CHAPTER ONE

BOOKKEEPING AND ACCOUNTING

1.1 Introduction

This section exposes trainees to the concept of bookkeeping and accounting. Thus, trainees are expected to demonstrate ability to explain Bookkeeping and Accounting for business undertaking.

1.2 Objectives

By the end of this section trainees should be able to;

a) Define bookkeeping and accounting
b) Explain the objectives of bookkeeping and accounting
c) Difference between bookkeeping and accounting
d) Identify internal and external users of financial accounting information
e) Identify branches of accounting
f) Identify the function of bookkeeping and accounting

1.3 Definition of accounting and bookkeeping

There are many definitions of accounting and bookkeeping by a number of professional bodies and authors. They all however, revolve around the activities of generating and providing accounting information to users so that they can make informed decisions.

1.3.1 Definition of Accounting

Accounting is defined as an "art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof."

This definition captures the various aspects that make-up the accounting process as follows:

i. Recording of transactions and events in books of original entry.

ii. Classifying transactions through the process of posting from the books of original entry to the different accounts in the ledger.

iii. Summarizing the results periodically in financial reports.

iv. Interpreting the results of the business operation through the analysis of financial statements.

1.3.2 Definition of Bookkeeping

Bookkeeping is an art of recording transactions in a set of books in terms of money or money's worth. It involves the process of analyzing, classifying and recording transaction in accordance with preconceived plan. Book- keeping is the art of recording business transactions in a systematic manner. Bookkeeping is both science and art of correctly recording in books of account all those business transactions that result in the transfer of money or money's worth"

Therefore, the part of accounting that is concerned with recording data is often known as bookkeeping.

	Self-reflection Define bookkeeping and accounting

1.4 Objectives and advantages of accounting and bookkeeping

1.4.1 Objectives of accounting

Accounting has many objectives; including letting people and organizations know: if they are making a profit or a loss; what their business is worth; what a transaction was worth to them; how much cash they have; how wealthy they are; how much they are owed; how much they owe to someone else; enough information so that they can keep a financial check on the things they do.

Accounting is concerned with: recording data; classifying and summarizing data; and Communicating what has been learned from the data.

	Group discussion Explain the objectives of bookkeeping and accounting

1.4.2 Advantages of bookkeeping

Bookkeeping has the following advantages

i. A permanent record of all transactions can be made, replacing the memory which fail to remember every thing
ii. The net result (profit or loss) of business can be correctly ascertained
iii. True and correct financial position (assets and liabilities) can be known at any time. This helps in the sale or purchase of the business; and also it is useful in the insolvency position of a firm.
iv. Planning, reviewing, revising, controlling, and decision making functions of management are well aided by book-keeping records and reports.
v. Claims against and for the firm in relation to outsiders can be confirmed and established by producing the records as evidence in the court
vi. Tax liability can be calculated with the help of records
vii. Control over the use of business property by its employees can be very effectively exercised through records

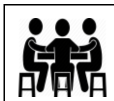
1.5 Difference between bookkeeping and Accounting

Bookkeeping is an activity within the broader activities of accounting. It is mainly concerned with the recording of routine business transactions on a day to day basis. It is the record keeping part of accounting and through this activity a business is able to determine the results of its operations. The nature of a bookkeeper's work is clerical and may now be done using electronic equipment. A bookkeeper may be responsible for keeping all or some of the records of a firm.

Accounting on the other hand, is concerned not only with the recording function but also with other activities including the designing of the accounting system itself. Accountants are responsible for preparation of financial reports and statements, as well as in the analysis and interpretation of the reports. Accountants usually supervise the work of bookkeepers, and are expected to have acquired a level of training and qualification commensurate to this position.

The difference between book-keeping and accounting can be summarized in a tabular from as under:

Basis of difference	Book-keeping	Accounting
Transactions	Recording of transactions in books of original entry	To examine these recorded transactions in order to find out their accuracy
Posting	To make posting in ledger	To examine this posting in order to ascertain its accuracy
Total and Balance	To make total of the amount in journal and accounts of ledger. To ascertain balance in all the accounts	To prepare trial balance with the help of balances of ledger accounts
Income Statement and Balance Sheet	Preparation of trading, Profit & loss account and balance sheet is not bookkeeping	Preparation of trading, profits and loss account and balance sheet is included in it
Rectification of Errors	These are not included in book-keeping	These are included in Accounting
Special skill and knowledge	It does not require any special skill and knowledge as in advanced countries this work is done by machines	It requires special skill and knowledge
Liability	A book-keeper is not liable for accountancy work.	An accountant is liable for the work of bookkeeper



Group discussion
Explain the differences between bookkeeping and accounting

1.6 Users of Accounting information

Users of accounting information are the various parties who need accounting information in order to make decisions, which are then communicated to others. It is for this reason that accounting is often described as the "language of business" because it is the medium of communication between the various parties interested in operational and financial activities of a business.

1.6.1. Description of information interests of Users of Accounting Information

This subsection presents different groups of users of accounting information and a description of information interests for each user.

1.6.1.1 Owners/Shareholders

This group's interest in accounting information lies in the fact that, it is their money which is invested in the firm. They would like to ensure that they are getting a good return on their investment. This is assessed by how much profit the firm is making and whether their investment is increasing in value. For shareholders in companies this means they will get good dividends and the market value of their shares will increase and they can make capital gains if these were sold.

1.6.1.2 Management

Boards of Directors and Managers use accounting information for making internal decisions and in planning business operations. They are responsible to the owners/shareholders in carrying out policies and directives, and in running the business efficiently and effectively.

1.6.1.3 Financial Institutions

This group is interested not only in the firm's profitability but also in its ability to repay loans. They rely on the financial reports as the basis of assessing the firm's liquidity position and the firm's long term likelihood of survival.

1.6.1.4 Employees

They are part of the organization and feel that their efforts contribute to a firm's profits. Accounting information will be their basis for claiming bonus and salary increases. A stable financial position of the firm also gives an indication of job security.

1.6.1.5 Suppliers

Suppliers usually extend credit to the firm for goods supplied and they want to be assured of timely payments of accounts due. Their interest in accounting information will be similar to that of the banks and loan companies, that is, has the firm sufficient funds to pay its maturing obligations?

1.6.1.6 Customers

The regular customers of the firm usually rely on it for steady supply of their merchandise for re-sale or of raw materials in case of manufacturing firms. Therefore, they are interested to know if the firm is able to continue its operations on a long-term basis and is capable of meeting its customers' demand for goods.

1.6.1.7 Prospective Investors

These are interested in a firm's profitability and potential for growth. Prospective investors rely on accounting information in making their investment decisions. In giving advice to prospective and existing investors, analysts also make use of accounting information.

1.6.1.8 Government

Various government ministries and departments have interest in firms' accounting reports as the basis for taxation, enactment of laws for the industry and provision of social services to the public. The government may also want to ensure that the firm complies with laws on for example, wage payments and employee benefits.

Group Discussion

Explain why each of the following groups would be interested in the published financial statements of a company:

(i) Shareholders

(ii) Lenders

(iii) Customers

(iv) Suppliers

(v) Financial analysts and advisers

1.6.2 Internal and External Users of Accounting Information

Users of accounting information fall into two broad categories; internal users and external users. External users are those who are external to the day to day operations of the business. Internal users are, on the other hand, those involved in the day to day operations of a business. Bankers, Investors and Suppliers are examples of external users while managers of an entity at all levels are internal users.

External users obtain accounting information on a business through published financial statements. The principal published financial statements are:

a) Statement of Profit or Loss and other comprehensive income which shows whether the business is earning profits or sustaining losses.

b) Statement of financial position which shows the value of assets owned by the business, and how the assets have been financed through debts and owner's equity.

c) Cash Flow Statement which shows the changes that have taken place in the cash position of the firm, in terms of how cash has been generated and how it has been utilised during the accounting period.

Internal users receive information in excess to what is contained in published financial reports. Examples of these are reports on productivity levels, labour turnover, spoilage and damages, etc.

Group Discussion
Identify the users of accounting information and categorize the user as internal or external

1.7 Branches of Accounting

The accounting discipline has evolved specializations along the information needs of external and internal users. The branch of accounting that focuses on information needs of internal users is known as Management Accounting while the branch that focuses on providing information to external users is known as Financial Accounting.

Reflection/Exercise

Differentiate financial accounting from management accounting

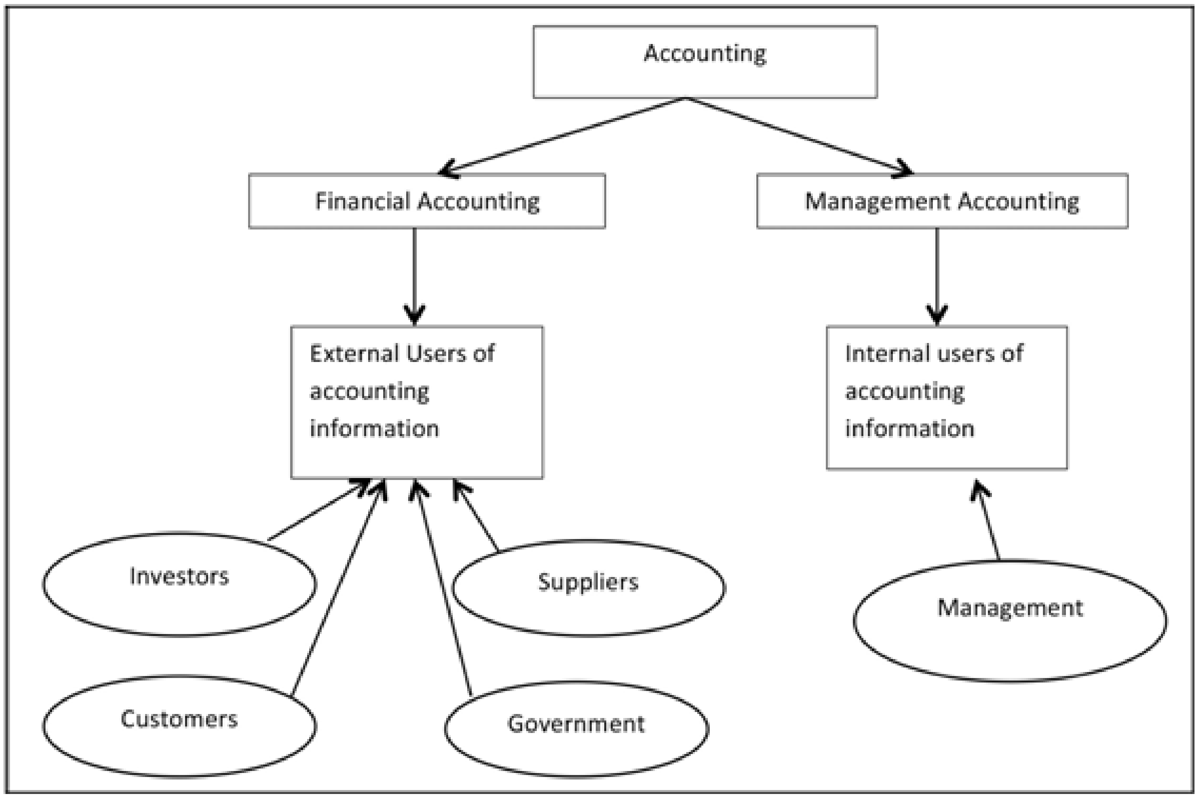


Figure 1: Branches of Accounting

1.8 Functions of bookkeeping and accounting

1.8.1 Functions of Bookkeeping

The function bookkeeping involves Collecting and producing source documents; Recording all Transactions in the Journal; Classifying the accounts as debit and credit and posting them in relevant ledgers; Maintaining journals, ledgers, subsidiary books; Balancing all the Ledger accounts to ensure accuracy of accounts; Record and Classify accounts as Asset, Liability, Expenses, Incomes, Equity; and Complete the Accounting for Payroll

1.8.2 Functions of Accounting

Accounting performs so many functions in the favor of an organization such as systematic tracking, storing, recording, analyzing, summarizing, and reporting of the financial transactions that take place in the company. With the help of these functions, the company can easily maintain a fiscal history which is useful for the company during the procedure of auditing. The fiscal history can also be helpful in preparing reports, creating a budget, reducing costs, increasing profits, availing growth opportunities, assessing future expenditure needs, making financial assumptions, providing necessary information to the users of financial statements, etc.

	**Group Discussion** Brainstorm and discuss the function of bookkeeping and accounting

CHAPTER TWO

ACCOUNTING CONCEPTS, PRINCIPLES AND CONVENTIONS FOR BUSINESS ACCOUNTING PRACTICES

2.1 Introduction

This section is intended to expose the trainee to the accounting concepts, principles and conventions for business accounting practices. Trainees are expected to demonstrate ability to explain accounting concepts, principles and conventions for business accounting practices

2.2 Objectives

By the end of this section trainees should be able to;

a) Identify accounting concepts, principle and conventions

b) Explain accounting concepts, principles and conventions

c) Explain the elements of accounting equation

2.3 Basic Accounting Principles

Generally, a principle is a fundamental truth that is always accepted. However in accounting, principles relate to an accepted guidance or method. Various parties are interested in the financial statements of the organisation. If there is no uniformity in the principles followed by different organisations in preparation of financial statements, nobody will be in a position to interpret the financial statements and draw any conclusions. To overcome this difficulty, certain standard principles for preparation of financial statements are given. In accounting terminology we use the words "International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Practices (GAAP)" instead of 'Principles'.

Since there are many users of accounting information and their interests are not exactly similar, it is important that information they are provided with is uniform and contains figures all can generally agree on. Furthermore, as these users look at information from different businesses and over different periods of time, they need some assurance that information provided is, within reason, accurate and comparable. This can be achieved only if financial statements are prepared using similar approaches across businesses and over time.

For this purpose, some basic ground rules, more commonly known as **accounting principles**, have been developed. Financial statements are prepared on the assumption that these rules have been complied with.

2.4. Accounting concepts and conventions

Accounting concepts define the assumptions on the basis of which financial statements of a business entity are prepared. Concepts are those basic assumptions and condition which form the basis upon which the accountancy has been laid. A student should be able to explain accounting concepts such as business entity concept, money measurement concept, going concern concept, accounting period concept, accounting cost concept, dual aspect concept, matching concept, realization concept, and accrual concept.

	Class Activity Identify accounting concepts and explain each concepts

An accounting convention refers to common practices which are universally followed in recording and presenting accounting information of the business entity. Conventions denote customs or traditions or usages which are in use since long. To be clear, these are nothing but unwritten laws. The accountants have to adopt the usage or customs, which are used as a guide in the preparation of accounting reports and statements. These conventions are also known as doctrine. A student should be able to explain the convention of consistency, Full Disclosure, Materiality, and Conservatism

	Class Activity Identify accounting conventions and explain each convention

The important basic accounting principles are explained in the following sub sections.

2.4.1 Business entity

This concept states that the business exists separately and distinct from its owners. Its books of accounts and records should reflect only those transactions which pertain to the firm and should not include personal transactions and activities of the owner. If the owner buys a new pair of dress shoes it is incorrect to record this in a firm's books of account as a business expense.

2.4.2 Going concern

The business is assumed to continue in its operations indefinitely unless there is evidence which indicates otherwise. In this context, the business should continue to value all its fixed assets at original cost as it is not foreseen that they will be sold.

2.4.3 Accrual

Revenue should be recognized when earned rather than when cash is collected, and expenses should be recognized when goods and services are consumed regardless of when they are paid for.

2.4.4 Matching Concept

In determining profit or loss at all times, revenues should be matched against expenses incurred in the process of generating that revenue in the same period. It is necessary to recognize all the revenue/income earned during a period regardless of when money is received. In the same way, all expenses incurred by the business should be included regardless of when money is paid for them. It is evident that the accrual and matching principles are closely connected.

2.4.5 Prudence

The business is encouraged to take a conservative approach in reporting its affairs. If the accountant is faced with a choice of approaches and estimates which are all acceptable to use in the financial statements he should take a pessimistic rather than an optimistic approach. This is also known as the conservatism principle. A conservative view tends to underestimate rather than overestimate assets, revenues and profits; while it overestimates rather than underestimates liabilities, expenses and losses.

2.4.6 Cost

Assets of a business must be recorded at their original cost. Cost is determined through an arms-length transaction with an independent supplier and in most cases this is the most objective figure to use as long as the going concern assumption holds.

2.4.7 Unit of measure

This concept is also known as the money measurement concept and states a position that accounting is more concerned with activities capable of being measured in monetary terms. Therefore, money is used as a unit of measure in recording and reporting all transactions of the business. Events and attributes that cannot be reliably measured in monetary terms are therefore, not a major concern of accounting. Also inherent in this concept is the assumption that currency will remain stable in value.

Self-reflection
Think of events that cannot be reliably measured in monetary terms

2.4.8 Accounting Period

Although a business is assumed to continue to exist indefinitely, its life can be broken into periods of time, usually twelve months, during which results can be measured. The significance of this concept is that users do not have to wait until cessation of business to determine profit or loss.

2.4.9 Convention of Consistency

The convention of consistency means that same accounting principles should be used for preparing financial statements year after year. A meaningful conclusion can be drawn from financial statements of the same enterprise when there is comparison between them over a period of time. But this can be possible only when accounting policies and practices followed by the enterprise are uniform and consistent over a period of time. If different accounting procedures and practices are used for preparing financial statements of different years, then the result will not be comparable.

Therefore, When there are alternative accounting methods or policies which a business may use, it is important that whichever method or policy is adopted it is used consistently from one accounting period to another, as well as within one accounting period. If for some good reason the method has to be changed, this should be clearly stated so that users are aware of the reason and impact of the change.

2.4.10 Convention of full disclosure

Convention of full disclosure requires that all material and relevant facts concerning financial statements should be fully disclosed. Full disclosure means that there should be full, fair and adequate disclosure of accounting information. Adequate means sufficient set of information to be disclosed. Fair indicates an equitable treatment of users. Full refers to complete and detailed presentation of information. Thus, the convention of full disclosure suggests that every financial statement should fully disclose all relevant information. Let us relate it to the business.

The business provides financial information to all interested parties like investors, lenders, creditors, shareholders etc. The shareholder would like to know profitability of the firm while the creditor would like to know the solvency of the business. In the same way, other parties would be interested in the financial information according to their requirements. This is possible if financial statement discloses all relevant information in full, fair and adequate manner.

2.4.11 Convention of Materiality

The convention of materiality states that, to make financial statements meaningful, only material fact i.e. important and relevant information should be supplied to the users of accounting information. The question that arises here is “what is a material fact?”. The materiality of a fact depends on its nature and the amount involved. Material fact means the information of which will influence the decision of its user.

Therefore, only significant items should be considered when preparing financial statements. These are items whose omission or non-disclosure will result in a distorted view of the financial statements and will mislead the users of these financial statements. Items may be considered significant in amount or importance depending on the nature and size of the firm.

Self-reflection
Think of an organization in your location and use it to explain the concept of materiality.

2.4.12 Convention of conservatism

This convention is based on the principle that “Anticipate no profit, but provide for all possible losses”. It provides guidance for recording transactions in the books of accounts. It is based on the policy of playing safe in regard to showing profit. The main objective of this convention is to show minimum profit. Profit should not be overstated. If profit shows more than actual, it may lead to distribution of dividend out of capital. This is not a fair policy and it will lead to the reduction in the capital of the enterprise.

Thus, this convention clearly states that profit should not be recorded until it is realised. But if the business anticipates any loss in the near future provision should be made in the books of accounts for the same.

	Assessment The trainer should rate trainee's mastery of the learning tasks by rating trainees' competencies on application of accounting concepts, principles and conventions

2.5 Transaction

2.5.1 Meaning of Transaction

Transaction is the movement of money, goods or services from one party (person) to another. Transaction may also be defined as the movement of money or money's worth from one person to another. Money's worth means a good or service whose value meets or exceeds the amount of money paid for it.

A business transaction is an exchange of money, goods and services. It involves exchange of values or benefits between two persons. An exchange means '*giving'* and *'receiving'* of equal values. Thus every transaction has these two aspects –the *'giving aspect'* and the *receiving aspect'*.

The double entry system requires the recording of both these aspects of each transaction. Each aspect of a transaction is an accounting element (because that is to be recorded). For recording each aspect in the account books, an account is opened in the name of each accounting element or the aspect.

The following three important points must be kept in mind about transaction:

i) There must be two parties to a transaction;

ii) It is an exchange (or single transfer) of money or money's worth or its equivalent, i.e., goods, services, debts, etc,; and

iii) It means giving of (or agreeing to give) some benefit by one party and on the other hand, receiving (or agreeing to receive) equal benefit by other party

What is to be recorded is the money value of what is received and what is given.

Generally, in a transaction, there are transfers or exchanges of:

a) Goods or Articles, resulting in receiving or giving goods. For example Plant, machinery, land, building, furniture, stock of goods, motor van, cash, investments, etc., and

b) Services, resulting in expenses where services are received and incomes where services are given. For example Rent, carriage, Freight, lighting, heating, wages, salaries, advertising, warehouse charges, interest on loan, etc., and incomes from commission, bank interest, dividend, rent of building let out, etc.

For recording each type of the goods and each expense and income, a separate account is to be opened in the books.

Exchange transaction: where receiving and giving take place simultaneously. It may be Exchange of goods for cash; Exchange of cash for goods; Exchange of goods for goods; Exchange of cash and goods for goods; Exchange of cash for services; and Exchange of services for cash

	Class Activity Provide examples of transactions which fall into the category of exchange of cash for goods; exchange of goods for goods; exchange of cash and goods for goods; exchange of cash for services; and exchange of services for cash

Transfer transactions are transactions where *receiving* and *giving* do not take place simultaneously. Either only receiving is there, for which there is no giving now but it is postponed. Therefore, it requires the ‘noting’ or recording of the name of ‘person’ who is the giver so that to him ‘giving’ can be made on future date.

Similarly, there may be only ‘giving’, and the corresponding receiving is postponed. Therefore, the name of the ‘person’ –receiver- must be noted so that the receiving aspect of the exchange can be made on a future date. Transfer transaction consists of Transfer of goods; Transfer of service; and Transfer of cash

	Class Activity Provide examples of transactions fall in the category of transfer of goods; transfer of service; and transfer of cash.

2.6 Data Source

2.6.1 Meaning of Data Source

A data source is evidence that proves the occurrence of a transaction or event. In accounting, all transactions or events are recorded on the basis of a data source.

The source documents of the various transactions of an entity can be categorised as follows.

Transaction	**Source document**
Purchases of goods	Supplier's invoice
Sales of goods	Entity's sales invoice
Returns of purchased goods	Debit note raised by the entity and credit note issued by the seller accepting the return
Returns of sold goods	Debit note raised by the customer and Credit note raised by the entity accepting the return
Provision of services	Entity's sales invoice
Purchases of assets	Supplier's invoice
Sales of assets	Entity's sales invoice
Cash receipts	Receipts issued by the entity for cash sales
Cash payments	Remittance advice accompanying the actual cash
Cheque payments	Remittance advice accompanying the actual cheque
Cheque receipts	Receipts issued by the entity

For each and every transaction of an entity, there has to be some kind of proof or data source. This is the first step in the accounting process i.e. identifying transactions

In accounting, all transactions are recorded on the basis of some data source, which gives evidence of the occurrence of transactions. Source documents are insisted on by auditors while reviewing the accounts. They must be retained by the company and properly filed for future reference.

2.6.2 Types of data Sources

There are internal, external and oral data sources.

Internal data source: this is a data source which is generated internally by the entity. For example: when your entity sells goods on credit, a sales invoice will be issued by your entity to its customers. This is a data source internally generated by your entity.

External data source: this is a data source which is generated by another entity. For example; your entity purchased goods on credit from another entity. The other entity will issue an invoice. This invoice is an external data source for your entity.

Oral data source: this data source is obtained through verbal communication, but it has to be confirmed in writing at a later date. For example, the board of directors has proposed a dividend of 20% to its shareholders. The proposal at the meeting is an oral data source. However it has to be converted into minutes.

2.6.4 Different types of business documentation

2.6.4.1. Quotation

A quotation contains terms and descriptions about the seller's willingness to sell goods and on what terms. A quotation usually contains the following details

(a) Description of goods

(b) Price including discounts and other benefits

(c) Delivery schedule

(d) Period of validity

For example: John' business is interested in buying Office Furniture from J&S Ltd. It has asked the marketing manager of J&S Ltd for a quotation. The manager has replied with a detailed description including the price of the furniture, the payment schedule, the delivery schedule etc.

The sample of the Proforma Quotation is shown in Figure 1

J&S LTD

P.O. Box 750,
Dar es Salaam.
1/12/2022

Profoma Quotation No.1001

To: John Enterprises
P.O. Box 705, Dar es Salaam

S/N	Descriptions	Quantity	Per unit (in TZS.)	Total (in TZS.)
1	Office Chairs	3	50,000.00	150,000.00
2	Office Tables	2	100,000.00	200,000.00
3	Card board	1	150,000.00	150,000.00
	Total			**500,000.00**

Terms and Conditions
50% advance on confirmation of the order
Final payment on delivery
Delivery-First consignment will be sent within 15 days of confirming the order
2nd and final consignment will be sent 20 days after delivery of 1st consignment
Freight, transport and insurance to be borne by the buyer
Prices will include taxes as applicable
Authorised signatory
For J & S Ltd
Marketing manager

Figure 2: Proforma Quotation

	Take note(s) A quotation only gives the potential buyer a fair idea of the cost of purchasing a product / service. It cannot be used as documentation to indicate the sale transaction.

2.6.4. 2 Purchase order

When a company wants to purchase items, it sends a request to the supplier to supply the goods. The request sent by the buyer to the seller to supply goods to the buyer is known as a ‘purchase order’. A purchase order confirms the order and contains complete information about it e.g.

(a) Name and address of the buyer

(b) Quantity and description of goods needed

(c) Price offered

(d) Delivery schedule

(e) Place of delivery

(f) Other terms and conditions

2.6.4. 3 Sales order book

Sometimes when a buyer finds goods in the seller's premises, he books an order in the sales order book maintained by the seller.

2.6.4.4 Goods received note (GRN)

When the purchased goods are received, the receiver of the goods prepares a note for receipt of the goods. This note is called a 'goods received note' and it contains the following information

(a) Information about the supplier

(b) Date of receipt of goods

(c) Quantity and description of goods

The GRN is generally prepared by the goods inwards department

2.6.4.5 Goods despatched note (GDN)

When the sold goods leave the seller's place, the sender prepares a note for the despatch of the goods. This note is called a 'goods despatched note'. It contains the following information

(a) Date of despatch of goods

(b) Buyer's name and address

(c) Quantity and description of goods

The GDN is generally prepared by the goods outwards department

2.6.4.6 Invoice

After supplying the goods, the seller sends an invoice to the buyer. An invoice is the final proof that the goods have been sold i.e. it conveys the ownership of the goods from the seller to the buyer.

An invoice contains the following information.

(a) Name of the seller

(b) Address of the seller

(c) Date of transaction

(d) Serial number of the invoice (invoices are pre-numbered documents, to ensure that they do not go missing)

(e) Description of the goods

(f) Name and address of the buyer

(g) Amount involved in the transaction

(h) Date due for payment

Invoices are raised (typed) by the seller on the seller's letter-headed stationery. Within the business they will be termed 'sales invoice', consequently, when the same document is received by the customer / purchaser, it will be referred to as a 'purchase invoice'.

For example; John enterprises bought goods worth TZS. 2,000,000 on credit from PLM Ltd. Since PLM Ltd is the seller, then, PLM Ltd raised an invoice which is shown in Figure 2. PLM term it as sales invoice. The same invoice was received by John enterprises. John enterprises term it as a purchases invoice

PLM LTD

P.O. Box 700,
Dar es Salaam.
7/12/2022

Invoice No.605

To: John Enterprises
P.O. Box 705, Dar es Salaam

S/N	Descriptions	Quantity	Per unit (in TZS.)	Total (in TZS.)
1	Cooking Oil	4	50,000.00	200,000.00
2	Sugar	6	50,000.00	300,000.00
3	Maize Flour	15	100,000.00	1,500,000.00
				2,000,000.00

Terms

5% cash discount if paid within one month

For PLM Ltd
Authorised signature

Figure 3: Invoice

2.6.4. 7. Statement of account

A statement of account consists of the details of all the transactions between two parties that are outstanding on the statement date. In addition, the statement can also show payments received and the sales invoices they were allocated against. A statement acts as a confirmation in accounting of all the transactions outstanding.

2.6.4.8 Credit note

A credit note is a document used to adjust or rectify the discrepancies made in a sales invoice, and to account for the goods that are returned. A credit note is raised by the seller when he has overcharged the customer. It is generally printed in red to highlight the fact that it is a credit note and not an invoice. A credit note informs the party that its account has been credited due to the given reason.

For example: John Enterprises returned goods worth TZS. 500,000/= to PLM Ltd. Credit note for this transaction is shown in Figure 3.

PLM LTD

P.O. Box 700,
Dar es Salaam.
8/12/2022

Credit Note No.101

To: John Enterprises
P.O. Box 705, Dar es Salaam

You are hereby informed that we have credited your account with TZS. 500,000/= only for the goods returned by you to us as under

No. & /date of Invoice	Descriptions	Quantity	Per unit (in TZS.)	Total (in TZS.)
Invoice no. 605 dated 07/12/2022	Cooking Oil	3	50,000.00	150,000.00
	Sugar	1	50,000.00	50,000.00
	Maize Flour	3	100,000.00	300,000.00
				500,000.00

For PLM Ltd
Authorised signature

Figure 4. Credit Note

9. Debit note

A debit note is a document used by the purchaser to adjust or rectify errors made in a sales invoice. A debit note informs the party that its account has been debited due to a certain reason mentioned in the debit note.

Take note(s)

In reality, businesses rarely raise debit notes. It is more usual to contact the supplier and agree with him that a credit note should be issued. This is good practice, as the same party will raise both the invoice and the correction. This source document will then be processed by the customer, thereby creating the debit note entries in their accounts.

Let us take the same example of John enterprises returning goods worth TZS. 500,000/= to PLM Ltd. Then, John enterprises issued a debit note which is shown in Figure 4.

JOHN ENTERPRISES

P.O. Box 705,
Dar es Salaam.
8/12/2022

Debit Note No.201

To: PLM Ltd
P.O. Box 700, Dar es Salaam

You are hereby informed that we have debited your account with TZS. 500,000/= only for the goods returned by us to you as under

No. & /date of Invoice	Descriptions	Quantity	Per unit (in TZS.)	Total (in TZS.)
Invoice no. 605 dated 07/12/2022	Cooking Oil	3	50,000.00	150,000.00
	Sugar	1	50,000.00	50,000.00
	Maize Flour	3	100,000.00	300,000.00
				500,000.00

For John Enterprises

Authorised signature

Figure 5. Debit Note

2.6.4.10. Remittance advice

A remittance advice accompanies a payment and contains the following information

a) Amount of payment

b) Cheque number, name of the bank etc. if payment is made by cheque

c) Details of payment Invoice for which the payment is being made e.g. Date and amount of invoice

2.6.4.11 Receipt

A receipt is a document issued by the receiver of money to the payer in acknowledgement of the payment.

A receipt would usually contain the following information

(a) Date

(b) Amount received

(c) Signature of the receiver

(d) Name of the company

(e) Details of payment e.g. cheque number, invoice reference etc

A receipt must always be obtained if a cash payment is made, as this will be your only proof of payment.

	Take Home/Class Assignment Prepare appropriate source documents for each transaction provided in Appendix II

	Assessment The trainer should rate trainee's mastery of the learning tasks by rating trainees' competencies on preparation of source documents

2.7 The Accounting Equation

2.7.1 Meaning of Accounting Equation

The accounting equation represents the relationship between the assets, liabilities and capital of a business and it is fundamental to the application of double entry bookkeeping where every transaction has a dual effect on the financial statements.

In its simplest form, the accounting equation states that Total Assets equal Total Capital. **Total capital** is made up all funds which finance all resources or assets of a business. Total assets of a business are financed by the owner who injects capital. Often, the owner is unable to finance all activities of a business single-handedly, particularly for large businesses. Some other parties who do not have ownership interest also finance activities of a business by extending credit and loans. These are known as **liabilities**. When, people other than the owner have supplied some of the assets, the name given to the amounts owing to these people for these assets is **Liabilities.** Total capital therefore, consists of liabilities and owner's equity.

2.7.2 Elements of Accounting Equation

The elements of the accounting equation are assets, liabilities, and shareholders' equity. The amount of the resources supplied by the owner is known as capital. Capital is often called the owner’s equity or net worth. The actual resources that are then in the business are called assets. Assets are resources of value the firm utilizes in conducting business. Two common distinctions are made between Noncurrent assets and Current assets.

Noncurrent assets are those resources acquired by the business not for the intention of re-selling but are kept in the business. Usually they retain their form, have long lives and cost substantial amounts of money. Therefore, Noncurrent assets are assets which have a long life bought with the intention to use them in the business and not with the intention to simply resell them.

	Self-reflection Select an organization of your choice and Outline non current assets that are likely to be acquired by such an organization

Current assets are those resources acquired by the business and which change from one form to another within an accounting cycle as a result of business activities. Stocks in the stores are converted into Debtors when they are sold on credit. Debtors are then converted into Cash when outstanding amounts are settled. Cash can then be converted into Stocks again. Stocks, Debtors and Cash are therefore, examples of current assets.

Current assets are assets consisting of cash, goods for resale or items having a short life. For example, the value of stock in hand goes up and down as it is bought and sold. Similarly, the amount of money owing to us by debtors will change quickly, as we sell more to them on credit and they pay their debts. The amount of money in the bank will also change as we receive and pay out money.

Class Activity

Explain the difference between non current assets and current assets

Liabilities are what other individuals and firms have temporarily contributed towards financing assets of the firm and amounts that are owing to parties external to the firm. These are distinguished between current and long term liabilities.

Current liabilities are those obligations which have to be repaid within one accounting cycle, usually 12 months. Current liabilities are those liabilities which have to be paid within no more than a year from the date on the balance sheet, e.g. creditors for goods bought. Examples of current liabilities are Trade Creditors, Unpaid electricity bills, Bank overdrafts, etc.

Long-term liabilities are those obligations which do not have to be met within one accounting cycle. These extend over twelve months. Examples of long term liabilities are Bank loans extending over one year, long term lease financing obligations, etc.

The accounting equation can at this stage be expressed as:

Assets = Liabilities + Owner's Equity

Take note(s)

Assets = Capital + Liabilities

Resources: what they are = Resources: who supplied them

(Assets) (Capital + Liabilities)

2.7.3 The Effect of Transaction on Assets, Capital and Liabilities

Every transaction affects two items in the accounting equation. Using the accounting equation, the dual aspects or compensating effects of every transaction may be summarized as follow:

(a) An *increase* in an a*sset* will result in:

an increase in a liability or

an increase in owner's equity or

a decrease in another asset.

(b) a *decrease* in an *asset* will result in:

a decrease in a liability or

a decrease in owner's equity or

an increase in another asset

(c) An *increase* in *liability* will result in:

an increase in an asset or

a decrease in owner's equity or

a decrease in another liability

(d) a *decrease* in a *liability* will result in:

a decrease in an asset or

an increase in owner's equity or

an increase in another liability.

(e) an *increase* in *owner's equity* will result in:

an increase in an asset or

a decrease in a liability or

a decrease in another form of owner's equity

(f) a *decrease* in *owner's equity* will result in:

a decrease in an asset or

an increase in liability or

an increase in another form of owner's equity

It can be observed from the above summary that to maintain the equality of the accounting equation: Assets = Liabilities + Owner's equity; an increase on one side of the equation will have the corresponding effect of either:

(i) an increase on the other side or

(ii) a decrease on the same side.

In the same way a decrease on one side of the equation will have the corresponding effect of either:

(i) a decrease on the other side or

(ii) an increase on the same side.

	Take note(s) Owner's Equity is increased by additional capital contributions and profits. A profit is the excess of revenues over expenses. Owner's equity is decreased by capital withdrawals and losses. Losses occur when revenues are unable to cover expenses. The expanded accounting equation can be shown as follows: Assets = Liabilities + Owner's Equity + (Revenues - Expenses)

	Self-reflection Write the extended form of accounting equation which comprises of five elements

	Class Assignment You are provided with transactions in Appendix II related to John’s Business for December, 2022. Identify the effect of each transaction on accounting equation

	Assessment The trainer should rate trainee’s mastery of the learning tasks by rating trainees’ competencies on preparation of source documents

CHAPTER THREE

DOUBLE ENTRY RULE IN ACCOUNTING CONTEXT

3.1 Introduction

This section exposes trainees to Double Entry rule for accounting context. Thus, trainees are expected to use double entry rules to record financial transactions.

3.2 Objectives

By the end of this section trainees should be able to;

a) Define double entry bookkeeping
b) Use double entry rules to record financial transactions
c) Explain the effect of double entry system in accounting equation

3.3 Transactions Analysis

A typical business engages in numerous activities and transactions each day. Some of these are financial in nature and are eventually classified as accounting data. The main objective of the accounting process is to sort out these accounting data by recording and classifying them. Transaction analysis shows how a transaction affects the specific elements of the accounting equation.

An accounting transaction is primarily an exchange in value. Therefore, it may be expected that it will result in either an increase or decrease in the items affected. For example, when furniture is bought for cash the two items affected are cash and furniture. Cash is given out which results in a decrease in this asset and at the same time a piece of furniture is received which results in an increase in this asset. Both cash and furniture are assets. Therefore, this particular transaction shows that an increase in one class of asset (furniture) results in a corresponding decrease in another class of asset (cash).

3.4 Double entry bookkeeping

The accounting equation, although useful in showing the effect of transactions cannot be employed as a tool for recording business transactions. If there are numerous transactions, each has to be recorded separately and if these were to be recorded through the accounting equation, it would consume excessive paper and time. The probability of making arithmetic errors also multiplies.

The use of the "account" was consequently developed over time for the purpose of recording the effects of transactions because it proved to be a better tool. It is the basic component of the formal accounting system.

An account is a record which shows increases, decreases and net change (balance) in assets, liabilities, capital, revenues or expenses. An account is a place where all the information referring to a particular asset or liability, or to capital, is recorded.

Each account should be shown on a separate page in the accounting books. In a manually operated accounting system each account is placed in a separate page or card of a bound or loose - leaf book called a ledger (a book where all accounts are kept). A ledger could also be maintained in computer files.

The double entry system divides each page into two halves. The left-hand side of each page is called the debit side, while the right-hand side is called the credit side. The title of each account is written across the top of the account at the centre.

An account in a ledger will be identified by a title and a reference number.

A two-column account form is illustrated below. This format is often used in a manually maintained record keeping system.

Title of account Account no. ***

DEBIT SIDE				**CREDIT SIDE**			
Date	**Details (Particulars)**	**Folio**	**Amount**	**Date**	**Details (Particulars)**	**Folio**	**Amount**

Such an account has a left side and a right side. The left side is the debit side, abbreviated "Dr"; and the right side is the credit side, abbreviated "Cr".

A simplified form of an account is called 'T' account because it resembles the letter "T". It is often used to illustrate the dual effect of accounting transactions. The left side records all the debit entries and the right side records all the credit entries.

Title of account written here

Left-hand side of the page	*Right-hand side of the page*
This is the 'debit' side.	This is the 'credit' side.

The conventional account as seen above has two sides which have identical contents (date, details (particulars), folio and amount).

3.5 Recording the effect of transaction on accounting equation

Every transaction affects two items. Each of these effects should be recorded in each transaction. That is, when we enter the data relating to the transaction in the accounting books we need to ensure that the items that were affected by the transaction, and only those items, are shown as having changed. This is the bookkeeping stage of accounting and the process we use is called double entry.

Double entry system (or Double entry bookkeeping) is A system where each transaction is entered twice, once on the debit side and once on the credit side. Accounting entries are made on the left side and right hand sides of an account.

When an amount is entered on the left side, the account is said to be debited, and when an amount is entered on the right side the account is said to be credited. The difference between the total debits and total credits is the balance of the account. The balance may be either a debit balance if the debit side exceeds the credit side; or a credit balance if the credit side exceeds the debit side. When the total debits equal the total credits, the account is said to have nil or zero balance.

The words "debit" and "credit" should not be confused with "increase" or "decrease". Certain accounts may increase when debited and other accounts may increase when credited depending on the type of account involved.

✍	**Take note(s)** The fundamental rule of double entry accounting requires that a debit entry should always have a corresponding credit entry. When all transactions are recorded in this manner, the equality of the accounting equation is always maintained.

The expanded accounting could now be depicted as:

Assets = Liabilities + Owner's Capital + (Revenues - Expenses) - Drawings

The equation could be re- arranged as follows:

Assets + Expenses + Drawings = Liabilities + Owner's Capital + Revenues

The rules for recording of transactions for items on the left of the equation are exactly the same. For these items, increases are recorded as debits (which is incidentally the left side of the account), and decreases are recorded as credits.

There are in principle similarities between assets, expenses and drawings. Assets are resources of value available in the business for the purpose of generating profits. Expenses and drawings are all expended resources, while expenses are resources expended in the interest of the business, drawings are business resources consumed in the owner's personal interest.

For items on the right side of the equation the rule of recording transactions is, increases are recorded on the credit side of the account and decreases are recorded on the left side of the account.

In summary, the simple rules for recording transactions under a double entry system are as follows:

Assets - Debit for increases and credit for decreases

Liabilities - Debit for decreases and credit for increases.

Owner's Equity - Debit for decreases and credit for increases.

Revenues - Credit for increases and debit for decreases.

Expenses - Debit for increases and credit for decreases.

Drawings - Debit for increases and credit for decreases.

	Class Presentation You are provided with transactions **in Appendix II** related to John Enterprises for December, 2022. Every transaction is recorded twice, once on debit side and once on credit side. Identify the account to be debited and account to credited in each transaction.

For each transaction, a student should identify the account to be debited and account to be credited basing on the effect of such transaction on accounting equation. Basing on the effect of transaction on accounting equation, the accounts to be debited and account to be credited are as shown below.

Date	Transaction	ACCOUNT TO BE DEBITED	ACCOUNT TO CREDITED
Dec. 1	John started business with TZS. 3,500,000 in cash	Cash	Capital
Dec. 2	John brought to the business his second hand car worth TZS. 5,000,000	Motor Vehicles	Capital
Dec. 4	Paid for insurance TZS.600,000 cash	Insurance	Cash
Dec. 5	Bought Office Furniture TZS.500,000 cash	Furniture	Cash
Dec. 6	Bought computers by cash TZS. 800,000	Computers	Cash
Dec. 7	Bought goods worth TZS. 2,000,000 on credit from PLM Ltd	Purchases	PLM Ltd
Dec. 7	Paid for transport TZS. 50,000 cash (Note: cost of transport from PLM Ltd to John's business)	Carriage Inwards	Cash
Dec. 8	Returned goods worth TZS. 500,000 to PLM Ltd	PLM Ltd	Purchases Returns
Dec. 9	Cash sales TZS. 1,500,000	Cash	Sales
Dec. 10	Sold goods TZS. 1,000,000 on credit to Salome	Salome	Sales
Dec. 10	Paid for transport TZS. 60,000 cash (Note: cost of transport from John's business to Salome's premises)	Carriage Outwards	Cash
Dec. 11	Salome returned goods worth TZS. 300,000	Sales Returns	Salome
Dec. 12	Bought goods worth TZS. 2,400,000 on credit from BA Ltd	Purchases	BA LTD
Dec. 13	Returned goods worth TZS. 400,000 to BA Ltd	BA LTD	Purchases Returns
Dec. 15	Received cash from Salome TZS.600,000	Cash	Salome
Dec. 16	Sold goods TZS. 3,200,000 on credit to BES Enterprises	BES Enterprises	Sales
Dec. 16	BES Enterprises returned goods worth TZS. 200,000	Sales Returns	BES Enterprises
Dec. 20	John took TZS. 550,000 cash from the business for personal use	Drawings	Cash
Dec. 24	Paid PLM Ltd TZS. 1,000,000 by cash	PLM Ltd	Cash
Dec. 28	Paid for electricity TZS. 100,000 cash	Electricity	Cash
Dec. 30	BES Enterprises settled their debt in full by cash	Cash	BES Enterprises
Dec. 31	Paid BA Ltd the whole amount due in cash	BA LTD	Cash

After identifying the account to be debited and account to be credited a student should then record in respective accounts

Take Home/Class Assignment

Record transactions related to John Enterprises provided Appendix II in their respective accounts, and balance of the accounts.

A student should record the effects of transaction on respective account. After recording all transaction, the student should balance off each account. Transactions for John Enterprises are recorded in their respective accounts and balanced off as shown below.

A/C No.1

CAPITAL ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
31-Dec	Balance	c/d	8,500,000	1-Dec	Cash		3,500,000
				2-Dec	Motor Vehicles		5,000,000
			8,500,000				8,500,000
				1-Jan	Balance	b/d	8,500,000

A/C No.2

CASH ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
1-Dec	Capital		3,500,000	4-Dec	Insurance		600,000
9-Dec	Sales		1,500,000	5-Dec	Furniture		500,000
15-Dec	Salome		600,000	6-Dec	Computers		800,000
30-Dec	BES Enterprises		3,000,000	7-Dec	Carriage Inwards		50,000
				10-Dec	Carriage Outwards		60,000
				20-Dec	Drawings		550,000
				24-Dec	PLM LTD		1,000,000
				28-Dec	Electricity		100,000
				31-Dec	BA LTD		2,000,000
				31-Dec	Balance	c/d	2,940,000
			8,600,000				8,600,000
1-Jan	Balance	b/d	2,940,000				

A/C No.3

MOTOR VEHICLES ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
2-Dec	Capital		5,000,000	31-Dec	Balance	c/d	5,000,000
			5,000,000				5,000,000
1-Jan	Balance	b/d	5,000,000				

A/C No.4

INSURANCE EXPENSE ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
4-Dec	Cash		600,000	31-Dec	Balance	c/d	600,000
			600,000				600,000
1-Jan	Balance	b/d	600,000				

A/C No.5

FURNITURE ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
5-Dec	Cash		500,000	31-Dec	Balance	c/d	500,000
			500,000				500,000
1-Jan	Balance	b/d	500,000				

A/C No.6

COMPUTERS ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
6-Dec	Cash		800,000	31-Dec	Balance	c/d	800,000
			800,000				800,000
1-Jan	Balance	b/d	800,000				

A/C No.7

PURCHASES ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
7-Dec	PLM Ltd		2,000,000	31-Dec	Balance	c/d	4,400,000
12-Dec	BA Ltd		2,400,000				
			4,400,000				4,400,000
1-Jan	Balance	b/d	4,400,000				

A/C No.8

CARRIAGE INWARDS ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
7-Dec	Cash		50,000	31-Dec	Balance	c/d	50,000
			50,000				50,000
1-Jan	Balance	b/d	50,000				

A/C No.9

PURCHASES RETURNS ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
31-Dec	Balance	c/d	900,000	8-Dec	PLM Ltd		500,000
				13-Dec	BA LTD		400,000
			900,000				900,000
				1-Jan	Balance	b/d	900,000

A/C No.10

SALES ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
31-Dec	Balance	c/d	5,700,000	9-Dec	Cash		1,500,000
				10-Dec	Salome		1,000,000
				16-Dec	BES Enterprises		3,200,000
			5,700,000				5,700,000
				1-Jan	Balance	b/d	5,700,000

A/C No.11

CARRIAGE OUTWARDS ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
10-Dec	Cash		60,000	31-Dec	Balance	c/d	60,000
			60,000				60,000
1-Jan	Balance	b/d	60,000				

A/C No.12

SALES RETURNS ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
11-Dec	Salome		300,000	31-Dec	Balance	c/d	500,000
16-Dec	BES Enterprises		200,000				
			500,000				500,000
1-Jan	Balance	c/d	500,000				

A/C No.13

DRAWINGS							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
20-Dec	Cash		550,000	31-Dec	Balance	c/d	550,000
			550,000				550,000
1-Jan	Balance	b/d	550,000				

A/C No.14

ELECTRICITY							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
28-Dec	Cash		100,000	31-Dec	Balance	c/d	100,000
			100,000				100,000
1-Jan	Balance	b/d	100,000				

A/C No.15

SALOME							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
10-Dec	Sales		1,000,000	11-Dec	Sales Returns		300,000
				15-Dec	Cash		600,000
				31-Dec	Balance	c/d	100,000
			1,000,000				1,000,000
1-Jan	Balance	b/d	100,000				

A/C No.16

BES ENTERPRISES ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
16-Dec	Sales		3,200,000	16-Dec	Sales Returns		200,000
				30-Dec	Cash		3,000,000
			3,200,000				3,200,000

A/C No.17

PLM LTD ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
8-Dec	Purchases		500,000	7-Dec	Purchases		2,000,000
24-Dec	Cash		1,000,000				
31-Dec	Balance	c/d	500,000				
			2,000,000				2,000,000
				1-Jan	Balance	b/d	500,000

BA LTD ACCOUNT							
DEBIT SIDE							**CREDIT SIDE**
DATE	**DETAILS**	**FOLIO**	**AMOUNT**	**DATE**	**DETAILS**	**FOLIO**	**AMOUNT**
13-Dec	Purchases Returns		400,000	12-Dec	Purchases		2,400,000
31-Dec	Cash		2,000,000				
			2,400,000				2,400,000

A/C No.18

	Group Activity/Discussion You are provided with some items of financial transactions. You are required to identify the accounts to be debited/credited in recording each of the transactions Sold goods on credit to BAS Bought goods for sale on credit from PWA Returned goods to PWA Bought office machinery on credit from WPR Returned office machinery to WPR Received cash from PWR Received payment from TWI by cheque Owner's private car brought into business Cheque received from PWR dishonoured Motor cycle used in business, now converted into private use

	Assessment The trainer should rate trainee's mastery of the learning tasks by rating trainees' competencies concerning application of double entry system