

Receipt

Receipt	Recipt No.
Business Name and Address.	
Received sum of $ xxx from ________ business by Cash/Cheque	
Date Name	Position (cashier, etc.)

Books of Prime Entry

Sales Journal

Business
Sales Journal

Date	Name	Invoice No.	Folio	Amount ($)
	Transfer to sales a/c.			xxx

Business Documents

Invoice

Invoice			Invoice No
Business Name & Address			
To: Business & Address			Date.
Quantity	Description	Unit Price	Amount
			xxx
Terms of Discount			

Debit Note

Debit Note		DB No.
Business & Address		
To: Business & Address		Date
	Price	Amount
		xxx
Please issue Credit Note.		

Credit Note

Credit Note			CN No.
Quantity	Description	Unit Price	Amount
			xxx
Reason for issue of credit note.			

Business

Balance Sheet at . . .

Details	$	$	$
Non-Current Assets			xxx
Current Assets		xxx	
Current Liabilities		(xxx)	
Working Capital			xxx
Net Assets			xxx
Non-Current Liabilities			(xxx)
			xxx
			=
Financed-by-Capital			xxx
Cl. Balance			=

Capital a/c

Date	Details	$	Date	Details	$
	Drawings	xxx		Balance b/d	xxx
	Balance c/d	xxx		Profit	xxx
				Bank	xxx
		xxx			xxx
				Balance b/d	xxx

Depreciation & Disposal

Trader

Nominal Ledger

Prov. for Dep. a/c

Date	Details	$	Date	Details	$
	Balance c/d	xxx		Balance b/d	xxx
				Income Statement	xxx
		xxx			xxx
				Balance b/d	xxx

Sales Returns Journal

Business

Sales Returns Journal

Date	Name	CN No.	Folio	Amount ($)
	Transfer to Sales Returns a/c.			xxx

Financial Statements

Business

Income Statement at dd Month yyyy

Details	$	$	$
Sales			xxx
Op. Inventory		x	
+ Purchases		x	
- Cl. Inventory		x	
Cost of Sales			xxx
Gross Profit.			xxx
- Overhead Expenses			xx
Net Profit.			x

Purchases = Purchases
- Purchases Returns
+ Carraige Inwards.
- Drawing of Goods.

Control Accounts

Trader

Nominal Ledger

Sales Ledger Control a/c

Date	Details	$	Date	Details	$
	Balances b/d			Sales Returns	
	Sales			Cash	
	Bank (Dis. Cheque)			Bank	
	Bank/Cash (Refunds)			Dis. Allowed	
	Interest			Bad Debts	
				Pur. ledger Contra	
				Balance c/d	
		xxx			xxx
	Balance b/d				

Purchases Ledger Control a/c

Date	Details	$	Date	Details	$
	Purchases Returns			Balance b/d	
	Cash			Purchases	
	Bank			Interest	
	Dis. Received				
	Sales Ledger C.				
	Balance c/d				
		xxx			xxx
				Balance b/d	

Trader

Nominal Ledger

Disposal a/c

Date	Details	$	Date	Details	$
	Asset	xxx		Prov. for Dep.	xxx
	(Profit on Disposal	xxx		Bank	xxx
				(Loss on Disposal)	xxx
		xxx			xxx

Bank Reconciliation Statement

Trader

Bank Reconciliation Statement at ....

Details	$	$
Balance on Bank Statement		xxx
+ Amounts not credited		xxx
- Unpresented Cheques		(xxx)
Balance shown in Cashbook		xxx
or else		
Balance shown in Cash book		xxx
- Amounts not credited		(xxx)
+ Unpresented Cheques		xxx
Balance on Bank Statement		xxx

Limited Company Accounts

Company

Profit & Loss Appropriation a/c at.....

Details	$	$
Profit for the year.		xxx
– Transfer to general reserves		(xxx)
		xxx
– Ordinary share Dividend – paid	(xxx)	
– proposed	(xxx)	(xxx)
Retained profit for the year		xxx
Op. Retained Profit		xxx
Cl. Retained Profit		xxx

Statement of Changes in Equity at ....

Details	Share Capital	General Reserve	Retained Earnings	Total
At (Opening date)	xxx	xxx	xxx	xxx
Profit			xxx	= xxx
Dividends			(xxx)	= (xxx)
General Reserve		xxx	= (xxx)	–
At (Closing date)	xxx	xxx	xxx	xxx

Partnership Accounts

Business
Profit & Loss Appropriation a/c at . . . .

~~Debits~~

Details	$	$	$
Net Profit			xxx
+ Int. on Drawing			
Partner		xxx	
Partner		xxx	xxx
			xxx
− Partners' Salary			(xxx)
			xxx
− Int. on Capital			(xxx)
			xxx
Profit Share			=
Partner		xxx	
Partner		xxx	xxx
			=

Partners' Current a/c

Details	$	$	Date	Details	$	$
Balance b/d		xxx		Balance b/d	xxx	
Drawings				Salary		
Int. on Drawings				Int. on Capital		
Balance c/d				Profit Share		
				Balance c/d		
	xxx				xxx	~~xxx~~
Balance b/d				Balance b/d		