

Class: form 1C

Subject: British accounting (IFRS)

Competences: After reading the previous lesson on subsidiary books (sales day book, purchase day book, return inward and outward day book, cash book), students should be able to analyse and treat these exercises from the tutorials below.

Tutorials:

In order for the student to be able to master the procedure of recording into the various accounting journals the following should be greatly considered:

- When recording the first thing to know is which journal is suitable for the transaction concerned, this brings us to talk about the various journals and the transactions to be recorded in them.

❖ The sales journal

It is a financial document in which is recorded **every credit sales of goods** transaction carried out by a company.

❖ The purchase journal

It is also a financial document in which is recorded **every credit purchase of goods** transaction carried out by the company

❖ The return inward journal

It is an extension of the sales journal in which is recorded **every return of goods to the company by a given customer also when the company or the customer discovers that the goods have been over charged.**

❖ The return outward journal

It is equally the extension of the purchase journal in which is recorded **every return of goods to the supplier by the company and also when the company discovers that they have been over charged.**

❖ The cash journal

This is a very unique journal into which we record **every cash, bank, discount transactions** carried out by the company. This journal is unique because its presentation varies depending on the transaction to be recorded that is there exist three types of cash books which are:

- Single column cash book (used when only cash transactions were carried out)
- Double column cash book (used when both cash and banking transactions were carried out)
- Triple column cash book (used when cash, banking and discounting transaction were carried out).

The example below will help us better understand all of what has been said.

Forku PLC was created on the 01st of February 2020 and started her business with a capital of 7500 000 fcfa in cash. During this month the following was realised:

02/02 – sales of goods on credit to Mrs. Tabita for 750 000 fcfa (invoice n° 14)

05/02 – purchase of good by cash from Fendi fashion 2500 000 fcfa (invoice n° 10)

07/02 – payment of salaries by cash 1000 000 fcfa

09/02 – Sales of goods by cash to Mr. Samuel 500 000 fcfa (invoice n° 15)

11/02 – payment of water bill by cash 100 000 fcfa

12/02 – purchase of good from Miwa PLC Limbe 4500 000 fcfa on credit (invoice n° 16m)

18/02 – return of goods by Mrs. Tabita to the company 500 000 fcfa

20/02 – return of goods to Miwa PLC for 1500 000 fcfa

21/02 – the company discovered that the goods they bought from Miwa PLC were over charged by 1000 000 fcfa

Task: present the various journals and ledgers.

SOLUTION

- Here, the first thing to do is to identify each transaction's journal by;

Date	Transaction	Keyword	Observation
01/02	Started business with capital of 7500 000 fcfa by cash	Cash	To be recorded in the cash journal
02/02	Sales of goods on credit to Mrs. Tabita for 750 000 fcfa	Sales on credit	To be recorded in the sales journal
05/02	Purchase of good by cash from Fendi fashion 2500 000 fcfa	Purchase by cash	To be recorded in the cash book
07/02	Payment of salaries by cash 1000 000 fcfa	Salaries paid by cash	To be recorded in the cash book
09/02	Sales of goods by cash to Mr. Samuel 500 000 fcfa	Sales by cash	To be recorded in the cash book
11/02	Payment of water bill by cash 100 000 fcfa	Water bill paid by cash	To be recorded in the cash book
12/02	Purchase of good from Miwa PLC Limbe 4500 000 fcfa on credit	Purchase on credit	To be recorded in the purchase journal
18/02	Return of goods by Mrs. Tabita to the company 500 000 fcfa	Tabita (customer) returns goods	To be recorded in the return inward journal
20/02	Return of goods to Miwa PLC for 1500 000 fcfa	The company returns goods to Miwa PLC (supplier)	To be recorded in the return outward journal
21/02	Miwa PLC over charges the company	Over charging of goods	To be recorded in the return outward journal

- Secondly, we present each of these journals.

Presentation of the sales journal

Date	Customer's name	Invoice number	Folio	Amount
02/02	Mrs. Tabita	14	SL	750 000
29/02	Credit sales of the month	-	GL	750 000

* Where SL is sales ledger and GL is general ledger.

Presentation of the purchase journal

Date	Supplier's name	Invoice number	Folio	Amount
12/02	Miwa PLC	16m	PL	4500 000
29/02	Credit purchase of the month	-	GL	4500 000

* Where PL stands for Purchase ledger

Presentation of the return inward journal

Date	Customer's name	invoice number	Folio	Amount
18/02	Mrs. Tabita	-	SL	500 000
29/02	Returns of the month	-	GL	500 000

Presentation of the return outward journal

Date	Supplier's name	Invoice number	Folio	Amount
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20/02	Miwa PLC	-	PL	1500 000
21/02	Miwa PLC	-	PL	1000 000
29/02	Returns of the month	-	GL	2500 000

Presentation of the single column journal

Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/02	Cash in hand (capital)	GL	7500 000	05/02	Purchase	GL	2500 000
09/02	Sales	GL	1500 000	07/02	Salaries	GL	1000 000
-	-	-	-	11/02	Water bill	GL	100 000
-	-	-	-	29/02	Debit balance	-	5400 000
-	Total	-	9000 000	-	Total	-	9000 000

Thirdly, we present for each account concerned its individual ledger by:

Mrs. Tabita
sales
Miwa PLC
purchase
capital
Salaries
Water bill
Total of seven (7) ledger accounts

<div>←Mrs. Tabita→<table><tr><td>750 000</td><td>500 000</td></tr><tr><td></td><td>250 000 D/B</td></tr><tr><td>750 000</td><td>750 000</td></tr></table></div>	750 000	500 000		250 000 D/B	750 000	750 000	<div>←Sales→<table><tr><td>500 000</td><td>750 000</td></tr><tr><td>C/B 1750 000</td><td>1500 000</td></tr><tr><td>2250 000</td><td>2250 000</td></tr></table></div>	500 000	750 000	C/B 1750 000	1500 000	2250 000	2250 000	<div>←Capital→<table><tr><td></td><td>7500 000</td></tr><tr><td>C/B 7500 000</td><td></td></tr><tr><td>7500 000</td><td>7500 000</td></tr></table></div>		7500 000	C/B 7500 000		7500 000	7500 000
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Where **D/B** stands for debit balance, and **C/B** stands for credit balance

D/B is gotten by **Total debit – Total credit**

C/B is gotten by **Total credit – Total debi**

Below are two exercises for students to treat so as to better understand

Exercise one (1):

For the month of January 2020, the following transactions were carried out by BBS business centre.

- 01/01/2020 the business started with a cash of 700 000frs
- 03/01/2020 sales of goods by cash 300 000frs
- 05/01/2020 payment of rents by cash 250 000frs
- 10/01/2020 payment of salaries by cash 250 000frs
- 17/01/2020 sales of goods by cash 300 000frs
- 23/01/2020 purchase of goods by cash 500 000frs
- 25/01/2020 payment of water bill by cash 100 000frs
- 28/01/2020 payment of taxes 250 000frs by cash

Task: Present the single column cash book and post to the ledger.

Exercise two (2):

For the month of June 2019, SOREPCO PLC realized the following transactions with her clients and suppliers.

01/06 – cash balance brought forward for the month of May 1000 000 fcfa

02/06 – sales of goods to Mr. Tongwa by cash 600 000 fcfa

05/06 – sales of goods on credit to Delta construction for 2000 000 fcfa

07/06 – purchase of good from Shun & Shin PLC in China for 2500 000 fcfa on credit

09/06 – payment of rents for the month of May 950 000 fcfa by cash

12/06 – payment of the salaries of workers 1250 000 fcfa

15/06 – SOREPCO return to Shun & Shin goods worth 1500 000 fcfa

18/06 – Delta construction returns goods to SOREPCO worth 750 000 fcfa

25/06 – purchase of goods of from Pauls & Quinns Metal steel USA for 6000 000 fcfa on credit

Task:

1. Identify the different journals to be used in this exercise
2. Define each journal
3. Identify each transaction's journal
4. Record the above transactions in their respective journals
5. Post these recorded transactions in their various journals