

FINANCIAL ACCOUNTING

for Rwandan Schools

Senior

4

Teacher's Guide

Experimental Version

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FOREWORD

Dear Teachers,

Rwanda Basic Education Board is honoured to present the teacher's guide for Financial Accounting in the Accounting Profession Option. This book serves as a guide to competence-based teaching and learning to ensure consistency and coherence in the learning of the Financial Accounting Subject. The Rwandan educational philosophy is to ensure that students achieve full potential at every level of education which will prepare them to be well integrated in society and exploit employment opportunities.

Specifically, the curriculum for Accounting Profession Option was reviewed to train quality Accountant Technicians who are qualified, confident and efficient for job opportunities and further studies in Higher Education in different programs under Accounting career advancement.

In line with efforts to improve the quality of education, the government of Rwanda emphasizes the importance of aligning teaching and learning materials with the syllabus to facilitate their learning process. Many factors influence what students learn, how well they learn and the competences they acquire. Those factors include the relevance of the specific content, the quality of teachers' pedagogical approaches, the assessment strategies and the instructional materials.

High Quality Technician Accounting program is an important component of Finance and Economic development of the Rwanda Vision 2050, "**The Rwanda We Want**" that aims at transforming the country's socioeconomic status. The qualified Technicians accountant will significantly play a major role in the mentioned socioeconomic transformation journey. Financial Accounting textbooks and teacher's guide were elaborated to provide the manipulation of accounting information that are necessary to train a Technician Accountant capable of successfully perform his/ her duties.

The ambition to develop a knowledge-based society and the growth of regional and global competition in the jobs market has necessitated the shift to a competence-based curriculum. The Financial accounting teacher's guide provides active teaching and learning techniques that engage students to develop competences. In view of this, your role as a Financial accounting teacher is to:

- Plan your lessons and prepare appropriate teaching materials.
- Organize group discussions for students considering the importance of social constructivism suggesting that learning occurs more effectively when the students work collaboratively with more knowledgeable and experienced people.
- Engage students through active learning methods such as inquiry methods, group discussions, research, investigative activities and group or individual work activities.
- Provide supervised opportunities for students to develop different competences by giving tasks which enhance critical thinking, problem solving, research, creativity and innovation, communication and cooperation.
- Support and facilitate the learning process by valuing students' contributions in the class activities.
- Guide students towards the harmonization of their findings.
- Encourage individual, pair and group evaluation of the work done in the classroom and use appropriate competence-based assessment approaches and methods.

To facilitate you in your teaching activities, the content of this book is self-explanatory so that you can easily use it. It is divided in 3 parts: The part I explains the structure of this book and gives you the methodological guidance; the part II gives a sample lesson plan; The part III details the teaching guidance for each concept given in the student book.

Even though this Teacher's guide contains the guidance on solutions for all activities given in the student's book, you are requested to work through each question before judging student's findings.

I wish to sincerely express my appreciation to the people who contributed towards the development of this book, particularly, REB staff, UR Lecturers, Teachers from TTC and General Education and experts from different Education partners for their technical support. A word of gratitude goes also to the administration of Universities, Head Teachers and TTCs principals who availed their staff for various activities.

Dr. MBARUSHIMANA Nelson

Director General, REB.

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PART I. GENERAL INTRODUCTION

1.1 The structure of the guide

The teacher's guide of Financial Accounting s is composed of three parts:

The Part I concerns general introduction that discusses methodological guidance on how best to teach and learn Financial Accounting, developing competences in teaching and learning, addressing cross-cutting issues in teaching and learning and Guidance on assessment.

Part II presents a sample lesson plan. This lesson plan serves to guide the teacher on how to prepare a lesson in Financial Accounting.

The Part III is about the structure of a unit and the structure of a lesson. This includes information related to the different components of the unit and these components are the same for all units. This part provides information and guidelines on how to facilitate students while working on learning activities. More other, all application activities from the textbook have answers in this part.

1.2 Methodological guidance

1.2.1 Developing competences

Since 2015 Rwanda shifted from a knowledge based to a competence-based curriculum for pre-primary, primary, secondary education and recently the curriculum for profession options such as TTC, Associate Nurse and Accounting programs. This called for changing the way of learning by shifting from teacher centred to a learner centred approach. Teachers are not only responsible for knowledge transfer but also for fostering students' learning achievement and creating safe and supportive learning environment. It implies also that students have to demonstrate what they are able to transfer; the acquired knowledge, skills, values and attitude to new situations.

The competence-based curriculum employs an approach of teaching and learning based on discrete skills rather than dwelling on only knowledge or the cognitive domain of learning. It focuses on what learner can do rather than what learner knows. Students develop competences through subject unit with specific learning objectives broken down into knowledge, skills and attitudes/values through learning activities.

In addition to the competences related to Financial Accounting, students also develop generic competences which should promote the development of the higher order thinking skills and professional skills in Financial Accounting teaching. Generic competences are developed throughout all units of Financial

Accounting as follows:

Generic competences	Ways of developing generic competences
Critical thinking	All activities that require students to calculate, convert, interpret, analyse, compare and contrast, etc have a common factor of developing critical thinking into students
Creativity and innovation	All activities that require students to plot a graph of a given algebraic data, to organize and interpret statistical data collected and to apply skills in solving problems of production/ finance/ economics have a common character of developing creativity into students
Research and problem solving	All activities that require students to make a research and apply their knowledge to solve problems from the real-life situation have a character of developing research and problem solving into students.
Communication	During Financial Accounting class, all activities that require students to discuss either in groups or in the whole class, present findings, debate ...have a common character of developing communication skills into students.
Co-operation, interpersonal relations and life skills	All activities that require students to work in pairs or in groups have character of developing cooperation and life skills among students.
Lifelong learning	All activities that are connected with research have a common character of developing into students a curiosity of applying the knowledge learnt in a range of situations. The purpose of such kind of activities is for enabling students to become life-long students who can adapt to the fast-changing world and the uncertain future by taking initiative to update knowledge and skills with minimum external support.

Professional skills	Specific instructional activities and procedures that a teacher may use in the class room to facilitate, directly or indirectly, students to be engaged in learning activities. These include a range of teaching skills: the skill of questioning, reinforcement, probing, explaining, stimulus variation, introducing a lesson; illustrating with examples, using blackboard, silence and non-verbal cues, using audio – visual aids, recognizing attending behaviour and the skill of achieving closure.
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The generic competences help students deepen their understanding of Financial Accounting and apply their knowledge in a range of situations. As students develop generic competences they also acquire the set of skills that employers look for in their employees, and so the generic competences prepare students for the world of work.

1.2.2 Addressing cross cutting issues

Among the changes brought by the competence-based curriculum is the integration of cross cutting issues as an integral part of the teaching learning process-as they relate to and must be considered within all subjects to be appropriately addressed. The eight cross cutting issues identified in the national curriculum framework are: *Comprehensive Sexuality Education, Environment and Sustainability, Financial Education, Genocide studies, Gender, Inclusive Education, Peace and Values Education, and Standardization Culture*.

Some cross-cutting issues may seem specific to particular learning areas/subjects but the teacher need to address all of them whenever an opportunity arises. In addition, students should always be given an opportunity during the learning process to address these cross-cutting issues both within and out of the classroom.

Below are examples of how crosscutting issues can be addressed:

Cross-Cutting Issue	Ways of addressing cross-cutting issues
<p>Financial Education:</p> <p>The integration of Financial Education into the curriculum is aimed at a comprehensive Financial Education program as a precondition for achieving financial inclusion targets and improving the financial capability of Rwandans so that they can make appropriate financial decisions that best fit the circumstances of one's life.</p>	<p>Through different examples and determination of financial performance and financial position, Financial Accounting Teachers can lead students to discuss how to make appropriate financial decisions.</p>
<p>Gender: At school, gender will be understood as family complementarities, gender roles and responsibilities, the need for gender equality and equity, gender stereotypes, gender sensitivity, etc.</p>	<p>Financial Accounting Teachers should address gender as cross-cutting issue through assigning leading roles in the management of groups to both girls and boys and providing equal opportunity in the lesson participation and avoid any gender stereotype in the whole teaching and learning process.</p>
<p>Inclusive Education:</p> <p>Inclusion is based on the right of all students to a quality and equitable education that meets their basic learning needs and understands the diversity of backgrounds and abilities as a learning opportunity.</p>	<p>Firstly, Financial Accounting Teachers need to identify/ recognize students with special needs. Then by using adapted teaching and learning resources while conducting a lesson and setting appropriate tasks to the level of students, they can cater for students with special education needs. They must create opportunity where students can discuss how to cater for students with special educational needs.</p>

<p>Peace and Values Education:</p> <p>Peace and Values Education (PVE) is defined as education that promotes social cohesion, positive values, including pluralism and personal responsibility, empathy, critical thinking and action in order to build a more peaceful society.</p>	<p>Through a given lesson, a teacher should:</p> <ul style="list-style-type: none"> ▪ Set a learning objective which is addressing positive attitudes and values; ▪ Encourage students to develop the culture of tolerance during discussion and to be able to instil it in colleagues and cohabitants; ▪ Encourage students to respect ideas from others.
<p>Standardization Culture:</p> <p>Standardization Culture in Rwanda will be promoted through formal education and plays a vital role in terms of health improvement, economic growth, industrialization, trade and general welfare of the people through the effective implementation of Standardization, Quality Assurance, Metrology and Testing.</p>	<p>With different word problems related to the effective implementation of Standardization, Quality Assurance, Metrology and Testing, students can be motivated to be aware of health improvement, economic growth, industrialization, trade and general welfare of the people.</p>

1.2.3 Guidance on how to help students with special education needs in classroom

In the classroom, students learn in different way depending to their learning pace, needs or any other special problem they might have. However, the teacher has the responsibility to know how to adopt his/ her methodologies and approaches in order to meet the learning need of each student in the classroom. Also teachers need to understand that student with special needs, need to be taught differently or need some accommodations to enhance the learning environment. This will be done depending on the subject and the nature of the lesson.

In order to create a well-rounded learning atmosphere, teachers need to:

- Remember that students learn in different ways so they have to offer a variety of activities (e.g. role-play, music and singing, word games and quizzes, and outdoor activities);

- Maintain an organized classroom and limits distraction. This will help students with special needs to stay on track during lesson and follow instruction easily;
- Vary the pace of teaching to meet the needs of each student. Some students process information and learn more slowly than others;
- Break down instructions into smaller, manageable tasks. Students with special needs often have difficulty understanding long-winded or several instructions at once. It is better to use simple, concrete sentences in order to facilitate them understand what you are asking.
- Use clear consistent language to explain the meaning (and demonstrate or show pictures) if you introduce new words or concepts;
- Make full use of facial expressions, gestures and body language;
- Pair a student who has a disability with a friend. Let them do things together and learn from each other. Make sure the friend is not over protective and does not do everything for the one with disability. Both students will benefit from this strategy;
- Use multi-sensory strategies. As all students learn in different ways, it is important to make every lesson as multi-sensory as possible. Students with learning disabilities might have difficulty in one area, while they might excel in another. For example, use both visual and auditory cues.
- Below are general strategies related to each main category of disabilities and how to deal with every situation that may arise in the classroom. However, the list is not exhaustive because each student is unique with different needs and that should be handled differently.

Strategy to help students with developmental impairment:

- Use simple words and sentences when giving instructions;
- Use real objects that students can feel and handle. Rather than just working abstractly with pen and paper;
- Break a task down into small steps or learning objectives. The student should start with an activity that she/he can do already before moving on to something that is more difficult;
- Gradually give the student less help;
- Let the student with disability work in the same group with those without disability.

Strategy to help students with visual impairment:

- Help students to use their other senses (hearing, touch, smell and taste) and carry out activities that will promote their learning and development;

- Use simple, clear and consistent language;
- Use tactile objects to help explain a concept;
- If the student has some sight, ask him/ her what he/ she can see;
- Make sure the student has a group of friends who are helpful and who allow him/ her to be as independent as possible;
- Plan activities so that students work in pairs or groups whenever possible;

Strategy to help students with hearing disabilities or communication difficulties

- Always get the student's attention before you begin to speak;
- Encourage the student to look at your face;
- Use gestures, body language and facial expressions;
- Use pictures and objects as much as possible.
- Keep background noise to a minimum.

Strategies to help students with physical disabilities or mobility difficulties:

- Adapt activities so that students who use wheelchairs or other mobility aids, can participate.
- Ask parents/ caregivers to assist with adapting furniture e.g. the height of a table may need to be changed to make it easier for a student to reach it or fit their legs or wheelchair under;
- Encourage peer support when needed;
- Get advice from parents or a health professional about assistive devices if the student has one.

Adaptation of assessment strategies:

At the end of each unit, the teacher is advised to provide additional activities to help students achieve the key unit competence. These assessment activities are for remedial, consolidation and extension designed to cater for the needs of all categories of students; slow, average and gifted students respectively. Therefore, the teacher is expected to do assessment that fits individual students.

Remedial activities	<p>After evaluation, slow students are provided with lower order thinking activities related to the concepts learnt to facilitate them in their learning.</p> <p>These activities can also be given to assist deepening knowledge acquired through the learning activities for slow students.</p>
Consolidation activities	<p>After introduction of any concept, a range number of activities can be provided to all students to enhance/reinforce learning.</p>
Extended activities	<p>After evaluation, gifted and talented students can be provided with high order thinking activities related to the concepts learnt to make them think deeply and critically. These activities can be assigned to gifted and talented students to keep them working while other students are getting up to required level of knowledge through the learning activity.</p>

1.2.4. Guidance on assessment

Assessment is an integral part of teaching and learning process. The main purpose of assessment is for improvement of learning outcomes. Assessment for learning/ Continuous/ formative assessment intends to improve students' learning and teacher's teaching whereas assessment of learning/ summative assessment intends to improve the entire school's performance and education system in general.

Continuous/ formative assessment

It is an on-going process that arises during the teaching and learning process. It includes lesson evaluation and end of sub unit assessment. This formative assessment should play a big role in teaching and learning process. The teacher should encourage individual, pair and group evaluation of the work done in the classroom and uses appropriate competence-based assessment approaches and methods.

Formative assessment is used to:

- Determine the extent to which learning objectives are being achieved and competences are being acquired and to identify which students need remedial interventions, reinforcement as well as extended activities. The application activities are developed in the student

- book and they are designed to be given as remedial, reinforcement, end lesson assessment, homework or assignment
- Motivate students to learn and succeed by encouraging students to read, or learn more, revise, etc.
- Check effectiveness of teaching methods in terms of variety, appropriateness, relevance, or need for new approaches and strategies. Financial Accounting teachers need to consider various aspects of the instructional process including appropriate language levels, meaningful examples, suitable methods and teaching aids/ materials, etc.
- Help students to take control of their own learning.

In teaching Financial Accounting, formative or continuous assessment should compare performance against instructional objectives. Formative assessment should measure the student's ability with respect to a criterion or standard. For this reason, it is used to determine what students can do, rather than how much they know.

Summative assessment

The assessment can serve as summative and informative depending to its purpose. The end unit assessment will be considered summative when it is done at end of unit and want to start a new one. It will be formative assessment, when it is done in order to give information on the progress of students and from there decide what adjustments need to be done. The assessment done at the end of the term, end of year, is considered as summative assessment so that the teacher, school and parents are informed of the achievement of educational objective and think of improvement strategies. There is also end of level/ cycle assessment in form of national examinations.

When carrying out assessment?

Assessment should be clearly visible in lesson, unit, term and yearly plans.

- Before learning (diagnostic): At the beginning of a new unit or a section of work; assessment can be organized to find out what students already know / can do, and to check whether the students are at the same level.
- During learning (formative/ continuous): When students appear to be having difficulty with some of the work, by using on-going assessment (continuous). The assessment aims at giving students support and feedback.
- After learning (summative): At the end of a section of work or a learning unit, the Financial Accounting Teacher has to assess after the learning. This is also known as Assessment of Learning to establish and record

overall progress of students towards full achievement. Summative assessment in Rwandan schools mainly takes the form of written tests at the end of a learning unit or end of the month, and examinations at the end of a term, school year or cycle.

Instruments used in assessment.

Observation: This is where the Financial Accounting teacher gathers information by watching students interacting, conversing, working, playing, etc. A teacher can use observations to collect data on behaviours that are difficult to assess by other methods such as attitudes, values, and generic competences and intellectual skills. It is very important because it is used before the lesson begins and throughout the lesson since the teacher has to continue observing each and every activity.

Questioning

- a) Oral questioning: a process which requires a student to respond verbally to questions
- b) Class activities/ exercise: tasks that are given during the learning/ teaching process
- c) Short and informal questions usually asked during a lesson
- d) Homework and assignments: tasks assigned to students by their teachers to be completed outside of class.

Homework assignments, portfolio, project work, interview, debate, science fair and Financial Accounting competitions are also the different forms/ instruments of assessment.

1.2.5. Teaching methods and techniques that promote active learning

The different learning styles for students can be catered for, if the teacher uses active learning whereby students are really engaged in the learning process.

The main teaching methods used in Financial Accounting are the following:

Dogmatic method (the teacher tells the students what to do, what to observe, how to attempt, how to conclude).

Inductive-deductive method: Inductive method is to move from specific examples to generalization and deductive method is to move from generalization to specific examples.

Analytic-synthetic method: Analytic method proceeds from unknown to known, 'Analysis' means 'breaking up' of the problem in hand so that it ultimately gets connected with something obvious or already known. Synthetic method is the opposite of the analytic method. Here one proceeds from known to unknown.

Skills lab method: Skills lab method is based on the maxim "learning by doing." It is a procedure for stimulating the activities of the students and to encourage them to make discoveries through practical activities.

Problem solving method, Project method and Seminar Method.

The following are some active techniques to be used in Financial Accounting:

- Group work
- Research
- Probing questions
- Practical activities
- Modelling
- Brainstorming
- Quiz Technique
- Discussion Technique
- Scenario building Technique

What is Active learning?

Active learning is a pedagogical approach that engages students in doing things and thinking about the things they are doing. Students play the key role in the active learning process. They are not empty vessels to fill but people with ideas,

capacity and skills to build on for effective learning. Thus, in active learning, students are encouraged to bring their own experience and knowledge into the learning process.

The role of the teacher in active learning	The role of students in active learning
<ul style="list-style-type: none"> – The teacher engages students through active learning methods such as inquiry methods, group discussions, research, investigative activities, group and individual work activities. – He/ she encourages individual, peer and group evaluation of the work done in the classroom and uses appropriate competence-based assessment approaches and methods. – He provides supervised opportunities for students to develop different competences by giving tasks which enhance critical thinking, problem solving, research, creativity and innovation, communication and cooperation. – Teacher supports and facilitates the learning process by valuing students' contributions in the class activities. 	<p>A learner engaged in active learning:</p> <ul style="list-style-type: none"> – Communicates and shares relevant information with fellow students through presentations, discussions, group work and other learner-centred activities (role play, case studies, project work, research and investigation); – Actively participates and takes responsibility for his/her own learning; – Develops knowledge and skills in active ways; – Carries out research/ investigation by consulting print/ online documents and resourceful people, and presents their findings; – Ensures the effective contribution of each group member in assigned tasks through clear explanation and arguments, critical thinking, responsibility and confidence in public speaking; – Draws conclusions based on the findings from the learning activities.

Main steps for a lesson in active learning approach

All the principles and characteristics of the active learning process highlighted above are reflected in steps of a lesson as displayed below. Generally, the lesson is divided into three main parts whereby each one is divided into smaller steps to make sure that students are involved in the learning process. Below are those main part and their small steps:

1. Introduction

Introduction is a part where the teacher makes connection between the current and previous lesson through appropriate technique. The teacher opens short discussions to encourage students to think about the previous learning experience and connect it with the current instructional objective. The teacher reviews the prior knowledge, skills and attitudes which have a link with the new concepts to create good foundation and logical sequencings.

2. Development of the new lesson

The development of a lesson that introduces a new concept will go through the following small steps: discovery activities, presentation of students' findings, exploitation, synthesis/ summary and exercises/ application activities.

Discovery activity

Step 1:

- The teacher discusses convincingly with students to take responsibility of their learning
- He/ she distributes the task/ activity and gives instructions related to the tasks (working in groups, pairs, or individual to prompt/ instigate collaborative learning, to discover knowledge to be learned)

Step 2:

- The teacher let students work collaboratively on the task;
- During this period the teacher refrains to intervene directly on the knowledge;
- He/ she then monitors how the students are progressing towards the knowledge to be learned and boosts those who are still behind (but without communicating to them the knowledge).

Presentation of students' findings/productions

- In this part, the teacher invites representatives of groups to present their productions/ findings.
- After three/ four or an acceptable number of presentations, the teacher decides to engage the class into exploitation of students' productions.

Exploitation of students' findings/ productions

- The teacher asks students to evaluate the productions: which ones are correct, incomplete or false
- Then the teacher judges the logic of the students' products, corrects those which are false, completes those which are incomplete, and confirms those which are correct.

Institutionalization or harmonization (summary/ conclusion/ and examples)

- The teacher summarizes the learned knowledge and gives examples which illustrate the learned content.

Application activities

- Exercises of applying processes and products/ objects related to learned unit/ sub-unit
- Exercises in real life contexts
- Teacher guides students to make the connection of what they learnt to real life situations.
- At this level, the role of teacher is to monitor the fixation of process and product/ object being learned.

3. Assessment

In this step the teacher asks some questions to assess achievement of instructional objective. During assessment activity, students work individually on the task/ activity. The teacher avoids intervening directly. In fact, results from this assessment inform the teacher on next steps for the whole class and individuals. In some cases, the teacher can end with a homework/ assignment. Doing this will allow students to relay their understanding on the concepts covered that day. Teacher leads them not to wait until the last minute for doing the homework as this often results in an incomplete homework set and/ or an incomplete understanding of the concept.

PART II: SAMPLE LESSON PLAN

SCHOOL NAME: YYYYYYYY TEACHER'S NAME: XXXXXXXXXXXX

Term	Date	Subject	Class	Unit Nº	Lesson Nº	Duration	Class size				
1	25/02/ 2023	Financial accounting	S 4	2	1 of 10	80 min	40 students				
Type of Special Education Needs to be catered for in this lesson and number of learners in each category				Two students with physical disabilities							
Unit title		Accounting source documents									
Key unit competence		To be able to prepare accounting source documents									
Title of the lesson		Pro-forma invoice									
Instructional objective		As a trader has a number of potential suppliers, sometimes it is hard to select the best one among the others. Students will be able to describe the proforma invoice, one of the source documents used in accounting and then in fifteen minutes.									
Plan for the class		Inside the classroom in a U shape arrangement									
Learning materials		Different source documents will be available including invoices, receipts, cheque, goods received note, goods delivery note, etc.									
References		Entrepreneurship for Rwanda year 4, Taxation year 4, Management Accounting year 4									
Timing for each step	Description of teaching and learning activity					Generic competences and cross cutting issues to be addressed + a short explanation					
	Think-pair-share; students make discussion on different source documents, especially the proforma invoice, gallery work and content harmonization from different group presentations.										

	Teacher activities	Learner activities	
Introduction 5 minutes	<ul style="list-style-type: none"> - Revision on the previous lesson related to accounting concepts - Show to the learners the relationship between the previous lesson and the new one. - Guide the students to discover the lesson of today - Share the objectives of the lesson with the learners - Ask the learners to show the link between learning objective and key unit competence 	<ul style="list-style-type: none"> - Answer the questions on the accounting concepts - Discover the title of the day's lesson: proforma invoice 	COMMUNICATION: through answering questions and peer discussion.

<p>1. Development of the lesson</p> <p>a) Discovering activity</p> <p>20 minutes</p>	<ul style="list-style-type: none"> - Ask students to group source documents according to their importance/use and pick up one which is related to the lesson of the day. - <i>Describe the proforma invoice</i> - This activity will be done first individually, shared in pairs and then in large groups according to learners sitting arrangement - Instruct the students that the activity will be done within 20 minutes and the presentation will be done using gallery work. - Teacher moves around in groups to guide them as they attempt to answer the questions. - Special attention must be taken to students with disabilities. 	<ul style="list-style-type: none"> - Listen carefully to the given instructions <p>FORMING GROUPS</p> <ul style="list-style-type: none"> - Students arrange themselves in teams and sit together in their respective groups - Work individually or in pairs to describe proforma invoice - In their groups, they share and agree on the meaning, content and importance of the proforma invoice. 	<p>COOPERATION, INTERPERSONAL MANAGEMENT AND LIFE SKILLS: students share ideas in pairs and in groups</p> <p>CRITICAL THINKING: Students analyze situations they find in their localities and come up with the meaning, content and importance of the proforma invoice</p> <p>COMMUNICATION: Students discuss in groups and answer questions</p>
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b) Presenta-tion 25 minutes	<ul style="list-style-type: none"> - Invite the students to hang their work on the present boards- allow students to do gallery work 	<ul style="list-style-type: none"> - Group presentation about proforma invoice as source document - Each group hangs its answers on present boards - Each team moves around to read the presentation of other groups while taking notes and asking for more clarification where they do not understand. 	<p>RESEARCH AND PROBLEM SOLVING:</p> <p>Through discussion and research, students describe the meaning, content and importance of the proforma invoice</p> <p>INCLUSIVE EDUCATION</p> <p>Taking into account students with physical disability during group forming and gallery work</p>
a. Exploita-tion 20 minutes	<ul style="list-style-type: none"> - Invite the representative of each group to come and describe the proforma invoice as source document. - Ask group by group if they agree with the presentation of other groups and make a comment where it is necessary. 	<ul style="list-style-type: none"> - Harmonize their findings and come up with the meaning, content and importance of the proforma invoice. 	<p>COMMUNICA-TION:</p> <p>Student discusses and communicates verbally while presenting their work and commenting on other group works.</p> <p>FINANCIAL EDUCATION</p> <p>Students learn how to transact with cheap and convenient transactions contrarily to expensive ones.</p>

b. Synthesis 5 minutes	<ul style="list-style-type: none"> - Help the students to come up with the summary on the proforma invoice and allow them to take notes. - The proforma invoice is an accounting document sent by potential sellers to the buyer informing him/her how much they can deliver identified and stated items. - Its importance is to streamline the sales process. It allows buyer to select the convenient seller. 	INCLUSIVE EDUCATION Taking into account students with physical disability while writing notes on board and giving them more time (depending on their physical disability)	
c. Conclusion and assessment 5 minutes	<p>APPLY QUESTIONS:</p> <p>a) Explain the proforma invoice</p> <p>b) Discuss the importance of the proforma invoice</p> <ul style="list-style-type: none"> - Advise students to think about the reason of having source documents - Emphasize on what would happen when a business transaction misses a source document. 	<p>Expected answers: Students may come up with different answers.</p> <p>Answers:</p> <ol style="list-style-type: none"> 1. The proforma invoice is an accounting document sent by potential sellers to the buyer informing him/ her how much they can deliver identified and stated items. 2. Its importance is to streamline the sales process. It allows buyer to select the convenient seller. 	Critical thinking: Students develop critical thinking and reasoning skills while answering questions from the groups.
Teacher self-evaluation	The lesson is well delivered in general but only one student needs remedial activities.		

PART III: UNIT DEVELOPMENT

UNIT 1

GENERAL INTRODUCTION AND OVERVIEW OF ACCOUNTING

1.1 Key unit competence

To be able to apply the accounting concepts

1.2 Prerequisite

The students have already acquired the basic knowledge of accounting in Entrepreneurship subject studied in O' level, which will facilitate understanding this unit.

1.3 Cross-cutting issues to be addressed

Gender education: The teacher should bear in mind that everyone, girls and boys have equal opportunities and rights to study. Therefore, when forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback, the teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when introducing the accounting and its main purpose, which can also be helpful in using resources effectively. Students will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom.

Peace and value education: Through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Environmental sustainability: While teaching, both teacher and students should keep in mind that protecting the environment is everyone's responsibility.

Genocide studies: Teacher and students should understand the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unit. They must comprehend their role in ensuring that genocide never happens again.

1.4. Guidance on introductory activity

- Form groups of three to four students
- Invite students to ready the scenario from student book, share ideas and then answer related questions
- Guide the students' discussions
- Ask students to present their findings
- Supplement students' presentations and link students' answers on the new lesson

Possible answers

1. (a) Business transactions are ordinarily summarized in books called journals and ledgers. A journal is a book where you record each business transaction shown on your supporting documents.
2. (c) In 1941, American Institutes of Certified Public Accountants (AICPA) has defined accounting as the 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 result thereof.
3. Accounting principles and standards.
4. Financial
5. Internal: Management, owners and employees; External: Lenders, suppliers, customers, government and its agencies, the public, etc.

1.5. List of lessons/ sub-heading

#	Lesson title	Learning objectives	Number of periods
1	Nature, Purpose, and branches of accounting	<ul style="list-style-type: none"> – Explain the meaning of accounting – Explain the objectives of financial Accounting – Explain the branches of accounting – Exhibit the purpose of accounting – Appreciate the purpose of accounting to a business entity 	2
2	Users of accounting information	<ul style="list-style-type: none"> – Identify various users of financial information and what accounting information they are interested in – Differentiate the internal and external users of financial information and their information needs – Recognize the need for accounting information for different users 	2
3	Forms of business organizations	<ul style="list-style-type: none"> – Identify forms of business organizations – Categorize different forms of business organizations – Choose the most appropriate form of organization 	2
4	Accounting concepts	<ul style="list-style-type: none"> – Explain the fundamental concepts of accounting – Appreciate the accounting concepts in the preparation of financial statements 	4
5	Accounting cycle	<ul style="list-style-type: none"> – Identify the elements of accounting cycle – Explain the entire process of accounting from source documents to preparation of final accounts 	4

6	Accounting equation	<ul style="list-style-type: none"> - State the accounting equation - Identify the elements of accounting equation - Define the elements of accounting equation - Explain how accounting equation relates to double entry book-keeping system - Present and explain accounting equation - Explain the relationship between the accounting equation and the layout of the balance sheet 	4
	Assessment		2
	Total number of periods		20

Lesson 1: Nature, Purpose, and Branches of Accounting

a) Learning objectives

- Explain the meaning of accounting
- Explain the objectives of financial Accounting
- Explain the branches of accounting
- Exhibit the purpose of accounting
- Appreciate the purpose of accounting to a business entity

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard

c) Prerequisites/ Revision/ Introduction

The purpose of accounting is to provide a means of recording, reporting, and interpreting economic data. In order to this, an accounting system must be designed. A system design serves the needs of users of accounting information. Once a system has been designed, reports can be issued, and decisions based

upon these reports are made for various departments. Since accounting is used by everyone in one form or another, a good understanding of accounting principles is beneficial to all.

d) Learning activities

Activity 1.1

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Make some pairs make presentations.
- Provide constructive feedback.

Possible answers

The acquisition of accounting knowledge helps a person to analyze his income and expenses to determine profit. Hence, everyone needs accounting to use their resources effectively. Accounting enables people to know how their business are going and performing. Observing accounting principles help to maintain discipline not only in business but also in daily life.

e) Application activities 1.1

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible answers

1. Accounting is defined as the process of identifying, recording, classifying and summarizing economic data so as to come up with useful information to help users make informed decisions.
2. Accounting information refers to the information generated by the accounting system of an entity relating to a particular accounting period for disclosing the operating results and financial position of the entity to its stakeholders.
3. Recording the transactions in the primary books of accounts and ascertaining the entity's operating results and financial position.

4. Financial performance measurement and financial analysis for decision making.
5. Financial accounting, Tax accounting, Cost accounting, Managerial accounting, and Auditing.

6. Differences between financial and management accounting

Financial Accounting

It is concerned with the recording of transactions in the books of accounts.

It generates fresh information that is useful to management accounting.

Management Accounting

It deals with the presentation of accounting information to assist the management in day-to-day operations, planning etc.

It utilizes information generated by financial accounting & cost accounting

Lesson 2: Users of Accounting Information

a) Learning objectives

- Identify various users of financial information and what accounting information they are interested in.
- Differentiate the internal and external users of financial information and their information needs.
- Recognize the need for accounting information for different users.

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard.

c) Prerequisites/ Revision/ Introduction

Today, more people than ever before recognize the importance of accounting information and the profound effect that unethical and misleading financial reports can have on a business, its owners, its employees, its lenders, and the financial markets.

d) Learning activities

Activity 1.2

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Make some pairs make presentations.
- Provide constructive feedback.

Possible answers

The following need accounting information: Management, owners, government, banks, suppliers, investors, consumers, etc.

e) Application activities 1.2

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible answers

1. There are three categories of users of accounting information:
 - Those who manage a business.
 - Those outside a business enterprise who have a direct financial interest in the business.
 - Those who have an indirect financial interest in a business.
2. 1. c; 2.b; 3.a; 4.b; 5.c; 6.c
3. (a) **Creditors:** Creditors are those who lend money or deliver goods and services before being paid, are interested mainly in whether a company will have the cash to pay interest charges and to repay the debt at the appropriate time.
(b) **Tax authorities:** accounting information is required as a base for taxation and to ensure compliance with company law.

- (c) **Investors:** A thorough study of a company's financial statements helps potential investors judge the prospects for a profitable investment. After investing, they must continually review their commitment, again by examining the company's financial statements.
- (d) **General public:** Are concerned about the financing and earnings of corporations as well as the effects that corporations have on inflation, the environment, social issues, and the quality of life.

Lesson 3: Forms of Business Organizations

a) Learning objectives

- Identify forms of business organizations.
- Categorize different forms of business organizations.
- Choose the most appropriate form of organization.

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard.

c) Prerequisites/ Revision/ Introduction

To start a business, a potential owner must have a sufficient amount of capital and must choose an appropriate form of business organization. The three basic forms of business organization are the sole proprietorship, the partnership, and the corporation. Accountants recognize each form as an economic unit separate from its owners. Legally, however, only the corporation is separate from its owners.

d) Learning activities

Activity 1.3

- Have students in small groups
- Ask them to brainstorm the case study in student book
- Invite students to present
- Provide constructive feedback
- Link the student idea to the new lesson

Possible answers

- i) There are various forms of business organizations from which one can choose the right one, including sole proprietorship, partnership and a corporation or limited liability company.
- ii) If one is planning to start a business or interested in expanding an existing one, an important decision related to the choice of the form of organization. The most appropriate form is determined by considering the advantages and disadvantages of each type of organization against ones' own requirements.

e) Application activities 1.3

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Possible answers

1. (a) Benefits of remaining a sole trader are: Complete control and decision-making power over the business, few formal business requirements, no corporate tax payment, and all the profits go to the owner (b) Easy to raise money, easy to expand, easy to transfer ownership, and the limited liability of its members. (c) Legal formalities to undergo are: Prepare various documents such as Memorandum of Association and Articles of Association, appointing directors, getting certificate of incorporation, etc.

2. 1. c; 2. a; 3. b.; 4. c; 5. a; 6.c

Lesson 4: Accounting Concepts

a) Learning objectives

- Explain the fundamental concepts of accounting
- Appreciate the accounting concepts in the preparation of financial statements

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard

c) Prerequisites/ Revision/ Introduction

Accounting concepts, conventions, or principles are the basic ground rules that must be followed when financial accounts are prepared and presented. They are also referred to as assumptions or prepositions that underlie the preparation and presentation of financial statements.

d) Learning activities

Activity 1.4

- Have students in small groups
- Ask them to brainstorm the questions in student book
- Invite students to present
- Provide constructive feedback
- Link the student idea to the new lesson

Possible answers

Accounting concepts ensure that the accounting data are recorded consistently by all companies so that the information are then recorded timely, are accurate, relevant, consistent, measurable, and comparable. In addition, accountants need to apply professional judgments while preparing financial reports; the accounting concepts help them ensure that they are not being misled and that providing a true and fair view of financial statements is being accomplished.

e) Application activities 1.4

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Possible answers

1.B

2.C

3.C

4.Accounting concept:

- a) Cost concept
- b) Going concern concept
- c) Dual aspect concept
- d) Consistency concept

Lesson 5: Accounting Cycle

a) Learning objectives

- Identify the elements of accounting cycle
- Describe the entire process of accounting from source documents to preparation of final accounts

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard

c) Prerequisites/ Revision/ Introduction

- Accounting cycle is the process which is followed by accountants and bookkeepers in processing raw financial data into output information in form of financial statements. This process ranges from occurrence and documentation of transactions up to the production of final accounts or financial statements. It is called a cycle because the same procedure is repeated from one financial year to another. When the financial year ends, books are closed and the financial statements extracted, when the new financial year starts, the same books are opened and the same procedure followed. It is therefore a cycle.

d) Learning activities

Activity 1.5

- Have students in small groups.
- Ask them to brainstorm the question in student book.
- Invite students to present.
- Provide constructive feedback.
- Link the student idea to the new lesson.

Possible answers

The accounting cycle is the holistic steps of recording and processing all financial transactions of a company, from when the transaction occurs, to its preparation of financial statements. The ultimate purpose is to provide useful information to decision makers. These steps are: (i) Analyze business transactions from source documents (ii) Record the transactions by entering them in the general journal (iii) Post the journal entries to the ledger, and prepare a trial balance (iv) Adjust the accounts, and prepare an adjusted trial balance (v) Prepare financial statements (vi) Close the accounts, and prepare a post-closing trial balance.

e) Application activities 1.5

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible answers

1. The accounting cycle is the continuous cycle of keeping accounts.
2. The main purpose of accounting cycle is to establish links between different accounting periods of business.
3. Journal.
4. Trial balance.

Possible answers

5. Determine the amount of profits or loss, total assets, total liabilities, and owner's equity of the business.
6. Each of the accounting activities rotates in stages. When one step is completed, the work of the next step begins, that is, each steps is rotated in stages. For this reason, the specific process of accounting is called the accounting cycle.
7. Obtain information from source documents.

Lesson 6: Accounting Equation

a) Learning objectives

- State the accounting equation.
- Identify the elements of accounting equation.
- Define the elements of accounting equation.
- Explain how accounting equation relates to double entry book-keeping system.
- Present and explain accounting equation.
- Explain the relationship between the accounting equation and the layout of the balance sheet.

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, calculators, and chalkboard.

c) Prerequisites/ Revision/ Introduction

The ability to read financial statements requires an understanding of the items they include and the standard categories used to classify these items. The accounting equation identifies the relationship between the elements of accounting. Students will use skills acquired in entrepreneurship studied in O' level to learn the accounting equation.

d) Learning activities

Activity 1.6

- Have students in small groups
- Ask them to brainstorm the question in student book
- Invite students to present
- Provide constructive feedback
- Link the student idea to the new lesson

Possible answers

The accounting equation is the equality which represents the relationship between assets, liabilities and equity (liabilities)

e) Application activities 1.6

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Select one student to make correction.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible answers

1. D

2. B

3. **Assets:** Creditors and Capital.

Liabilities: Machinery, motor vehicles and Inventory.

4. C

5. C

Possible answers

6. Mutabaruka

Balance sheet as at 31 December 2021

Non-Current Assets	FRW	FRW
Buildings		11,000
Furniture & Fittings		5,500
Motor Vehicles		5,800
		22,300

Current Assets

Stocks	8,500	
Debtors	5,600	
Cash at bank	1,500	
Cash in hand	400	16,000
Total assets		38,300

Capital (residual amount) **30,800**

Non-Current Liabilities

Loan (long term) 5,000

Current Liabilities

Creditors 2,500

Total capital and liabilities **38,300**

7.

Assets:	FRW	FRW
Motor Vehicle		3,000
Premises		7,000
Stock		2,000
Cash at bank		600
Cash in hand		300
		12,900

Liabilities:

Creditors	800	
Loan – Kanyemera	4,000	4,800
Capital		8,100

Total capital and liabilities **12,900**

Remember the Accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

To get capital we rearrange the equation as follows:

$$\text{Capital} = \text{Assets} - \text{Liabilities}$$

$$\text{Total Assets} = 12,900$$

$$\text{Total Liabilities} = 4,800$$

$$\text{Capital} = 12,900 - 4,800 = \underline{\underline{8,100}}$$

Notice that the assets and liabilities could still be arranged in a balance sheet to determine the capital.

1.6 Summary of the Unit

This unit describes the nature, purpose, and branches of accounting, the users of accounting information, and their information needs. It also presents forms of business organization and the choice of the most appropriate form. This unit further explains the fundamental concepts of accounting, identifying and describing the elements of the accounting cycle. Finally, the accounting equation and how it is related to the layout of the balance sheet.

1.7 Additional information for teachers

The content provided in the student's text book has holistically covered the information that a student needs in this unit. Though, the teacher is not restricted to consulting more books to supplement and enrich the content.

1.8 End unit assessment

1. Two objectives of accounting are recording the transactions in the primary books of accounts and ascertaining the entity's operating results and financial position.
2. Five branches of accounting are Financial accounting, Tax accounting, Cost accounting, Managerial accounting, and Auditing.
3. (a) Creditors: Creditors are those who lend money or deliver goods and services before being paid, are interested mainly in whether a company will have the cash to pay interest charges and to repay the debt at the appropriate time.

- (b) Tax authorities: accounting information is required as a base for taxation and to ensure compliance with company law.
 - (c) Investors: A thorough study of a company's financial statements helps potential investors judge the prospects for a profitable investment. After investing, they must continually review their commitment, again by examining the company's financial statements.
 - (d) General public: Are concerned about the financing and earnings of corporations as well as the effects that corporations have on inflation, the environment, social issues, and the quality of life.
4. 1. c; 2. b; 3. a; 4. b; 5. c; 6. c
 5. 1. c; 2. a; 3. b; 4. c; 5. a; 6. c
 6. Some of accounting concepts
- (a) Going concern concept: The accounts are prepared on the basis that the business of an enterprise is to continue for a long time and as such the assets other than current assets are valued at historical cost and not at their realizable value.
 - (b) Consistency concept: The accounting treatment of like items is consistently applied from one period to subsequent periods.
 - (c) Accrual concept: Income and expenses are recorded in the books as and when they are earned or incurred without considering the time of actual receipt or payments.
 - (d) Prudence concept: A business should not take into cognizance of any income or profit till there is a reasonable certainty, but should provide on anticipation of a loss fully irrespective of their difference in time of actual happening of such loss.
 - (e) Dual aspect concept: Every transaction entered has a double effect while entries are recorded in the accounts.
 - (f) Money measurement concept: An event is recorded on money terms and not based on many other economic factors.
 - (g) Business Entity concept: Business activities would be separated from personal activity of a businessman.

7. c. Trial balance
8. (a) Adjust the accounts (b) Analyze the transactions (c) Record the transactions in the journal (d) Prepare the adjusted trial balance.
9. a) 38,100 (b) 51600 (c) 7,600 (d) 104,100 (e) 26,000 (f) 159,000
10. First we need to look at the effect of the above transactions on the assets and liabilities of Mugabowindekwe.

For

- a) Buying extra stock increases, the level of stock by 1,540 and because this is bought on credit the creditors increase by 1,540 also.
- b) Amount received from the debtor means that the level of debtors reduces and cash increases by 560.
- c) Extra fixtures bought by cheque, will increase the fixtures and reduce the cash at bank by 2,000.

This can be summarized as follows:

	Opening Balances	Increase/ (Decrease)	Closing Balances
	FRW	FRW	FRW
Capital	41,800	-	41,800
Creditors	3,200	1,540	4,740
Fixtures	7,000	2,000	9,000
Motor Vehicles	8,400	-	8,400
Stock	9,900	1,540	11,440
Debtors	6,560	(560)	6,000
Cash at bank	12,900	(2000)	10,900
Cash in hand	240	560	800

Given these closing balances then the balance sheet can be drawn as follows:

Mugabowindekwe

Balance sheet as at 7 July 2021

Non-Current Assets	FRW	FRW
Fixtures		9,000
Motor Vehicles		8,400
		<hr/>
		17,400
Current Assets		
Stocks	11,440	
Debtors	6,000	
Cash at bank	10,900	
Cash in hand	800	<hr/> 29,140
		<hr/> 46,540
Capital (residual amount)		41,800
Current Liabilities		
Creditors		4,740
		<hr/> 46,540

From the illustration remember that any change in the items of the balance sheet will have a double effect on the accounting equation and therefore the equation will always balance.

1.9. Additional activities

1.9.1 Remedial activities

1. What is accounting?
2. Accounting is Art or a Science? Explain.
3. Mention the main objective of accounting
4. Who are the users of accounting information?
5. Who are internal and external users of accounting information?
6. Why banks need accounting information of the company?
7. What is accounting equation?

8. Which of the following should be classified under current asset?

- a) Trade creditors
- b) Motor vehicles
- c) Machine
- d) Bank

Possible answers

1. Accounting is defined as the process of identifying, recording, classifying and summarizing economic data so as to come up with useful information to help users make informed decisions.
2. Accounting is regarded as an art since it necessitates the application of skills and the application of creative judgment. To be able to perform accounting functions successfully, one must be trained in this area. Accounting, as body of knowledge, is also regarded as a science as it follows certain guiding accounting principles and standards.
3. Recording the transactions in the primary books of accounts and ascertaining the entity's operating results and financial position.
4. Accounting's main goal is to provide information that is valuable to both the people within and outside the organization. It is a process that generates data from data from which external and internal users can make decisions that affect the distribution of economic resources in society. Owners, investors, creditors, managers, tax authorities, general public, security exchange commission, etc. are the users of accounting information.
5. Internal users include management, owners, and employees while External users include Lenders, suppliers, customers, tax authority, public, etc.
6. Banks are concerned about the entities ability to service and repay loans and interest
7. The equality which represents the relationship between assets, liabilities and capital is known as accounting equation.
8. d

1.9.2 Consolidation activities

1. Which of the following summaries is correct?

Capital	Assets	Liabilities
a) FRW 35,000	FRW 24,000	FRW 11,000
b) FRW 21,000	FRW 15,000	FRW 36,000
c) FRW 25,000	FRW 33,000	FRW 8,000
d) FRW 33,000	FRW 25,000	FRW 8,000

2. Kamanzi has just started up a business; she introduced FRW 10,000,000 of her own savings, equipment worth FRW 2,500,000 and obtained a bank loan of FRW 1,000,000.

What is the correct balance on Kamanzi's capital account following these transactions?

- a) FRW 10,000,000
- b) FRW 13,500,000
- c) FRW 12,500,000
- d) FRW 11,000,000

3. On 1st January 2022 Musafiri started a business with the following assets and liabilities:

Item	FRW
Assets:	
Cash	16,800
Stock	48,000
Furniture and fittings	76,000
Machinery	80,000
Debtors	22,000
Liabilities:	
Creditors	30,000
Bank overdraft	12,000

Required:

Calculate Musafiri's opening capital

Possible answers

- 1. C
- 2. C Kamanzi has contributed FRW 10,000,000 cash and FRW 2,500,000 equipment. The bank loan is a liability.

3. Opening balance

Musafiri	FRW	FRW
Item		
Assets:		
Cash	16,800	
Stock	48,000	
Furniture and fittings	76,000	
Machinery	80,000	
Debtors	22,000	
Total Assets		242,800
Liabilities:		
Creditors	30,000	
Bank overdraft	12,000	
Total Liabilities		<u>42,000</u>
Capital		200,800

In the equation, if $C+L = A$, $C = A - L$

Which is FRW 242,800 – FRW 42,000 = FRW 200,800

In balance sheet, the information can be presented as follows

Musafiri	Balance Sheet as at 1 st January 2022	
Item	FRW	FRW
Assets		
Non-current assets:		
Furniture and fittings	76,000	
Machinery	80,000	156,000
Current Assets:		
Stock	48,000	
Debtors	22,000	
Cash	16,800	<u>86,800</u>
Total assets		242,800
Current liabilities		
Creditors	30,000	
Bank overdraft	12,000	42,000
Financed by capital		200,800

1.9.3. Extended activities

1. Muteteri has the following assets and liabilities as on 31 April 2021:

	FRW
Creditors	15,800
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160

During the first week of May 2021 Muteteri

- a) Bought extra equipment on credit for 5,520.
- b) Bought extra stock by cheque 2,280.
- c) Paid creditors by cheque 3,160.
- d) Debtors paid 3,360 by cheque and 240 by cash.
- e) Muteteri put in extra 1,000 cash as capital.

Required:

- a) Determine the capital as at 1st May 2021.
- b) Draw up a simple balance sheet after the above transactions have been completed.

Possible answers

- a) Using the accounting equation of Assets = Liabilities + Capital, then assets and liabilities can be listed as follows.

Assets	FRW
Equipment	46,000
Motor Vehicle	25,160
Stock	24,600
Debtors	23,080
Cash at bank	29,120
Cash in hand	160
	148,120
Liabilities	
Creditors	(15,800)
	132,320
Capital	132,320

(Capital = Assets – Liabilities

$$= 148,120 - 15,800 = 132,320$$

- b) To draw up the balance sheet, we consider the effect of the above transactions on the relevant balances:
- i) Buying extra equipment means that the equipment balance will increase by 5,520 and the creditors will also increase by the same amount.
 - ii) Buying extra stock by cheque means that the level of stock goes up by 2,280 and the balance at bank reduces by the same.
 - iii) Paying creditors by cheque reduces the balance on the creditors account and also reduce the amount at the bank.
 - iv) Debtor paying the firm reduces the debtor's balance by 3,600 and increases the cash at bank and cash in hand by 3,360 and 240 respectively.
 - v) Additional cash of 1,000 increases the cash in hand balance by 1,000 and the capital balances.

This is also summarized as follows:

	Opening Balance	Adjustment Increase/Decrease	Closing Balance
Assets/Liabilities	FRW	FRW	FRW
Equipment	46,000	+5,520	51,520
Motor Vehicle	25,160		25,160
Stock	24,600	+2,280	26,880
Debtors	23,080	-3,600	19,480
Cash at bank	29,120	-2,280 – 3,160 + 3,360	27,040
Cash in hand	160	+240 + 1000	1,400
Creditors	15,800	+5,520 – 3,160	18,160
Capital	132,320	+1,000	133,320

Make sure you follow the addition and subtraction of the amounts in the adjustment column. Notice that brackets have not been used in the adjustment column. The balance sheet will therefore be prepared as follows from the closing balances:

Muteteri

Balance sheet as at 7th May 2021

Non-Current Assets	FRW	FRW
Equipment		51,520
Motor vehicle		25,160
		76,680
Current Assets		
Stocks	26,880	
Debtors	19,480	
Cash at bank	27,040	
Cash in hand	1,400	74,800
		151,480
Capital (residual amount)		133,320
Current Liabilities		
Creditors	18,160	
		151,480

UNIT 2

ACCOUNTING SOURCE DOCUMENTS

2.1 Key unit competence

To be able to prepare accounting source documents

2.2 Unit prerequisite

In previous unit called “General Introduction and overview of accounting”, you analyzed different accounting concepts, where you have described the objectivity concept, also in Management accounting unit 2, the source documents are well analyzed. The prior knowledge, skills and competences should help the students to be able to prepare accounting source documents in use day to day business transactions.

2.3 Cross-cutting issues to be addressed

Gender education: The teacher should bear in mind that everyone, girls and boys have equal opportunities and rights to study. Therefore, when forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback, the teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when accounting source documents. Students will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom.

Peace and value education: Through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Environmental sustainability: While teaching, both teacher and students should keep in mind that protecting the environment is everyone's responsibility.

Genocide studies: Teacher and students should understand the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unit. They must comprehend their role in ensuring that genocide never happens again.

2.4 Guidance on the introductory activity

At this stage, the students will not be able to answer all the questions; they can answer some of them. The most important thing is that you want to challenge students to be expectant and to use their previous knowledge and background to self-discover during teaching and learning of this unit.

Explain the purpose of the introductory activity of the lesson. This activity is intended to provide interest and motivation for students to be able to prepare and generate accounting source documents as one step of the accounting cycle.

The introductory activity will also arouse student's interests about what to expect in this unit as they answer the questions that follow in the activity. Students can build on previous knowledge, skills, values and attitudes to help you assess the student's prior knowledge and help think with the new content.

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the introductory activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between girls and boys and student's different abilities. During this activity, ensure that students have understood the instructions, prompt and probe them through question and answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small groups presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless if it is a question. Encourage students to appreciate each other's work especially during the presentation.

Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the unit. Answers to activity will be got as the unit progresses. You can support student's answers by referring to possible answers to the introductory activity below:

Possible answers to introductory activity:

1. Yes, it has
2. In some years ago, my neighbor didn't repay me the amount of money I have lent to him.
3. The mistake made by BYISHIMO is that there was no evidence showing the agreement between the two parties, and on the time of delivering, there was no supporting document.
4. Being one in such a situation, I would ask the other party to avail evidence
5. To BYISHIMO and the businessperson, I advise them to make any accounting transaction being sure that there is proof supporting that transaction.
6. From the above situation, I learnt that in business transactions, there must always exist evidence.

2.5 List of lessons title/ Subheading

Nº	Lesson title/Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Pro-forma invoice	<ul style="list-style-type: none">▪ Define the pro-forma invoice▪ Complete the pro-forma invoice▪ Appreciate the importance of pro-forma invoice for effective business book-keeping.	2
2	Purchase order	<ul style="list-style-type: none">▪ Define the purchase order▪ Complete the purchase order▪ Appreciate the importance of purchase order for effective business book-keeping.	1
3	Delivery note	<ul style="list-style-type: none">▪ Define delivery note▪ Complete delivery note▪ Appreciate the importance of delivery note for effective business book-keeping.	1

4	Goods received note	<ul style="list-style-type: none"> ▪ Define goods received note ▪ Complete goods received note ▪ Appreciate the importance of goods received note for effective business book-keeping. 	1
5	Invoice	<ul style="list-style-type: none"> ▪ Define invoice ▪ Complete invoice ▪ Appreciate the importance of invoice for effective business book-keeping. 	1
6	Receipt	<ul style="list-style-type: none"> ▪ Define receipt ▪ Complete receipt ▪ Appreciate the importance of receipt for effective business book-keeping. 	1
7	Cheques	<ul style="list-style-type: none"> ▪ Define cheque ▪ Identify different types of cheque ▪ Complete cheque 	2
8	Credit note	<ul style="list-style-type: none"> ▪ Define credit note. ▪ Complete credit note. ▪ Appreciate the importance of credit note for effective business book-keeping. 	1
9	Debit Note	<ul style="list-style-type: none"> ▪ Define debit note. ▪ Complete debit note. 	1
10	Petty cash Vouchers	<ul style="list-style-type: none"> ▪ Define petty cash voucher ▪ Complete petty cash voucher ▪ Appreciate the importance of petty cash voucher for effective business book-keeping. 	2
11	Skills lab activity	By inviting the school bursar how avails sample source documents, students in groups are shown how these documents are filled in and on their turn, they prepare some of them and present their findings.	1
12	End of unit assessment and remediation	To be able to prepare the accounting source documents.	1

Lesson 1: Proforma invoice

a) Lesson objectives:

- Define the pro-forma invoice.
- Complete the pro-forma invoice.
- Appreciate the importance of pro-forma invoice for effective business book-keeping.

b) Prerequisites/ Revision/ Introduction:

In Unit 1(General introduction and overview of Accounting) students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. That will help students to understand well the proforma invoice.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, content and importance of the proforma invoice with convincing examples.

c) Teaching resources: Student's books, internet, case study, source document sample, marker pens, chalk board, computers, etc.

d) Learning activity 2.1

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible answers to activity 2.1

NYIRANGARAMA Enterprise, a manufacturer business, wants to purchase green and yellow bananas as raw material in producing "AKARUSHO". It has a number of potential suppliers of green and yellow bananas and it is very hard and difficult to select one of them to deal with.

- a) The accounting document which will be issued by potential suppliers to be sent to NYIRANGARAMA Enterprise in order to select the best supplier among the others is called Proforma invoice

- b) Its format is as under:

SUPPLIER'S NAME

District:

Date:

Province:

Telephone:

PRO-FORMA INVOICE

S/N	Description	Quantity	Conditions	Unit price	Amount

Total invoice amount :.....

Signature:

Stamp

Name:

e) Application activity

Possible answers to Application Activity 2.1

1. A proforma invoice is a preliminary bill of sale sent to buyers in advance of a shipment or delivery of goods.
2. The purpose of a proforma invoice is to streamline the sales process. Once you send the proforma invoice, the customer agrees to the price and then you send the goods or services. Instead of being a demand for payment, proforma invoices are good faith estimate that lets the customer know exactly what you expect.

BANANA GROWERS Company

District:

Date:

Province:

Telephone:

PRO-FORMA INVOICE

S /N	Description	Quantity	Condition	Unit price	Amount
	Green banana	10 tons		FRW 500	FRW 5,000,000
02.	Yellow banana	20 tons		FRW 600	FRW 12,000,000
Total					FRW 17,000,000

Total invoice amount: Seventeen million Rwandan francs only.

Signature:

Stamp

Name:

Lesson 2: Purchase order

a) Lesson objectives:

- Define the purchase order
- Complete the purchase order
- Appreciate the importance of purchase order for effective business book-keeping.

b) Prerequisites/Revision/Introduction:

In Unit 1(General introduction to Accounting) students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, students acquired the proforma invoice. This will help students to understand this lesson.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, content and importance of the purchase order with convincing examples.

c) Teaching resources: Student's books, internet, source document sample, case study, computers, marker pens, chalk board, etc.

d) Learning activity 2.2

- In small groups, students identify the source documents to be used for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible answers to activity 2.2

NYIRANGARAMA Enterprise, a manufacturer business is ordering the BANANA GROWER Company, to supply green and yellow banana, as raw material in producing AKARUSHO. It indicates the description and quantity of the desired items.

- a) This document is issued when the business wants to order its suppliers to deliver indicated items.
- b) Although purchase orders vary by business, they generally require the following information:
 - Name of the business/ company;
 - Date of issuance;
 - Quantity;
 - Description and price of the goods or services per unit;
 - Delivery date, billing details;
 - Delivery address and invoice address of the company;
 - Terms and conditions of payment;
 - Purchase order number and signature.

Name of the buyer.....	Date....			
Address.....				
Tel.				
TIN				
<u>PURCHASE ORDER N°</u>				
TO				
Name of the seller				
Address				
Tel.				
TIN :				
S/N	Quantity	Description	Unit price	Amount
TOTAL				
Period of delivery				
Mod of payment.....				
Prepared by purchasing manager.....				
Authorizedby.....				

e) Application Activity 2.2

Possible answers to Application Activity 2.2

1. A purchase order (P.O) is a legal document that buyers send to sellers to document the sale of products or services to be delivered at a late date.
2. Purchase order plays an important role in case of conflict, it is a contract between buyer and seller to deliver goods at the agreed price and the buyer must pay within the due date. If any party misses its obligation, another party can use the purchase order as the evidence in the court.

3. Preparation of the purchase order.

NYIRANGARAMA Ese

Date:

23rd March 2022

Address

Tel.

TIN

PURCHASE ORDER N° 001122

TO

BANANA GROWERS Company

Address

Tel.

TIN :.....

S/N	Quantity	Description	Unit price	Amount
01.	10 tons	Green banana	FRW 500	FRW 5,000,000
02.	20 tons	Yellow banana	RWF 600	FRW 12,000,000
Total				FRW 17,000,000

Period of delivery: Within 15 days

Mod of payment : By cheque

Prepared by purchasing manager.....

Authorizedby.....

Lesson 3: Delivery note

a) Lesson objectives:

- Define delivery note
- Complete delivery note
- Appreciate the importance of delivery note for effective business book-keeping.

b) Prerequisites/ Revision/ Introduction:

In Unit 1, General introduction to Accounting, students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, in previous lessons, students acquired the proforma invoice and purchase order. This will help students to understand well the delivery note.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, content and importance of the goods delivery note with convincing examples.

c) Teaching resources: Student's books, internet, case study, computer, chalk board, marker pens, source document sample, etc.

d) Learning activity 2.3

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible answers to activity 2.3

The activities make by the two people are the following:

- The seller is delivering the items accompanied by an evidence to his/ her customer.
 - The buyer is receiving and the items from his/ her supplier and the document as proof of this delivery of goods.
- a) The document prepared and sent to the receiver is called goods delivery note.

e) Application Activity 2.3

Possible answers

The goods delivery note is a document prepared by the seller to accompany the delivery of the goods to the buyer. It provides proof of the physical transfer of goods to the buyer.

- The delivery note certifies the delivery of goods to the buyer, who must sign it to make it clear that the goods have been delivered in accordance with the conditions established. It also gives customer an overview of the products they've ordered as it allows them to cross check the products they received with their order.
-

b)

Seller: BANANA GROWERS Company

Address

Tel

TIN

GOODS DELIVERY NOTE N° 12345

Buyer: NYIRANGARAMA Enterprise

Address

Tel

TIN :

Nº	Description	Quantity	Unit price	Amount
01.	Green banana	10 tons	FRW 500	FRW 5,000,000
02.	Yellow banana	20 tons	FRW 600	FRW 12,000,000
Total				FRW 17,000,000

By BANANA GROWERS Company

NAMES.....

Stamp

Signature.....

Lesson 4: Goods received note

a) Lesson objectives:

- Define Goods received note
- Complete Goods received note
- Appreciate the importance of Goods received note for effective business book-keeping.

b) Prerequisites/Revision/Introduction:

In Unit 1 students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, students acquired the proforma invoice, purchase order and Goods delivery note. This will help students to understand well the Goods received note.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, content and importance of the goods received note with convincing examples.

c) Teaching resources: Student's books, internet, case study, source document sample, computers, marker pens, chalk board, etc.

d) Learning activity 2.4

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible answers

- a) In this situation, the receiver (buyer) signs a document proving that he/ she has received in good conditions the goods ordered in accordance with the purchase order. On the other hand, the seller receives a document signed by the buyer as a proof that the goods are well received.
- b) The document prepared and sent by the receiver is called “goods received note”.

e) Application Activity 2.4

Possible answers

1. Goods received note is a document that represents the receipt of goods by customers. It is also known as received note, which is used as the evidence that goods are delivered and the customer already received.
2. Goods received note ensures that the provided goods are received by the customer, and at the time of billing the goods received note is attached with the invoice for the cross-reference.
- 3.

Buyer: NYIRANGARAMA Enterprise

Address

Tel

TIN

GOODS RECEIVED NOTE N° 54321

Seller: BANANA GROWERS Company

Address

Tel

TIN :.....

N°	Description	Quantity	Unit price	Amount
01.	Green banana	10 tons	FRW 500	FRW 5,000,000
02.	Yellow banana	20 tons	FRW 600	FRW 12,000,000
Total				FRW 17,000,000

By NYIRANGARAMA Enterprise

NAMES.....

Stamp



Signature.....

Lesson 5: Invoice

a) Lesson objectives:

- Define invoice
- Complete invoice
- Appreciate the importance of invoice for effective business book-keeping.

b) Prerequisites/Revision/Introduction:

In Unit 1 students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, students acquired the proforma invoice, purchase order, Goods delivery note and Goods received note. This will help students to understand well the invoice.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, content and importance of the invoice with convincing examples.

c) Teaching resources: Student's books, internet, case study, chalk board, marker pens, computers, source document sample, etc.

d) Learning activity 2.5

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible answers

The seller is sending to the buyer an accounting document informing him/her the amount of money he/ she has to pay for the goods already supplied and well received.

- a) In this situation, the seller sends the invoice to his/ her customer in order to tell him/ her that because he/ she has received goods in good conditions, he/she has an obligation of paying for these goods.
- b) The document prepared and sent by the seller is called invoice

e) Application Activity 2.5

Possible answers

1. nvoice is a commercial document issued by the seller to the buyer, relating to a sale transaction and indicating the products, quantities and agreed upon prices for products or services the seller had provided the buyer.
 2. An invoice serves an important purpose in business accounting; it demonstrates a client's obligation to pay you for your services. An invoice offers verification in writing, of the payment agreement between your business and its client.

Seller: BANANA GROWERS Company

Date: 24th March, 2022

Address

Tel

TIN

INVOICE No 53100

Seller: NYIRANGARAMA Enterprise

Address

Tel

TIN :

Nº	Description	Quantity	Unit price	Amount
01.	Green banana	10 tons	FRW 500	FRW 5,000,000
02.	Yellow banana	20 tons	FRW 600	FRW 12,000,000
		Total invoice		FRW 17,000,000
		Trade discount (3%)		<u>FRW 510,000</u>
				FRW 16,490,000
		VAT (18%)		<u>FRW 2,968,200</u>
		Total amount payable		FRW 19,458,200

BANANA GROWERS Company

NAMES.....

Stamp

Signature.....

Lesson 6: Receipt.

a) Lesson objectives:

- Define receipt
- Complete receipt
- Appreciate the importance of receipt for effective business book-keeping.

b) Prerequisites/ Revision/ Introduction:

In Unit 1 students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, students acquired the proforma invoice, purchase order, Goods delivery note, Goods received note and invoice. This will help students to understand well the receipt.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, content and importance of the receipt with convincing examples.

c) Teaching resources: Student's books, internet, case study, marker pens, computers, chalk board, source document sample, etc.

d) Learning activity 2.6

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible answers

- a) In this situation, the seller sends the receipt to his/her customer justifying that the customer pays in cash the total owing amount related to the goods supplied previously.
- b) The document prepared and sent by the seller is called “receipt”.

e) Application Activity 2.6

Possible answers

1. Receipt is a written document triggered by the receiving of something of value from a third party. This document acknowledges that the item has been received.
2. It serves as accounting records. Also, it gives the customer a written proof of the transaction in case they have a claim in regard to the items being bought.
- 3.

BANANA GROWERS Company

Address.....

Date: 24th

March 2022

Tel:

TIN.....

RECEIPT No13579

FRW 19,458,200

Received from: NYIRANGARAMA Enterprise

The amount of: Nineteen million four hundred fifty
eight thousand and two hundred Rwandan francs only

..... (in words)

For: Being payment of the goods supplied

Received by.....

Signature

Stamp

Lesson 7: Cheque

a) Lesson objectives:

- Define cheque
- Identify different types of cheque
- Complete cheque

b) Prerequisites/ Revision/ Introduction:

In Unit 1 students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, students acquired invoice and a receipt. This will help students to understand well the cheque.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, types and filling in the cheque with convincing examples.

c) Teaching resources: Student's books, internet, case study, marker pens, computers, chalk board, source document sample, etc.

d) Learning activity 2.7

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible answers

1. In this situation, different people are transacting with the financial institution. Ones are depositing/ saving their money to the bank accounts and others are withdrawing money from their bank accounts for their personal purposes.
2. The documents used by the people at bank and those issued by the financial institution to its customers are many, they may include the following:
 - Cash deposit slip.
 - Bank statement.
 - Payment order.
 - Cheque.
 - Cheque deposit slip, etc.

e) Application Activity 2.7

Possible answers

1. A cheque is a written order from a bank current account holder, addressed to his/ her bank to pay a stated sum of money to or to the order of the person named on the order or to its bearer.
2. Cheques are important because they provide alternative means of holding cash for the cash owner.
3. The main items of a cheque are:
 - a) Drawer;
 - b) Drawee;
 - c) Payee;
 - d) Amount (in words and in figures);
 - e) Date and place of drawing;
 - f) Place of payment;
 - g) Signature of the drawer.
4. Types of a cheque
 - Bearer cheques;
 - Order cheques;
 - Self-cheque;
 - Account payee/ crossed cheques;
 - Bankers cheque;
 - Travelers cheque;
 - Post-dated cheques;
 - Blank cheque;
 - Nominative cheque.
5. Different forms of cheque endorsement
 - Blank or general endorsement;
 - Restrictive endorsement;
 - Special endorsement.

6. Advantages and disadvantages of using the cheque.

Advantages of using a cheque:

- i) It is more convenient than carrying cash around;
- ii) Payments can be stopped if necessary;
- iii) Cheques are safer crossed;
- iv) One does not have to count notes and risk making counting mistakes;
- v) Cheques can be drawn anytime;
- vi) Some are negotiable and can be endorsed in favor of a third party;
- vii) They can be post-dated;
- viii) They can be traced if lost;
- ix) They can be posted cheaply;
- x) The customer is sent a statement at the end of each month.

Disadvantages of using a cheque:

- i) Cheques are not legal tender and other creditors may refuse to accept them;
- ii) They may be valueless if the drawer has no funds on his/her account;
- iii) Depositing cheque into an account is time consuming;
- iv) Cheque can be tampered with or forged by changing the figures;
- v) Cheques are not suitable for small amounts;
- vi) People without bank account will be inconvenienced by crossed cheques;
- vii) Bank charges are levied on cheque books and dishonored cheques.

Lesson 8: Credit note

a) Lesson objectives:

- Define credit note
- Complete credit note
- Appreciate the importance of credit note for effective business book-keeping.

b) Prerequisites/ Revision/ Introduction:

In Unit 1 students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, students acquired invoice and a receipt. This will help students to understand well the cheque.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning and filling in the credit note with convincing examples.

c) Teaching resources: Student's books, internet, case study, source document sample, computer, chalk board, marker pens, etc.

d) Learning activity 2.8

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible Answers

1. What are the activities made by the two people?

In this situation, the buyer is returning some goods received from his/her supplier because they don't agree with those ordered.

2. What is the document prepared and sent by the seller?

The document prepared and sent by the seller to the buyer is called credit note.

e) Application Activity 2.8

Possible Answers

1. A credit note, also known as a credit memo, is a commercial document issued by the seller to the buyer that acts as a source document for the sales return journal. In other words, the credit note is the evidence of the reduction in sales.
2. A credit note is an evidence of a reduction in the amount that a buyer owes a seller under the terms of earlier invoice.
- 3.

Seller: BANANA GROWERS Company

Address.....

Tel

TIN

CREDIT NOTE N° 53100

Buyer: NYIRANGARAMA Enterprise

Address

Tel

TIN :

N°	Description	Quantity	Unit price	Amount
01.	Green banana	50 Kg	FRW 500	FRW 25,000
02.	Yellow banana	20 Kg	FRW 600	FRW 12,000
Total				FRW 37,000

Please deduct this credit from your next payment to us

By BANANA GROWERS Company

NAMES.....

Stamp

Signature.....

Lesson 9: Debit note

a) Lesson objectives:

- Define debit note
- Complete debit note

b) Prerequisites/ Revision/ Introduction:

In Unit 1 students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, in previous lessons, students acquired invoice. This will help students to understand well the debit note.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, and filling in the debit note with convincing examples.

c) Teaching resources: Student's books, internet, case study, source document sample, computer, chalk board, marker pens, etc.

d) Learning activity 2.9

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible Answers

1. In this situation, the seller informs the buyer that while invoicing, there was the important information which is not taken into account and must be included on the established invoice.
2. The document prepared by the seller is called debit note

e) Application Activity 2.9

Possible Answers

1. A debit note is a document sent by the seller to the buyer to correct an undercharge in an invoice.
2. The effect of the debit note is to increase the customer's account. Debit notes provide information to correct undercharge on goods or in respect of other charges and this information is then recorded in the relevant books of account.
- 3.

BANANA GROWERS Company		Date: 25 th March 2022	
Address.....			
Tel:			
TIN.....			
<u>DEBIT NOTE N° 202020</u>			
TO: NYIRANGARAMA Enterprise			
Address.....			
Tel:			
TIN.....			
Quantity	DESCRIPTION	UNIT PRICE	VALUE
1	Cost of transport		50,100
Fifty thousand and one hundred Rwandan francs only			
BANANA GROWERS Company			
Signature and stamp			
			

Lesson 10: Petty cash voucher

a) Lesson objectives:

- Define petty cash voucher.
- Complete petty cash voucher.
- Appreciate the importance of petty cash voucher for effective business book-keeping.

b) Prerequisites/ Revision/ Introduction:

In Unit 1 students acquired the accounting principles, especially Objectivity concept that states that every transaction is supported by the source documents. Furthermore, in previous lessons, students acquired a receipt and cheque. This will help students to understand well the petty cash voucher.

Possible methods:

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, content and importance of petty cash voucher with convincing examples.

c) Teaching resources: Student's books, internet, case study, source document sample, computer, chalk board, marker pens, etc.

d) Learning activity 2.10

- In small groups, students identify the source documents to use for given transactions and practice in writing out sample source documents.
- From case studies, students are required to identify which source document to use for given business transactions.

Possible Answers

1. From the case study, the source document which is required is called petty cash voucher

2. Its format is as under:

NYIRANGARAMA Enterprise	Date:
Address	
Tel	
TIN	
PETTY CASH VOUCHER	
AMOUNT:.....	
PURPOSE OF EXPENDITURE	
TO:	FRW
Being payment of:	
1.....	
2	
3.....	
Amount in words.....	
Paid by (name).....date.....signature.....	
Received by (name).....date.....signature.....	
Approved by (name).....date.....signature.....	

e) Application Activity 2.10

Possible Answers

1. Petty cash voucher is an accounting term used to describe the form that is used to record the transactions taken from a petty cash funds.
2. It is evidence for receipt of such cash as the recipient must sign it immediately after receiving the cash. Petty cash vouchers are used as a source of information for recording the petty cash book, which records petty cash transactions.

Possible Answers

1. Petty cash voucher is an accounting term used to describe the form that is used to record the transactions taken from a petty cash funds.
2. It is evidence for receipt of such cash as the recipient must sign it immediately after receiving the cash. Petty cash vouchers are used as a source of information for recording the petty cash book, which records petty cash transactions.
3. A petty cash voucher

NYIRANGARAMA Enterprise	Date: 26 th March 2022
Address.....	
Tel	
TIN	
PETTY CASH VOUCHER	
AMOUNT: 425,000	
PURPOSE OF EXPENDITURE	
TO: KEZA Being payment of: 1. Travelling expenses..... 2. Kitchen expenses 3. Cleaning expenses..... 4. Casual labor expenses.....	FRW 30,000 FRW 200,000 FRW 150,000 FRW 45,000
Amount in words: Four hundred and twenty five thousand Rwandan francs	
Paid by (name): XXXX date: 26 th March 2022 signature.....	
Received by (name): KEZA.....date: 26 th March 2022 signature.....	
Approved by (name) : YYYYYYY date : 26 th March 2022 signature.....	

2.6 Summary of the unit

Source documents or underlying documents are documents which contain information to be recorded in the books of account. They are properly written source of accounting information relating to various transactions like the buying and selling of goods, returns of goods bought or sold, settling of debts, etc. these documents must always be present to support whatever records or transactions have been made. They hence called supporting documents.

2.7 Additional information

Every time a business is involved in a financial transaction, a paper trail is generated. This paper trail is referred to in accounting as source documents. Whether checks are written to be paid out, sales are made to generate receipts, billing invoices are sent by suppliers, or work hours are recorded on an employee's timesheet - all the respective documents are source documents.

Source documents are, first and foremost, important to the bookkeeping and accounting process because they serve as physical evidence that a financial transaction actually occurred. Nowadays, these documents do not necessarily need to be a physical hard copy - they may be in a traceable electronic form.

In addition, source documents are also essential in the auditing process. When companies undergo an audit, the auditor's access to a clear and accessible paper trail of all transactions enhances the overall legitimacy and independence of the audit. In order to reaffirm the accuracy of the company's balances in individual accounts, auditors need full access to all the documents. Overall, to run a business more smoothly and enhance transparency, all its source documents should be kept and stored for future reference.

Any information generated through source documents should be properly recorded in either the company's journal, accounting software or financial books. After the initial recording, all documents should be preserved and organized into a file and put into a system so they can be retrieved at any time. It is also important to make a record of general internal control procedures specifying who in the firm can access and authorize payments, orders and other transactions.

2.8 End of unit assessment

Possible Answers

1. A source document is an accounting document that contains full information about the accounting transaction.
2. (i) invoice is a document issued by the seller to the buyer relating to a sale transaction and indicating the products, quantities and agreed upon prices for products or services the supplier had provided to the customer.
(ii) credit note is a commercial document issued by the seller to the buyer that acts as a source document for the sales return journal. In other words, the credit note is the evidence of the reduction in sales.
(iii) debit note is a document sent by the seller to the buyer to correct an undercharge in an invoice.
(iv) cheque is a written order from a bank current account holder, addressed to his/her bank to pay a stated sum of money to or to the order of the person named on the order or to its bearer.
(v) receipt is a written document triggered by the receiving of something of value from a third party. This document acknowledges that the item has been received.
(vi) purchase order is a legal document that buyers send to sellers to document the sale of products and services to be delivered at a late date.
3. Detail information of:

Cheque:

- a) Drawer
- b) Drawee
- c) Payee
- d) Amount
- e) Date
- f) Signature

Petty cash voucher:

- Space for the date transactions are made
- The amount of money disbursed;
- The name of the person being given the money;
- The reason why the money was given out

Debit note:

Debit notes provide information to correct undercharge on goods or in respect of other charges and this information is then recorded in the relevant books of account.

4. Definitions:

- Delivery note is a document prepared by the seller to accompany the delivery of the goods to the buyer. It provides proof of the physical transfer of goods to the buyer.
 - Goods received note is a document that represents the receipt of goods by customers. It is also known as received note, which is used as the evidence that goods are delivered and the customer already received.
5. Primary function of a sales invoice which a customer has received from a supplier:
- i) It is a receipt for money paid;
 - ii) It is a demand for immediate payment by the supplier;
 - iii) It is a record of goods purchased by the customer;
 - iv) It is a demand for payment within an agreed time from the supplier
6. The function of a credit note issued by a supplier to one of its customers
- i) A demand for payment;
 - ii) An agreed allowance which can be deducted from the next invoice payment;
 - iii) A loan available to the customer;
 - iv) A document used by the supplier to cancel part or all of a previously issued invoice

7. A debit note
- It is issued by a supplier to a customer to demand payment in full for goods supplier
 - It is issued by a supplier to the customer to correct undercharge
 - It is issued by a customer when goods are delivered
 - It is issued by a customer to a supplier to cancel an invoice received
8. The appropriate source document which the above transactions were extracted:

Seller: KARAKE Company	Date: 1 st January, 2022			
Address.....				
Tel				
TIN				
<u>INVOICE</u> No 505050				
Seller: KALISA Company				
Address				
Tel				
TIN :.....				
Nº	Description	Quantity	Unit price	Amount
01.	Sugar	5,000 kg	FRW 1,500	FRW 7,500,000
02.	Beans	15,000 kg	FRW 700	FRW 10,500,000
03.	Rice	50,000 kg	FRW 1,500	FRW 75,000,000
Total invoice				FRW 93,000,000
Trade discount (5%)				<u>FRW 4,650,000</u>
				FRW 88,350,000
VAT (18%)				<u>FRW 15,903,000</u>
Total amount payable				FRW 104,253,000
One hundred and four million, two hundred and fifty three thousand Rwandan franc only (in words)				
BANANA GROWERS Company				
NAMES.....				Stamp
Signature.....				

2.9 Additional activities

2.9.1 Remedial activities

- SHYAKA buys goods worth FRW 3,500,000 from MUKASHYAKA. On the first FRW 2,000,000 he gets a trade discount of 20%, no trade discount is available on the rest. However, SHYAKA always makes sure that he pays within ten days in order to obtain MUKASHYAKA's cash discount of 5%

How much will SHYAKA pay MUKASHYAKA?

- a) FRW 2,495,000
- b) FRW 2,945,000
- c) FRW 2,800,000
- d) FRW 3,025,000

Answer

Answer: B, because

Original price	FRW 3,500,000
Trade discount ($2,000,000 * 20\%$)	FRW 400,000
Cash discount ($3,100,000 * 5\%$)	FRW 155,000
Total invoice	FRW 2,945,000

- Which document will the warehouse issue when deliveries are received?
 - a) A receipt
 - b) A purchase order
 - c) A goods received note
 - d) A remittance advice

Answer: C

- MANISHIMWE buys goods on credit from ISHIMWE but finds that some of them are faulty. What document would ISHIMWE send to MANISHIMWE for the faulty goods?
 - a) Expense claim
 - b) credit note
 - c) sales invoice
 - d) purchase invoice

Answer: B

5. what business document provides proof of payment for a business transaction

- a) invoice
- b) receipt
- c) claim
- d) debit note

Answer: B

2.9.2 Consolidation activities

1. If goods are bought on credit, the seller issues which document?

- a) A debit note
- b) A statement
- c) An invoice
- d) A goods received note

Answer: C

2. Which document will a business issue to a cash customer?

- a) A receipt
- b) A purchased order
- c) Goods received note
- d) A remittance advice

Answer: A

3. A transaction to buy goods when payment is made at a later date is a definition of what?

- a) Cash sale
- b) Credit sale
- c) Cash purchase
- d) Credit purchase

Answer: d

4. What document can be given to a customer who pays for goods at the time of the transaction?
- a) Purchase order
 - b) Receipt
 - c) Statement
 - d) Credit note

Answer: b

5. The source document for recording petty cash transactions is:
- a) An invoice
 - b) A till receipt
 - c) A petty cash receipt
 - d) A petty cash voucher

Answer: d

2.9.3 Extended activities

1. On the first day of every month, cash is drawn from the bank to restore the petty cash imprest level to FRW 75,000. The opening balance on 1st November was FRW 22,000; on that date FRW 53,000 was drawn from the bank and expenditure during the month was FRW 16,000.

How much should be drawn from the bank to restore the imprest level on the 1st December?

- a) FRW 75,000
- b) FRW 53,000
- c) FRW 37,000
- d) FRW 16,000

Answer

Answer: d (opening balance plus cash less expenditure: FRW 22,000 + 53,000 – 16,000 = 59,000. Therefore, 75,000 – 59,000 = 16,000 being the amount required to top up the imprest level).

2. KWITONDA is a registered trader. On 1st October he purchases carpets for his showroom at the list price of FRW 20,000. He is given a trade discount of 10% and the VAT rate is 18%.

What sum will KWITONDA be invoiced, inclusive of VAT?

- a) FRW 18,000
- b) FRW 20,000
- c) FRW 21,240
- d) FRW 23,600

Answer

Answer: c

List price	FRW 20,000
Trade discount ($20,000 \times 10\%$)	FRW 2,000
VAT ($18,000 \times 18\%$)	FRW 3,240
Gross total	FRW 21,240

UNIT 3

JOURNALIZING FINANCIAL TRANSACTIONS

3.1. Key unit competence

Journalize financial transactions

3.2. Introduction

This unit is concerned with books which details how accounting transactions are recorded. Students will learn how Day books or Journals are used to record all transactions made on credit and how the Cash book is used to record all cash and bank transactions. Then students will learn how these entries are transferred from the books of original entry to a set of books called Ledgers and that each ledger is for a particular type of item and that, by having a set of ledgers, entries in accounts of items of a similar nature are recorded in the same place.

Besides, under this unit, students will learn how to calculate VAT and how it is recorded in the books of account. Students will also learn how to record payroll information and different types of discount and how they are treated in the books of accounts.

3.3. Cross-cutting issues to be addressed

Gender: The teacher should bear in mind that all student (girls and boys) have equal opportunities and rights to study. When forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when studying techniques of managing different resources especially cash and other assets. Students will learn to make budgets for resources and materials and manage them well. They will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential classroom.

Peace and value education: through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Environmental sustainability: The accounting students should learn and understand that when they work for or conduct the business organization, the environment should be preserved.

Standardization Culture: Under this issue, the teacher should help students to understand the importance of standards as a pillar of economic development and in the practices, activities and lifestyle of the citizens. It is intended that the adoption of standardization culture should have an impact upon health improvement, economic growth, industrialization, trade and general welfare of the people.

3.4. Guidance on introductory activity

- Form small groups (group of 3 or 4 students)
- Invite students to read the scenario from student book, share ideas and the answer related questions
- Guide the students' discussions
- Ask students to present their findings
- Supplement students' presentations and link students' answers on the new lesson

Possible answers

Peter MUGABONAKE didn't keep books of accounts, he is advised to keep a regular book keeping system; to avoid the lack of some information he has to adapt double entry book keeping system.

3.5 List of lessons/ sub-heading

	Sub- heading	Lesson title	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Double-entry book keeping system		<ul style="list-style-type: none"> - Explain the format and types of accounts - Explain debit and credit procedure - Explain the principles of double entry book-keeping - Analyze transactions - Record transactions using the double entry system 	4
2	General journal		<ul style="list-style-type: none"> - Explain books of prime entry - Explain how transactions are entered in journals - Journalize transactions for a business entity 	3
		Journal entries for VAT	<ul style="list-style-type: none"> - Compute input VAT and Output VAT - Record VAT transactions 	2
		Journal entries for payroll information	Journalize payroll transactions	2
		Types of discounts	<ul style="list-style-type: none"> - Describe the types of discounts - Record discounts in journal 	2
3	Sales Journal		<ul style="list-style-type: none"> - Explain the sales journal - Record transactions in sales journal 	2

4	Purchases Journal		<ul style="list-style-type: none"> - Explain the purchases journal - Record transactions in purchases journal 	2
5	Sales returns Journal		<ul style="list-style-type: none"> - Explain the sales returns journal - Record transactions in the sales returns journal 	2
6	Purchases returns journal		<ul style="list-style-type: none"> - Explain the purchases returns journal - Record transactions in the purchases returns journal 	2
7	Cash book		<ul style="list-style-type: none"> - Explain the cash book - Describe the types of cash book - Record transactions in the cashbook 	4
8	Petty cash book		<ul style="list-style-type: none"> - Explain the petty cash book - Explain the Imprest system of petty cashbook - Record transaction in the petty cashbook 	3
End unit Assessment				2

Lesson 1: Double-entry book keeping system

a) Learning objectives

- Explain the format and types of accounts
- Explain debit and credit procedure
- Explain the principles of double entry book-keeping
- Analyze transactions
- Record transactions using the double entry system

b) Teaching resources

Flip chart, chalk board, markers, chalks, accounting books, pens

c) Prerequisites/ Revision/ introduction (guidance on how to start the lesson)

In unit 1, the lesson of accounting equation, we have seen that every transaction affects two accounts. We need to show these effects when we first record 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 transaction, and only those items, are shown as having changed. This is the book keeping stage of accounting and the process we use is called **double entry**. You will often hear it to as **double entry book keeping**.

d) Learning activities

Activity 3.1

The first target of this activity id to facilitate the students come up with idea on the different accounting system in order to know which one is more applicable and the reason why.

- Split the students in small groups
- Invite them to the school library and do research on accounting systems
- Ask students to present their findings
- Make synthesis and make conclusion considering the purpose of activity.

Possible answer

Double entry book keeping system is the most system used in book keeping because it is a complete and scientific method of accounting.

e) Application activities 3.1

Possible answers

1a. Personal account: These are accounts, which have names of business, persons or firms

1b. Real account: These are accounts which record tangible items i.e. physical items or things which we can see, touch or feel.

1c. Nominal account: These are accounts which record intangible items i.e. they record things which we cannot see physically, touch or feel. They are either expenses or incomes accounts.

2.

Assets	Liabilities	Gain	Expenses
Plant and machinery	Bank loan	Rent received	Rates & insurance
Vehicles	Creditors	Sales	Wages
Cash in hand			Electricity
Premises			Office expenses
Stock			Salaries
Debtors			

3.

Personal	Real	Nominal
Capital	Stock	Office expenses
Drawings	Furniture	Sales
Debtors	Bank loan	Rent and rates
Creditors	Cash	Electricity & lighting
	Motor cars	Purchases
		Purchases returns
		sales returns
		Insurance
		wages
		Motor expenses
		Postage
		Trade expenses

4.

Transaction	Account to be debited	Account to be credited
(i) Goods bought on credit from Kalisa	Purchases A/C	Kalisa'A/C
(ii) Paid by cheque Kalisa	Kalisa's A/C	Bank A/C
(iii) Motor van bought by cheque	Motor van's A/C	Bank A/C
(iv) A debtor settled his account by cheque	Bank A/C	Debtor's A/C
(v) Sold on credit to MUGABO	Mugabo's A/C	Sales A/C
(vi) Sold Goods receiving payment in cash	Cash A/C	Sales A/C
(vii) Bought private furniture from business cash	Drawings'A/C	Cash A/C
(viii) MUGABO returned some of the goods sold to him	Returns inwards A/C	Mugabo's A/C
(ix) Paid a creditor by cheque	Creditors'A/C	Bank A/C
(x) Paid insurance direct from owner's pocket	Insurance A/C	Capital A/C
(xi) Bought machinery from AKEZA Machinery Ltd on credit	Machinery's A/C	AKEZA's A/C
(xii) Returned to AKEZA Machinery Ltd some of the machinery bought	AKEZA's A/C	Returns outwards A/C

Lesson 2: General journal

a) Learning objectives

- Explain books of prime entry
- Explain how transactions are entered in journals
- Journalize transactions for a business entity

b) Teaching resources

Student text books, flip chart, markers, black chalk, pens, projector, chalks

c) Prerequisites/ Revision/ Introduction (guidance on how to start the lesson)

The students have acquired the knowledge about analyzing financial transactions under double entry system, make revision on the double entry system and analysis of business transactions under this system then introduce them the recording transactions in the general journal.

d) Learning activities 3.2

Activity 3.2

- Invite students to read the questions
- Let them have time to brainstorm the answers
- Let them share information as they sit on chairs
- Ensure that there is no student who does not understand the questions.

Possible answers

It is a book of original entry used to record transactions which cannot be entered in other subsidiary books. The general journal is also known as Journal proper or Principal Journal.

Unlike the subsidiary books, transactions in the general journal are entered on a double entry basis and in order of their occurrence.

The following is its format:

Date	Details	F	Debit	Credit

e) Application activity 3.2

Possible answers

AKANYANA LTD
General Journal

Date	Details	LP	Debit (FRW)	Credit (FRW)
Jan. 2022				
1	Purchases A/C Accounts Payable (Peter) A/C Being purchase of goods on credit		400000 200000	400000
2	Purchases A/C Accounts Payable (Jane) A/C Being purchase of goods on credit			200000
3	Accounts receivable(John)A/C Sales A/C To record sales on credit to John		1000000	1000000
4	Accounts receivable(Mary)A/C Sales A/C		400000	400000
5	To record sales on credit to Mary Accounts payable(Peter) A/C		50000	
	returns A/C being Goods returned to Peter			50000
10	Cash A/C Accounts receivable(John)A/C To record cash received from John		800000	800000
12	Accounts payable(Peter) A/C Cash A/C To record part payment to Peter		80000	80000

14	Purchases A/C Accounts payable(Jane) A/C To record goods purchased on credit from Jane		60000	60000
15	Returns inwards A/C Accounts receivable(Mary)A/C To record returns inwards by Mary		40000	40000
16	Bank A/C Accounts receivable(Mary)A/C To record cheque received from Mary		150000	150000
17	Rent Cash A/C being rent paid		100000	100000
18	Accounts payable(Jane) A/C Returns outwards A/C Being goods returned to Jane		50000	50000
19	Accounts payable(Jane) A/C Bank A/C Being part payment made to Jane		150000	150000
20	Accounts receivable(John)A/C Sales A/C Being goods sold on credit to John		800000	800000
22	Purchases A/C Cash A/C Being cash purchases		100000	100000
23	Cash A/C		500000	
	Sales A/C Being cash sales			500000
24	Bank A/C Sales A/C Being goods sold by cheque		4000000	4000000

26	Accounts payable(Peter) A/C Cash A/C Being cash paid to Peter		80000	80000
27	Returns inwards A/C Accounts receivable(John)A/C Being goods returned by John		100000	100000
28	Bank A/C Accounts receivable(John)A/C To record a cheque received from John		200000	200000
29	Electricity Cash A/C Bank A/C Being electricity paid		150000	100000 50000
30	Rent Bank A/C being rent paid		60000	60000
31	Salaries Cash A/C Bank A/C		310000	150000 160000

Lesson 3: Sales Journal

a) Learning objectives

- Explain the sales journal
- Record transactions in sales journal

b) Teaching resources

Students' text books of financial accounting, projector, flip chart, markers, chalk board, pens, chalks

c) Prerequisites/ Revision/ Introduction guidance on how to start the lesson)

In previous lesson student learnt that, rather than having only one book of original entry, most organizations use a set of day books (or Journals) in this lesson students will learn more about the sales day book or sales journal and transactions which will be taken into consideration while preparing this day book.

d) Learning activities 3.3

- Let students read question individually.
- Encourage him/her to take time to reflect on it.
- Let the students share with the peers what they think.
- Let them make presentation of their ideas
- Make synthesis and make conclusion considering the purpose of activity.

Possible Answers

The book of original entry which records credit sales is known as Sales Journal or Sales day books. This book of prime entry records copies of invoices issued to debtors before being posted to the sales ledger. Transactions in this book must be recorded in chronological order.

The following is the format of sales journal

Format of Sales Journal or Sales Daybook

Date	Account debited(Debtors' account)	Invoice No	LP	Amount

e) Application activities 3.3

Possible Answers

**MUGISHA
Sales day book**

Date	Account debited(Debtors'account)	Invoice No	LP	Amount
Jan.2022				
1	Neema			480,000
	BAZIZI			520,000
8	MUSA			330,000
	SHAKILLA			280,000
10	MUSA			250,000
	BAZIZI			300,000
28	NEEMA			320,000
	SHAKILLA			400,000
	Total posted to Sales A/C			2,880,000

Lesson 4: Purchases journal

a) Learning objectives

- Explain the purchases journal
- Record transactions in purchases journal

b) Teaching resources

Students' text books of financial accounting, projector, flip chart, markers, chalk board, pens, chalks

c) Prerequisites/ Revision/ Introduction guidance on how to start the lesson)

In this lesson, students will continue to look at the day books by looking more detail at the purchase day book or purchases Journal. Having already looked at the sales side of transactions in previous lesson students are now looking at them from the side of purchases. Much of what students will learn in this lesson is virtually identical to what they learnt in the lesson 3. This shouldn't come surprise. After all, students are looking once more at how transactions are processed in day books and process ought to be similar as students move from the sales side to the purchases side of similar transactions.

d) Learning activities 3.4

Activity 3.4

- Let students read question individually.
- Encourage him/ her to take time to reflect on it.
- Let the students share with the peers what they think.
- Let them make presentation of their ideas
- Make synthesis and make conclusion considering the purpose of activity.

Possible Answers

The purchases journal is the book of original entry which is used to record day to day; in chronological order information on purchases. This book is used to record all purchases invoices from supplier of goods. This book also is used to determine credit purchases made during a particular period.

e) Application activity 3.4

Purchases journal

Date	Account credited (Creditors' account)	Invoice No	P	Amount
Mar - 22				
1	MIKA			5,400,000
	NGENZI			6,000,000
6	MUCYO			4,200,000
	NGENZI			3,000,000
16	MUSABE			4,500,000
	MUCYO			2,400,000
28	MUSABE			2,800,000
	NGENZI			4,100,000
	Total posted to purchases A/C			32,400,000

Lesson 5 Sales Returns Journal

a) Learning objectives

- Explain the sales returns journal
- Record transactions in the sales returns journal

b) Teaching resources

Students' text books of financial accounting, projector, flip chart, markers, chalk board, pens, chalks

c) Prerequisites/ Revision/ Introduction guidance on how to start the lesson)

Students know that businesses allow customers to return goods they've bought. They've probably done so themselves at some time or other. Some retail businesses give every customer the right to do so within a few days of the sale and won't ask why they are being returned. It is a means of assuring customer that the seller believes that the goods are of good quality and will do what customer wants. Whatever the rights of return granted by the seller, there

are also legal rights of return that permit retail customers to return goods for a refund should the goods prove to have been unfit for the purpose that was intended. The sales returns day book will record those returns from customers.

d) Learning activity 3.5

Activity 3.5

- Split the students in small groups
- Invite them to the school library and do research on accounting systems
- Ask students to present their findings
- Make synthesis and make conclusion considering the purpose of activity.

Possible Answers

In either case, the reasons why the goods may be returned include:

- They were of the wrong type
- The item purchased was one that was already owned by the customer
- They were of wrong colour
- They were of wrong size
- They were faulty
- A customer bought more than what was needed
- A customer changed his mind
- A customer found the same goods elsewhere at a cheaper price
- A customer found the goods too difficult to use (for trade customer) a customer had returned a faulty item to them and they were now returned to their supplier
- Items received damaged by the customer
- The seller had asked all customers to return a specific item (eg. When a electrical good or a child toy is found to be dangerous)

e) Application activity 3.5

Possible Answers

Sales returns Journal

Date	Account credited(Debtors' account)	Credit note No	LP	Amount
Sept.2021				
3 rd	John			45,000
8 th	BAHATI			150,000
11 th	Anitha			18,000
14 th	Joseph			25,000
30 th	Total posted to Returns inwards A/C			238,000

Lesson 6: Purchases returns journal

a) Learning objectives

- Explain the purchases returns journal
- Record transactions in the purchases returns journal

b) Teaching resources

Students' text books of financial accounting, projector, flip chart, markers, chalk board, pens, chalks

c) Prerequisites/ Revision/ Introduction guidance on how to start the lesson)

The students have enough knowledge about the recording transactions in sales returns day book as they have learn from the previous lesson. Therefore, the teacher can make revision on these and introduce the purchases returns day book.

d) Learning activity 3.6

Activity 3.6

- Let students read question individually.
- Encourage him/ her to take time to reflect on it.
- Let the students share with the peers what they think.
- Let them make presentation of their ideas
- Make synthesis and make conclusion considering the purpose of activity.

Possible Answers

The book of original entry that is used to record all credit notes received in respect of goods returned by the buyer to seller is called “purchase returns day book”. This book will show the date, the name of supplier, credit note number and the amount of goods returned to the seller.

e) Application Activity 3.6

Possible Answers

Returns outwards journal

Date	Account debited(Creditors' account)	Credit note No	LP	Amount
Jun-22 12th	Bertin			3,500,000
	Mathew			5,000,000
25th	Thomas			2,000,000
	Mathew			1,500,000
	Total posted to returns outwards A/C			12,000,000

Lesson 7: Cash Book

a) Learning objectives

- Explain the cash book
- Describe the types of cash book
- Record transactions in the cashbook

b) Teaching resources

Students' text books of financial accounting, projector, flip chart, markers, chalk board, pens, and chalks

c) Prerequisites/Revision/Introduction (guidance on how to start the lesson)

The students had gained enough knowledge about classifying business transactions from the previous lessons. It will be easy to learn how businesses record cash and cheque transactions in the cash book. Students will learn how to make the necessary entries in the cash book and how to include entries for discounts received from creditors and allowed to debtors, both in the cash book.

d) Learning activities 3.7

Activity 3.6

- Invite student to read individually the question in the student book and work in pairs to share with the classmates.
- Have some pairs make presentations?
- Provide constructive feedback in terms of supplements.

Possible Answers

The book which consists of cash and cheque transactions is known as "cash book". This book will record cash and cheques received by the business in its debit side and cash payments and cheques issued to suppliers into its credit side. At the end of a particular period, the balance in cash column will show the available cash in hand while the balance in bank column will represent the amount stands on the bank account that will be compared with produced by the bank statement for reconciliation purposes.

e) Application activity 3.7

Invite students to read, discuss in pairs the application activity in student book.

- Have some pairs to present their findings.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible Answers

Cash book of January 2022

Date	Details	F	Dis-count	Cash	Bank	Date	Details	F	Dis-count	Cash	Bank
2022				FRW	FRW	2022				FRW	FRW
Jan. 1	Capital				10,000, 000	Jan. 12	Musa		500, 000		4 500 000
8	Sales			3,000, 000		14	Rent		400, 000		
22	Bank	C		3,000, 000		18	Machine				2 200 000
24	Sales				5,000, 000	22	Cash	C			3,000, 000
26	Cash	C			1,000, 000	25	Purchas-es		1,000, 000		
31	Nunu		400, 000	3,600, 000		26	Bank	C	1,000, 000		4,000, 000
						28	Station-ary				2,300, 000
							Balance c/f		7,200, 000		
			400, 000	9,600, 000	16,000, 000				500, 000	9,600, 000	16,000, 000
Feb. 1	Balance b/d			7,200, 000	2,300, 000						

Ledger

Dr	Discount Allowed	A/C	Cr
Cashbook	400,000		

Dr	Discount Received	A/C	Cr
Cashbook	500,000		

Lesson 8: Petty Cash Book

a) Learning objectives

- Explain the petty cashbook.
- Explain the Imprest system of petty cashbook.
- Record transaction in the petty cashbook.

b) Teaching resources

Flip chart, chalkboard, markers, pens, chalks, computer and projector.

c) Prerequisites/ Revision/ Introduction

The students have knowledge about the use bank for business organizations. However, they have to some amount of money to handle small expenses. In this lesson student will learn to record amounts paid for in cash in the book known as Petty cash book. They will learn of the type of items that are recorded in the petty cash book, and how to make entries to it. Students will also learn how to transfer financial data from petty cashbook into ledgers.

d) Learning activity 3.8

Activity 3.8

- Invite student to read individually the question in the student book and work in pairs to share with the classmates.
- Have some pairs make presentations?
- Provide constructive feedback in terms of supplements.

Possible Answers

Even if the cheque has become every important means of settling business accounts, especially that most payments that requiring large sums of money; there are certain accounts that require small amounts for settlement such as cleaning, postage, telephone bills, travelling expenses, etc. those items are settled by small amount of money which usually are not done by cheque. The alternative is to keep some cash to meet such minor and urgent payments. The amount of cash kept in the office to meet minor and urgent expenses is called petty cash. Thus BAHIZI has to keep petty cash to handle small payments.

e) Application activity 3.8

- Invite students to read, discuss in pairs the application activity in student book.
- Have some pairs to present their findings.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible Answers

1. Advantages of using imprest system of petty cash
 - Reduces the bulk of the cash book by keeping details out of it.
 - Reduces posting of expenses to the general ledger.
 - Enable petty cash to be kept by someone else other than the main cashier.
2. MANDU Traders Ltd

Petty cash book for the month of March 2022

Receipts	Date	Details	Total	Wages	Postage & telegrams	Stationery	Ledger
FRW	2022		FRW	FRW	FRW	FRW	FRW
25,750	Mar.1	Bal. b/d					
174,250	2	Cash					
	5	Wages	29,890	29,890			
	9	Email	13,580		13,580		
	13	Wages	29,200	29,200			
	15	Paper	15,450			15,450	
	19	Wages	29,700	29,700			
	21	Postage	12,100		12,100		
	24	Wages	29,980	29,980			
	26	Liane	11,760				11,760
	30	Envelopes	9,700			9,700	
			181,360	118,770	25,680	25,150	11,760
181,360	31	Cash					
	31	Bal. c/d	200,000				
381,360			381,360				
200,000	Ap. 1	Bal. b/d					

Cash book (bank column only)

	2022	FRW
	March 2 Petty cash	174, 250
	31 Petty Cash	181,360

Wages A/C

2022	
March 31 Petty cash	118,770

Postage & Telegrams A/C

2022	
March 31 Petty cash	25,680

Stationery A/C

2022	
March 31 Petty cash	25,150

PURCHASES LEDGER LIANE A/C

2022	
March 31 Petty cash	118,770

3.6. Summary of the unit

This unit explained details on double entry system, accounts and different types of accounts, analysis of transactions under double entry system. This unit also had provided explained details on the recording transactions in the books of prime entry especially described transactions to be recorded in the general journal and how are recorded; description of sales and sales returns journals and to record transactions in sales journal; description of purchases and purchases returns journals and how to record transactions in those journals. It also described the cashbook and ho transactions are entered in the cashbook. Finally, the petty cash book and items to be recorded in the petty cash book were deeply described.

3.7. Additional Information for Teachers

This unit is the foundation of accounting records. To be successful the teachers are not required to rely only on the applications stated in this book. Therefore, teachers are required to consult other books of financial accounting in order to give students a full package of knowledge they need for this unit.

3.8. End Unit Assessment

Possible Answers

BOOKS OF ORIGINAL ENTRY

1. General Journal

Date	Details	Dr (FRW)	Cr (FRW)
Jan 2	Furniture A/C	10,000,000	
	To Capital A/C		10,000,000
To record own furniture transferred to the business			

2. Cashbook

Date	Details	REF	Cash FRW'000	Bank FRW'000	Date	Details	REF	Cash FRW'000	Bank FRW'000
1.1. 22	Capital			50,000	1.1. 22	Cash	C		10,000
1.1. 22	Bank	C	10,000		3.1. 22	Purchases			18,000
5.1. 22	Sales		8,000		3.1. 22	Carriage in		1,500	
13.1. 22	Lycée de Kigali			6,000	7.1. 22	KBG Stationers			9,000
					25.1. 22	Salary			5,000
						Bal. c/d		<u>16,500</u>	<u>14,000</u>
			<u>18,000</u>	<u>56,000</u>				<u>18,000</u>	<u>56,000</u>

Note: withdrawal of FRW 10,000,000 from the bank for use in the business is called a contra entry is because the double entry is accomplished within the cashbook.

3. Purchases Day Book

Date	Supplier/ Account credited	Invoice No	Folio	Amount(FRW)
2.1.22	KBD Stationers			15,000,000
10.1.22	Kigali Stationary LTD			20,000,000
	Total			35,000,000

4. Sales Day Book

Date	Customer /Account debited	Invoice No	Folio	Amount(FRW)
5.1.22	Lycée de Kigali			14,000,000
20.1.22	FAWE Girls school			23,000,000
	Total			37,000,000

5. Purchases Returns Day Book

Date	Supplier	Credit note No	Folio	Amount(FRW)
7.1.22	KBG Stationers			700,000
	Total to purchases returns A/C			700,000

6. Sales Returns Day Book

Date	Customer	Credit note No	Folio	Amount(FRW)
13.1.22	Lycée de Kigali			800,000
	Total to sales returns A/C			800,000

3.9. Additional activities

3.9.1 Remedial activities

1. Identify the accounts affected by the following transactions and show action to take in recording the accounts in the double entry system.
 - i) Owner puts cash into business
 - ii) Bought goods on credit from John
 - iii) Bought typewriter by cheque
 - iv) Sold goods on credit to Mary
 - v) Goods returned to us by Mary

Answer

No	Transactions	Accounts that were affected	Action taken
i	Owner puts cash into business	Cash Capital	Dr: Cash A/C Cr: Capital A/C
ii	Bought goods on credit from John	Purchases Creditor John	Dr: Purchases A/C Cr: Creditor John
iii	Bought typewriter by cheque	Typewriter Bank	Dr: Typewriter A/C Cr: Bank A/C
iv	Sold goods on to Mary	Debtor Mary Sales	Dr: Debtor Mary A/C Cr: Sales A/C
v	Mary returned goods	Returns in Debtor Mary	Returns in A/C Debtor Mary A/C

2. Identify the accounts affected by the following transaction and show action to take in recording the accounts in the double entry system:
- Owner puts cash into the business
 - Paid a creditor L. LIDIGU by cheque
 - Bought goods on credit from WANGILA
 - A debtor S. KINUSU paid us in cash
 - Received rent payment in cash
 - Paid commission by cheque
 - Bought furniture on credit from G. OLANDO
 - Owner withdrew cash from business for personal use
 - Sold goods receiving cash payment
 - Bought goods paying in cash
 - Sold goods on credit to S. KINUSU
 - Some goods brought from G. OLANDO were returned back to him for default reasons
 - S. KINUSU returned to us some goods bought, as they were in excess of his order.

Answer

Transact	Effect	Double entry action
(1)	<ul style="list-style-type: none"> - Assets of cash is increased - Capital increased 	Dr: Cash in A/C Cr: Capital A/C
(2)	<ul style="list-style-type: none"> - Liabilities of L. LIDIGU is increased - Assets of Bank is decreased 	Dr: L. LIDIGU A/C Cr: Bank A/C
(3)	<ul style="list-style-type: none"> - Assets of stock is increased - Liabilities of W. WANGILA is increased 	Dr: Purchases A/C Cr: W. WANGILA A/C
(4)	<ul style="list-style-type: none"> - Assets of cash is increased - Assets of debtors S. KINUSU is decreased 	Dr: Cash A/C Cr: S. KINUSU A/C
(5)	<ul style="list-style-type: none"> - Assets of Cash is increased - Income generated 	Dr: Cash A/C Cr: Rent received A/C
(6)	<ul style="list-style-type: none"> - Expenses of Drawings incurred - Assets of Cash decreased 	Dr: Drawings A/C Cr: Cash account
(7)	<ul style="list-style-type: none"> - Expenses of commission Incurred - Assets of Bank decreased 	Dr: Commission A/C Cr: Bank A/c Cr:
(8)	<ul style="list-style-type: none"> - Assets of furniture increased - Liabilities of G. OLANDO increased 	Dr: Furniture account Cr: G. OLANDO A/C
(9)	<ul style="list-style-type: none"> - Assets of cash is increased - Assets of Stock is decreased 	Dr: Cash account Cr: Sales account
(10)	<ul style="list-style-type: none"> - Assets of stock is increased - Assets of cash is decreased 	Dr: Purchases account Cr: Cash account
(11)	<ul style="list-style-type: none"> - Assets of debtor S. KINUSU is increased - Assets of stock is decreased 	Dr: S. KINUSU account Cr: Sales account
(12)	<ul style="list-style-type: none"> - Liabilities of G. OLANDO decreased - Assets of stock decreased 	Dr: G. OLANDO A/C Cr: Return outward A/C
(13)	<ul style="list-style-type: none"> - Assets of Stock increased - Liabilities of S. KINUSU decreased 	Dr: Return inwards A/C Cr: S. KINUSU A/C

3.9.2 Consolidation activities (Questions and answers)

1. Record those following transactions into journal.
 - i) 01/01/2004: John started his business with furniture of 350,000 RWF, cash of 100,000 RWF and bank of 1,000,000 RWF.
 - ii) 02/01/2004: bought goods on credit from Rukundo for 400,000 RWF;
 - iii) 05/01/2004: purchased material for 300,000 RWF payment made by cheque;
 - iv) 06/01/2004: sold goods on credit for 50,000 RWF to Paul, the goods were bought on cash from Marry for 28,000 RWF, invoice n 114;
 - v) 08/01/2004: paid a quarter of the total amount owed to supplier Rukundo by cheque;
 - vi) 10/01/2004: purchase of chairs for 30,000 RWF from Peter, half paid by cash and another half to be paid after two months, invoice no 134/N/86.

Answer

Dates	Particulars	Dr	Cr
i	Furniture Bank Cash To Capital	350,000 1,000,000 100,000 	1,450,000
ii	Purchases To Creditor Rukundo	400,000 	400,000
iii	Material To Bank	300,000 	300,000
iv	Purchases To cash Debtor Paul To Sales	28,000 50,000 	28,000 50,000
v	Creditor Rukundo To Bank	100,000 	100,000
vi	Chairs(furniture) To Cash Creditor Peter	30,000 15,000 	15,000 15,000

2. You are required to draw up the journal for the following transactions of Cecile's enterprise:
- May 01, Initial balance: furniture FRW 320 000, Material FRW 450 000, Cash in hand FRW 123 000; Loan: FRW 113 000.
 - May 06, Purchase of a typewriter on credit from Nikuze, invoice no 5666; FRW 180 000
 - May 10, Purchase of goods for FRW 240 000 from Nirere, half paid in cash and another half to be paid after one month, her invoice no is 194/N10
 - May 15, Cash deposited into bank: FRW 30 000, banks slip no 45521
 - May 25, Payment of the typewrite made by check no 651

Answer

Dates	Particular or Explanation	Folio	Dr(FRW)	Cr(FRW)
01/05	Furniture account Materials account Cash in hand account Loan account Capital account (Being assets and liabilities at beginning of the period)	GL	320 000 450 000 123 000 113 000 780 000	
06/05	Typewriter account NIKUZE account Being purchase, Invoice no 5666.	GL	180 000	180 000
10/05	Purchases account NIRERE account Cash in hand Being purchase of goods, inv. no 194/N10	GL	240 000 120 000 120 000	
15/05	Bank account Cash in hand account Being deposit in the bank, B.S no45521	GL	30 000	30 000
25/05	NIKUZE account Bank account Being reimbursement; receipt no....	GL	180 000	000

3.9.2 Extended activities (Questions and answers)

Mr Jacob a dealer in textile materials had the following assets and liabilities at December 31st 2021:

	FRW' 000
Furniture	1,210
Cash in hand	410
Creditor: - J. Smith	780
Loan: - Samuel	2,000
Debtors: B. Mugabo	190
A Mukiza	270
Stock	4,120
Premises	29,500
Bank	2,750

His transactions for the month of January 2022 were as follows:

3/1/2022 Purchased Ankara cloth from Asumani on credit 360,000

12/1/2022 Purchased suit materials from Five Star Textiles on credit for 2,000,000

18/1/2022 Sold all Ankara cloth purchased on 3/1/2020 for 600,000 cash

19/1/2022 Received cheque from B. Mugabo for the balance due less 10% cash discount.

20/1/2022 Paid by cheque to Samuel a half- year's interest at 6% on the loan.

26/1/2022 Bought lace materials from KARAME Ltd on credit for 9,600,000

28/1/2022 Purchased new furniture for use in his shop for 2,400,000 by cheque.

30/1/2022 Received cheque of 140,000 from A Mukiza and paid for sundry expenses 500,000 in cash.

Required: Journalize the transactions for the month of January 2022

Answer: Journal entries

Dates Jan.2021)	Details	Dr(FRW)	Cr(FRW)
1st	Premises Furniture Stocks Debtors B. Mugabo Mukiza Bank Cash Cr: Creditor J Smith Loan – Samuel Capital To record opening balances	29,500,000 1,210,000 4,120,000 190,000 270,000 2,750,000 410,000 780,000 2,000,00 35,670,000	
3 rd	Purchases Cr: creditors Amani	360,000	360,000
12 th	Purchases To five star textiles	2,000,000	2,000,000
18 th	Cash To sales	600,000	600,000
19 th	Bank Discount allowed To debtor B. Mugabo	171,000 19,000	190,000
20 th	Loan interest To bank	60,000	60,000
26 th	Purchases To KARAME Ltd	9,600,000	9,600,000
28 th	Furniture Bank	2,400,000	2,400,000
30 th	Bank To A. Mukiza	140,000	140,000
Idem	Sundry expenses To Cash	500,000	500,000

UNIT 4

POSTING JOURNAL ENTRIES

4.1 Key Unit Competence

To be able to post Journal Entries

4.2 Prerequisite

Along with the basic knowledge of recording financial transactions acquired in Entrepreneurship subject in Senior Two, journalizing skills obtained in the previous unit will be a foundation to understand how to post journal entries.

4.3 Cross-cutting issues to be addressed

Gender education: The teacher should bear in mind that everyone, girls and boys have equal opportunities and rights to study. Therefore, when forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback, the teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when teaching accounting subject, which provide skills for effective use of resources. Students will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom.

Peace and value education: Through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Environmental sustainability: While teaching, both teacher and students should keep in mind that protecting the environment is everyone's responsibility.

Genocide studies: Teacher and students should understand the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unit. They must comprehend their role in ensuring that genocide never happens again.

4.4. Guidance on introductory activity

- Form groups of three to four students
- Invite students to ready the question from student book, share ideas and then answer related question
- Guide the students' discussions
- Ask students to present their findings
- Supplement students' presentations and link students' answers on the new lesson

Possible Answers

All transactions which are first recorded in a journal must invariably be posted into the concerned accounts in the ledger. Posting transactions to the ledger is necessary because journal is just a chronological record of transactions, identifying the accounts to be debited and credited. It doesn't help to know the net effect of various transactions affecting a particular account. This can only be achieved by recording the effect of all transactions on each account at one place.

4.5. List of lessons/ sub-heading

Sub- heading	Lesson Title	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Meaning, types, and format of ledgers	Meaning, and types of ledgers	<ul style="list-style-type: none"> ▪ Explain the meaning of ledger ▪ Identify the types of ledger
	Format of Ledgers		<ul style="list-style-type: none"> ▪ Describe the format of general ledger
2	Posting entries to the ledger	Introduction	Record transactions in general ledger
		Practical exercise	
		Practical exercise	
3	The sales journal and sales ledger	Cash and credit sales	<ul style="list-style-type: none"> ▪ Distinguish between a cash sale and credit sale and between the way they are recorded in the accounting books
		Making entries in the sales journal	<ul style="list-style-type: none"> ▪ Explain why, when credit card payments are received at the time of sale, details of the customer are not recorded even though a debtor is created at the same time ▪ Explain why multiple copies are often made of each sales invoice ▪ Make the appropriate entries relating to credit sales in a sale journal

		Posting credit sales to the sales ledger	Make the correct postings for the sales journal to the sales ledger and general ledger	2
		Practical exercises		2
4	The purchases journal and purchases ledger	Making entries in the purchases journal	<ul style="list-style-type: none"> ▪ Make the appropriate entries relating to credit purchases in purchase journal 	1
		Posting credit purchases to the purchase ledger	<ul style="list-style-type: none"> ▪ Make the correct postings from the purchases journal to the purchases ledger and general ledger 	2
		Practical exercises		1
5	Balancing off Accounts	Procedure to balance off accounts	Balance off the accounts	2
		Practical exercises		2
		Practical exercises		2
6		End of unit assessment		4

Lesson 1: Meaning, types, and format of ledgers

a) Learning objectives

- Explain the meaning of ledger
- Identify the types of ledger
- Describe the format of general ledger

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, calculators, and chalkboard

c) Prerequisites/ Revision/ Introduction

Business transactions are recorded in the books of account in two stages: (i) Journalizing, and (ii) Posting into the ledger. The first stage of journalizing various

transactions is discussed in unit 3. This unit is about the second stage i.e. posting in the ledger. This involves posting journal entries into various accounts in the ledger, and balancing off the accounts.

d) Learning activities

Activity 4.1

- Invite student to read individually the question in the student book and work in pairs to share with the classmate
- Make some pairs make presentations
- Provide constructive feedback

Possible Answers

1. Posting is a process of transferring journal entries into the ledger account.
2. A ledger is a book which contains all accounts affected by various transactions. As you have learned in unit 3, an account is classified and summarized record of all transactions relating to a particular person or an item. Hence, ledger can be termed as a classified and summarized record of business transactions relating to all personal, real and nominal accounts.

e) Application activities 4.1

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give constructive feedback

Possible Answers

1. b
2. d
3. c
4. c

Lesson 2: Posting entries to the ledger

a) Learning objective

Record transactions in general ledger

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, calculators, and chalkboard

c) Prerequisites/ Revision/ Introduction

Transferring journal entries to the ledger accounts is called posting. This phase of the recording process accumulates the effects of journalized transactions into the individual accounts. The aim of this lesson is to make you understand how the posting is done. Do not forget your knowledge of double entry.

d) Learning activities

Activity 4.2

- Invite student to read individually the question in the student book and work in pairs to share with the classmate
- Choose one student to make correction
- Provide constructive feedback and link students' answers on the new lesson

Possible Answers

Capital a/c

FRW		FRW
	Bank	5,000

Purchases a/c

	FRW	FRW
Creditors	4,000	

Sales a/c

FRW	FRW
	Trade Receivables 9,000

Non-current Asset – Vehicle a/c a/c

FRW	FRW
Bank 2,500	

Administration Expenses a/c

FRW	FRW
Bank 2,300	

Bank a/c

	FRW	FRW
Capital	5,000	Trade Payables 3,550
Trade Receivables	8,100	Van 2,500
		Administration 2,300
		Balance c/d 4,750
	13,100	13,100

Trade Payables a/c

	FRW	FRW
Bank	3,550	Purchases 4,000
Balance c/d	450	
	4,000	4,000

Trade Receivables a/c

	FRW	FRW
Sales	9,000	Bank 8,100
		Balance c/d 900
	9,000	9,000

e) Application activities 4.2

- Invite student to read individually the question in the student book and work in pairs to share with the classmate
- Select one student from the pairs to make correction
- Ask other pairs to supplement
- Give constructive feedback

Possible Answers

AKANYANA Ltd.'s General Ledger Accounts

Purchases A/C

	FRW	FRW
Jan. 1 Creditors/Account payable	400,000	
2 Creditors	200,000	
14 Creditors	60,000	
22 Cash	100,000	
25 Creditors	100,000	

Creditors A/C (A/C Payable)

	FRW		FRW
Jan. 5 Returns outwards	50,000	Jan. 1 Purchases	400,000
12 Cash	80,000	2 Purchases	200,000
18 Return outwards	50,000	14 Purchases	60,000
19 Bank	150,000	25 Purchases	100,000
26 Cash	80,000		

Sales A/C

FRW	FRW
	Jan. 3 Debtors
	1,000,000
	4 Debtors
	400,000
	20 Debtors
	800,000
	23 Cash
	500,000
	24 Bank
	4,000,000

Possible Answers

AKANYANA Ltd.'s General Ledger Accounts

Debtors A/C (A/C Receivable)

	FRW		FRW
Jan. 3 Sales	1,000,000	Jan. 10 Cash	800,000
4 Sales	400,000	15 Return inwards	40,000
20 Sales	800,000	16 Bank	150,000
		27 Return inwards	100,000
		28 Bank	200,000

Return outwards A/C (Purchase returns A/C)

	FRW		FRW
		Jan. 5 Creditors	50,000
		18 Creditors	50,000

Cash A/C

	FRW		FRW
Jan. 10 Debtors	800,000	Jan. 12 Creditors	80,000
23 Sales	500,000	17 Rent	100,000
		22 Purchases	100,000
		26 Creditors	80,000
		29 Electricity	100,000
		31 Salaries	150,000

Return inwards A/C (Sales return A/C)

	FRW		FRW
Jan. 15 Debtors	40,000		
27 Debtors	100,000		

Possible Answers

Bank A/C

	FRW		FRW
Jan. 16 Debtors	150,000	Jan. 19 Creditors	150,000
24 Sales	4,000,000	29 Electricity	50,000
28 Debtors	200,000	30 Rent	60,000
		31 Salaries	160,000

Rent A/C

	FRW		FRW
Jan. 17 Cash	100,000		
30 Bank	60,000		

Electricity A/C

	FRW		FRW
Jan. 29 Cash	100,000		
Bank	50,000		

Salaries A/C

	FRW		FRW
Jan. 17 Cash	150,000		
30 Bank	160,000		

Lesson 3: The sales journal and sales ledger

a) Learning objectives

- Distinguish between a cash sale and credit sale and between the way they are recorded in the accounting books
- Explain why, when credit card payments are received at the time of sale, details of the customer are not recorded even though a debtor is created at the same time
- Explain why multiple copies are often made of each sales invoice
- Make the appropriate entries relating to credit sales in a sale journal
- Make the correct postings for the sales journal to the sales ledger and general ledger

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, calculators, and chalkboard.

c) Prerequisites/ Revision/ Introduction

In unit 3, it is shown that, rather than having only one book of original entry and one ledger, most businesses use a set journals and a set of ledgers. This lesson discusses more about sales journal also called Sales day book and sales ledger. It also indicates how cash and credit sales are entered in these books, and about trade discounts and how to record them.

d) Learning activities

Activity 4.3

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Make some pairs make presentations.
- Provide constructive feedback.

Possible Answers

Seller keep copies of sales invoices for a number of reasons including: to prove that sale took place; to enable the entries in the books to be correctly recorded and checked; to pass to the stock department so that the correct goods can be selected for shipping to the customer, to pass to the delivery department, so that correct goods will be shipped to the customer and the correct address, and to enable the goods to be shipped accompanied by a copy of the sales invoice so that the customer can acknowledge receipt of the correct goods.

e) Application activities 4.3

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Select one student from the pairs to make correction.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible Answers

Sales Ledger

Hope

2021		FRW'000	FRW'000
March 1	Sales	310.00	
March 10	Sales	74.00	

Fiston

2021		FRW'000	FRW'000
March 3	Sales	285.00	

Moses

2021		FRW'000	FRW'000
March 6	Sales	38.00	

Tite

2021		FRW'000	FRW'000
March 17	Sales	534.00	

Yusuf

2021		FRW'000	FRW'000
March 19	Sales	92.00	

Mike

2021		FRW'000	FRW'000
March 27	Sales	44.00	

2021		FRW'000	FRW'000
March 31	Sales	112.00	

General Ledger Sales A/C

FRW'000	2021	FRW'000
	Credit sales for the month	
	March 31	1489.00

Lesson 4: The purchases journal and purchases ledger

a) Learning objectives

- Make the appropriate entries relating to credit purchases in purchase journal
- Make the correct postings from the purchases journal to the purchases ledger and general ledger

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, calculators, and chalkboard

c) Prerequisites/ Revision/ Introduction

In this lesson, you will continue your look at the journals and ledgers by looking in more detail at the purchases journal (or purchases day book) and the purchases ledger. Having already looked at the sales side of transactions in lesson 3, you are now going to look at them from the side of purchases. Much of what you will learn in this section is almost identical to what you lean in lesson 3. This should not come as a surprise. After all, you are looking once more at how transactions are processed in journals and ledgers and the process ought to be similar as you move from the sales side to the purchases side of similar transactions. If it weren't, accounting would be a far more complex subject than it is.

d) Learning activities

Activity 4.4

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Make some pairs make presentations.
- Provide constructive feedback.

Possible Answers

Similarly, to the sales journal, the purchases journal is merely a list of details relating to each credit purchase. This list of items is virtually identical to those recorded in the sales journal, the only differences being that it is the name of the supplier that is recorded, not the purchaser, and that the invoice number is replaced with the buyers own internally generated reference number: Date; name of supplier; the reference number of the invoice; the folio column; and the final amount of invoice.

e) Application activities 4.4

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Select one student from the pairs to make correction.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible Answers

Purchases Ledger

Baptiste		(Page 16)	
	2021	Folio	FRW
1/9	Purchases	PB 49	560.00

Harriet (Page 29)

	2021	Folio	FRW
8/9	Purchases	PB 49	1380.00

Bosco (Page 55)

	2021	Folio	FRW
19/9	Purchases	PB 49	230.00

Gabriel (Page 89)

	2021	Folio	FRW
3/9	Purchases	PB 49	510.00

General Ledger

Purchases Page 63

2021	Folio	Amount (FRW)	
Sep. 30	Credit purchases for the month	PB 49	2,680

Lesson 5: Balancing off (closing) Accounts

a) Learning objective

Balance off the accounts

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, calculators, and chalkboard.

c) Prerequisites/ Revision/ Introduction

At the end of specific period most often a month, all ledger accounts including the cash book are closed or balanced off. The purpose of doing this is to obtain the net balances on each account at the end of the month. After the accounts have been closed, a trial balance can be extracted.

d) Learning activities

Activity 4.5

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Make some pairs make presentations.
- Provide constructive feedback.

Possible Answers

1. At the end of accounting period, typically at the end of the month or year, it is necessary to find the balance on each ledger account so that a trial balance can be extracted as part of the accounting cycle. The process is referred to as “balancing off accounts” or balancing the ledger.
2. Balancing of accounts involves the following process:
 - Total up the amounts on the debit and credit sides.
 - Compare the two totals, and find out the difference.
 - The difference between the two totals is placed on the side with lesser total and called balance carried forward (balance c/f) or balance carried down (balance c/d) and this closes the current period (has the ending period date). So now both debit and credit totals equal each other.

Possible Answers

- Then the totals of both debit and credit are shown after underlining the last amounts on the same row. The total is then underlined with double lines.
- The balance c/f amount is then placed below the totals but on the opposite side (if,
 - It was on the debit, and then placed on the credit and vice versa). This balance is then now known as the balance brought forward (balance b/f) or balance brought down (balance b/d) to start of the following period (has the starting period date). This balance, if is on the debit side is a debit balance and if, is on the credit side is a credit balance. Notice the way the balance is on the opposite side when it is being carried forward.
 - If there is use of balance c/f, it should be used with balance b/f consistently.
 - If balance c/d is used then, it should be used with b/d consistently. Make sure this is followed throughout the accounting practice.

e) Application activities 4.5

- Invite student to read individually the question in the student book and work in pairs to share with the classmate
- Select one student from the pairs to make correction
- Ask other pairs to supplement
- Give constructive feedback

Possible Answers

Balancing off AKANYANA Ltd.'s ledger Accounts

General Ledger Accounts

Purchases A/C		
	FRW	FRW
Creditors/Account		
Jan. 1 payable	400,000	
2 Creditors	200,000	
14 Creditors	60,000	
22 Cash	100,000	
25 Creditors	100,000	Jan 31 Bal c/d <u>860,000</u>
	<u>860,000</u>	<u>860,000</u>
Feb. 1 Bal. b/d	860,000	

Creditors A/C (A/C Payable)

	FRW		FRW
Returns outwards		Purchases	
Jan. 5 Returns outwards	50,000	Jan. 1	400,000
12 Cash	80,000	2 Purchases	200,000
18 Return outwards	50,000	14 Purchases	60,000
Bank	150,000	Purchases	
19		25	100,000
26 Cash	80,000		
31 Bal. c/f	<u>350,000</u>		
	760,000		760,000
		Feb. 1 Bal. b/d	<u>350,000</u>

Sales A/C

	FRW		FRW
		Jan. 3	Debtors 1,000,000
		4	Debtors 400,000
		20	Debtors 800,000
		23	Cash 500,000
Jan. 31 Bal. c/d	<u>6,700,000</u>	24	Bank 4,000,000
	<u>6,700,000</u>		6,700,000
		Feb. 1	Bal. b/d <u>6,700,000</u>

Debtors A/C (A/C Receivable)

	FRW		FRW
Jan. 3 Sales	1,000,000	Jan. 10 Cash	800,000
4 Sales	400,000	15 Return inwards	40,000
20 Sales	800,000	16 Bank	150,000
		27 Return inwards	100,000
		28 Bank	200,000
	<u>2,200,000</u>	31 Bal. c/d	910,000
Feb. 1 Bal. b/d	910,000		<u>2,200,000</u>

Return outwards A/C (Purchase returns A/C)

	FRW		FRW
		Jan. 5 Creditors	50,000
Jan. 31	Bal. c/d	100,000	50,000
		18 Creditors	100,000
		Feb. 1 Bal. b/d	<u>100,000</u>

Cash A/C

	FRW		FRW	
Jan. 10	Debtors	800,000	Jan. 12 Creditors	80,000
23	Sales	500,000	17 Rent	100,000
			22 Purchases	100,000
			26 Creditors	80,000
			29 Electricity	100,000
			31 Salaries	150,000
		<u>1,300,000</u>	31 Bal. c/d	690,000
Feb. 1	Bal. b/d	<u>690,000</u>		<u>1,300,000</u>

Return inwards A/C (Sales return A/C)

		FRW			FRW
Jan. 15	Debtors	40,000			
27	Debtors	<u>100,000</u>	Jan. 31	Bal c/d	140,000
		<u>140,000</u>			<u>140,000</u>
Feb. 1	Bal b/d	<u>140,000</u>			

Bank A/C

		FRW			FRW
Jan. 16	Debtors	150,000	Jan. 19	Creditors	150,000
24	Sales	4,000,000	29	Electricity	50,000
28	Debtors	200,000	30	Rent	60,000
			31	Salaries	160,000
		<u>4,350,000</u>	31	Bal. c/d	3,930,000
Feb. 1	Bal. b/d	<u>3,930,000</u>			<u>4,350,000</u>

Rent A/C

		FRW			FRW
Jan. 17	Cash	100,000			
30	Bank	60,000	Jan. 31	Bal. c/d	160,000
		<u>160,000</u>			<u>160,000</u>
Feb. 1	Bal. b/d	<u>160,000</u>			

Electricity A/C

		FRW			FRW
Jan. 29	Cash	100,000			
	Bank	<u>50,000</u>	Jan. 31	Bal. c/d	<u>150,000</u>
		<u>150,000</u>			<u>150,000</u>
Feb. 1	Bal. b/d	<u>150,000</u>			

Salaries A/C

	FRW		FRW
Jan. 31	Cash	150,000	
	Bank	<u>160,000</u>	Jan. 31 Bal. c/d
		<u>310,000</u>	<u>310,000</u>
Feb. 1	Bal. b/d	310,000	

Debtors Subsidiary Ledger (Sales Ledger) Accounts

John's A/C

	FRW		FRW
Jan. 3	Sales	1,000,000	Jan. 10 Cash
20	Sales	800,000	27 Returns inwards
		<u>1,800,000</u>	28 Banks
		<u>1,800,000</u>	31 Bal. c/d
Feb. 1	Bal. b/d	700,000	

Mary's A/C

	FRW		FRW
Jan. 3	Sales	400,000	Jan. 15 Returns inwards
		<u>400,000</u>	16 Bank
		<u>400,000</u>	31 Bal. c/d
Feb. 1	Bal. b/d	<u>210,000</u>	

Note: The total of individual debtors' balances i.e. John and Mary's balances are the same as the balances on debtors' A/C or account receivable. Reconciliations must always be made between the sum of individual debtors' balances and the major or control account. In this case, the debtors' account or account receivable. This major or summary account which controls and acts as a trial balance for the subsidiary ledger is called a control account. More details on control accounts will be handled in unit 7.

Creditors' Subsidiary Ledger (Purchase Ledger) Accounts

Peter's A/C

		FRW			FRW
Jan. 5	Returns outwards	50,000	Jan. 1	Purchases	400,000
12	Cash	80,000	25	Purchases	100,000
26	Cash	80,000			
31	Bal. c/d	<u>290,000</u>			
		<u>500,000</u>			<u>500,000</u>
			Feb. 1	Bal. b/d	290,000

Janes's A/C

		FRW			FRW
Jan.	Returns outwards	50,000	Jan. 2	Purchases	200,000
18			14	Purchases	60,000
19	Bank	150,000			
31	Bal. c/d	<u>60,000</u>			
		<u>260,000</u>			<u>260,000</u>
			Feb. 1	Bal. b/d	<u>60,000</u>

Note: The total of Peter and Johns' balances reconciles with the balance on the creditors' account or accounts payable appearing in the general ledger. The creditors' control account acts as a check for the accuracy of the creditors' subsidiary ledger. Detailed treatment of control accounts is deferred for now.

4.6 Summary of the Unit

This unit describes the meaning, types and format of ledgers. It also shows how to post journal entries into ledger accounts. Sales and purchases day books and their respective sales and purchases ledgers are also included in this unit. Finally, all ledger accounts are closed or balanced off.

4.7 Additional information for teachers

The content provided in the student's textbook has holistically covered the information that a student needs in this unit. However, the teacher should look for more application activities to supplement the ones presented in the main content. This will help students get the required skills to post journal entries and balance off the accounts.

4.8 End unit assessment

Answers to end of unit assessment activities

Bank Account		Purchase Account	
DEBIT	CREDIT	DEBIT	CREDIT
01/1 Capital	20 000	03/1 Rent	1 000
20/1 Sales	800	04/1 Motor Van	5 000
		10/1 Motor exp.	75
		12/1 Wages	120
		24/1 Insurance	220
		31/1 Electricity	78
		31/1 Bal c/d	14 307
<u>20 800</u>		<u>20 800</u>	
01/2 Bal b/d	14 307		<u>3 650</u>
01/2 Bal b/d 3650			

Cash In Hand Account				Sales Account			
DEBIT		CREDIT		DEBIT		CREDIT	
05/1 Sales	1 000	31/1 Wages	135	31/1 Bal c/d	1 800	05/1 Cash	1 000
		31/1 Bal c/d	865			20/1 Bank	800
<u>1 000</u>		<u>1</u>		<u>1 800</u>			<u>1 800</u>
	<u>000</u>						
01/2 Bal b/d	865					01/2 Bal b/d	1 800

Rent Account				Capital Account				
DEBIT		CREDIT		DEBIT		CREDIT		
3/1	Bank	1 000	31/1 Bal c/d	1 000	31/1 Bal. c/d	20 000	1/1 Bank	20 000
		<u>1 000</u>		<u>1 000</u>		<u>20 000</u>		<u>20 000</u>
01/2	Bal b/d	1 000				01/2 Bal b/d	20 000	

Kan Account

DEBIT	CREDIT
31/1 Bal c/d 2 400	04/1 Purchases 2 400
2 400	2 400
	01/2 Balance b/d 2400

Return Outward Account

DEBIT	CREDIT
31/1 Bal c/d 70	18/1 PPP 70
70	70
	01/2 Bal b/d 70

Motor Van Account

DEBIT	CREDIT
04/1 Bank 5 000	31/1 Bal. c/d 5 000
5 000	5 000
01/2 Bal. b/d 5 000	

Motor Expense Account

DEBIT	CREDIT
10/1 Bank 75	31/1 Balance c/d 75
	75
01/2 Bal. b/d 75	

Wage Account

DEBIT	CREDIT
12/1 Bank 120	31/1 Bal. c/d 255
31/1 Cash 135	
255	255
01/2 Bal. b/d 255	

PPP Account

DEBIT	CREDIT
18/1 Return 70	04/1 Purchases 580
31/1 Bal. c/d 180	17/1 Purchases 670
	1
250	1 250
	01/2 Bal. b/d 1 180

Insurance Account

DEBIT	CREDIT
24/1 Bank 220	31/1 Balance. c/d 220
220	220
01/2 Bal. b/d 220	

Electricity Account

DEBIT	CREDIT
31/1 Electricity 78	31/1 Balance c/d 78
78	78
01/2 Bal. b/d 78	

4.9 Additional activities

4.9.1 Remedial activities

1. State whether each of the following statements is true or false.
 - a) Posting is done in the journal.
 - b) Posting will be made on the debit side of an account which had been debited in the journal.
 - c) The word "To" is used with the name of an account while making posting on the credit side of an account.
 - d) No narration is written while posting into ledger accounts.
 - e) Every journal entry will be posted only into those accounts which have been debited in the journal.
 - f) Compound journal entry is posted to more than two accounts.
2. Which of the following statement about an account is true?
 - a) The right side of an account is the debit, or increase side.
 - b) An account is an individual accounting record of increases and decreases in specific assets, liability, and stockholders' equity items.
 - c) There are separate accounts for specific assets and liabilities but only one account for stockholders' equity items.
 - d) The left side of an account is the credit, or decrease, side.
3. Which of the following are part of the recording process?
 - a) Analyzing transactions.
 - b) Entering Transactions in a journal.
 - c) Posting journal entries.
 - d) All of the above.
4. The right side of a t-account is
 - a) The balance of an account.
 - b) The debit side.
 - c) The credit side.
 - d) Blank.
5. Powers Corporation received a cash advance of \$500 from a customer. As a result of this event,
 - a) Assets increased by \$500 (Debited).
 - b) Equity increased by \$500 (Credited).
 - c) Liabilities decreased by \$500 (Debited).
 - d) Both assets and equity increased by \$500 (Debited and Credited).

6. Debits

- a) Increase both assets and liabilities.
- b) Decrease both assets and liabilities.
- c) Increase assets and decrease liabilities.
- d) Decrease assets and increase liabilities.

7. Which accounts normally have credit balances?

- a) Revenues, liabilities, and dividends
- b) Revenues, liabilities, and assets.
- c) Revenues, liabilities, and retained earnings.
- d) Revenues, liabilities, and expenses.

8. Which of the following accounts is increased with a debit?

- a) Land
- b) Service Revenue
- c) Interest Payable
- d) Common Stock

9. When a company performs a service but has not yet received payment, it

- a) Debits Service Revenue and credits Accounts Receivable.
- b) Debits Accounts Receivable and credits Service Revenue.
- c) Debits Service Revenue and credits Accounts Payable.
- d) Makes no entry until cash is received.

10. In the first month of operations, the total of the debit entries to the Cash account amounted to \$3,000 and the total of the credit entries to the Cash account amounted to \$1,800. The Cash account has:

- a) \$1,800 credit balance.
- b) \$3,000 debit balance.
- c) \$1,200 debit balance.
- d) \$1,800 credit balance.

11. At November 1, 20XX, Johnson Inc. had an Accounts Receivable balance of \$200,000. During the month, the company made sales on account of \$300,000. In addition, Johnson Inc. collected \$400,000 from customers that owed them money. At November 30, 2018, the Accounts Receivable balance is

- a) \$100,000 debit
- b) \$100,000 credit
- c) \$500,000 debit

- d) \$300,000 credit
12. Which of the following steps in the accounting process is done after analyzing business transactions?
- Preparing the financial statements.
 - Preparing a trial balance.
 - Entering transactions in a journal.
 - Posting journal entries.
13. On July 7, 20XX, Shireman Enterprises received cash \$1,400 for services rendered. The entry to record this transaction will include:
- A debit to Service Revenue of \$1,400.
 - A credit to Accounts Receivable of \$1,400.
 - A debit to Cash of \$1,400.
 - A credit to Accounts Payable of \$1,400.

Answers to additional activities

Remedial activities

1. (a) False, (b) True, (c) False, (d) True, (e) False, (f) True.
2. B
3. D
4. C
5. A
6. C
7. C
8. A
9. B
10. C
11. A
12. C
13. C

4.9.2 Consolidated activities

Consolidation activities

1. The following transactions took place during the month of May 2003 for the business of Joseph Tumsigye:

2003

- May 1 Started firm with capital in cash of FRW 250,000
- May 2 Bought goods on credit from the following persons: R Kelly FRW 54,000; P Combs FRW 87,000 ; J Role FRW 25,000; D Mobile FRW 76,000; I. Sims FRW 64,000.
- May 4 Sold goods on credit to: C Blanes FRW 43,000; B Long FRW 62,000; F Skin FRW 176,000.
- May 6 Paid rent by cash FRW 12,000.
- May 9 C Blanes paid us his account by cheque FRW 43,000.
- May 10 F Skin paid us FRW 150,000 by cheque.
- May 12 We paid the following by cheque: J Role FRW 25,000; R Kelley FRW 54,000.
- May 15 Paid carriage by cash FRW 23,000.
- May 18 Bought goods on credit from P Combs FRW 43,000; Mobile FRW 110,000.
- May 21 Sold goods on credit to B Long FRW 67,000.
- May 31 Paid rent by cheque FRE 18,000.

Required: Record the transactions in the appropriate accounts and balance off the accounts

2. H Jump has the following assets and liabilities as on 30 November 2003:

Creditors 39,500; Equipment 115,000; Motor vehicle 62,900; Stock 61,500; Debtors 57,700; Cash at bank 72,800 and Cash in hand 400.

Compute the balance on the capital account as at 30 November 2003.

During the first week of December 2003, Jump:

- a) Bought extra equipment on credit for 13,800.
- b) Bought extra stock by cheque 5,700.
- c) Paid creditors by cheque 7,900.
- d) Received from debtors 8,400 by cheque and 600 by cash.
- e) Put in extra amount of 2,500 cash as capital.

Prepare the ledger accounts after the above transactions

Possible answers

Consolidated Activities

1.

DR	Capital account		CR
31/5 Balance c/d	250,000	1/5 Cash	250,000

DR	Cash in Hand account		CR
12/5 Bank	250,000	6/5 Rent	12,000
		15/5 Carriage	23,000
		31/5 Balance c/d	<u>215,000</u>
<u>250,000</u>		<u>250,000</u>	

DR	R Kelly (Creditor) account		CR
31/5 Balance c/d	54,000	2/5 Purchases	54,000

DR	P Combs (Creditor) account		CR
		2/5 Purchases	87,000
31/5 Balance c/d	<u>130,000</u>	18/5 Purchases	<u>43,000</u>
<u>130,000</u>		<u>130,000</u>	

DR	J Role (Creditor) account		CR
12/5 Bank	25,000	2/5 Purchases	25,000

DR	D Mobile (Creditor) account		CR
		2/5 Purchases	76,000
31/5 Balance c/d	186,000	18/5 Purchases	110,000
	186,000		186,000

DR	I Sims (Creditor) account		CR
31/5 Balance c/d	64,000	2/5 Purchases	64,000

DR	C. Blanes (Debtor) account	CR
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4/5 Sales	<u>43,000</u>	4/5 Bank	<u>43,000</u>
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DR	B Long (Debtor) account	CR
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4/5 Sales	62,000		
21/5 Sales	67,000	31/5 Balance c/d	129,000
	<u>129,000</u>		<u>129,000</u>

DR	F Skin (Debtor) account	CR
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4/5 Sales	176,000	10/5 Bank	150,000
		31/5 Balance c/d	26,000
	<u>176,000</u>		<u>176,000</u>

DR	Sales account	CR
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		4/5 C Blanes	43,000
		4/5 F Long	62,000
		4/5 F Skin	176,000
31/5 Balance c/d	348,000	4/5 B Long	67,000
	<u>348,000</u>		<u>348,000</u>

DR	Bank account	CR
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9/5 C Blanes	43,000	12/5 J Role	25,000
10/5 F Skin	150,000	12/5 R Kelly	54,000
		31/5 Rent	18,000
		31/5 Balance c/d	<u>96,000</u>
	<u>193,000</u>		<u>193,000</u>

DR	Carriage expenses account		CR
15/5 Cash	23,000	31/5 Balance c/d	23,000
Rent expense account			
6/5 Cash	12,000		
31/5 Bank	<u>18,000</u> <u>30,000</u>	31/5 Balance c/d	30,000 <u>30,000</u>
Purchases account			
2/5 R Kelly	54,000		
2/5 P Combs	87,000		
2/5 J Role	25,000		
2/5 D Mobile	76,0000		
2/5 L Sims	64,000		
18/5 P Combs	43,000		
18/5 D. Mobile	<u>100,000</u> <u>459,000</u>	31/5 Balance c/d	<u>459,000</u> <u>459,000</u>

2.

Capital = Assets – Liabilities

Assets

Equipment	115,000
Motor vehicle	62,900
Stock	61,500
Debtors	57,700
Cash at bank	72,800
Cash in hand	400
	<u>370,300</u>

Liabilities

Creditors	<u>(39,500)</u>
	330,800

Capital **330,800**

Capital = 370,300 - 39,500 = 330,800

Ledger Accounts

DR	Creditors account		CR
Bank	7,900	Balance b/d	39,500
Balance c/d	31,600		39,500
	39,500		
DR	Motor Vehicles account		CR
Balance b/d	62,900	Balance c/d	62,900
DR	Equipment account		CR
Balance b/d	115,000		
Other Creditors	13,800	Balance c/d	128,800
	128,800		
DR	Stock account		CR
Balance b/d	61,500		
Bank	5700	Balance c/d	67,200
	67,200		
DR	Debtors account		CR
Balance b/d	57,700	Bank	8,400
		Cash	600
		Balance c/d	48,700
	<u>57,700</u>		
			<u>57,700</u>
DR	Cash at Bank account		CR
Balance b/d	72,800	Stock	5,700
		Creditors	7,900
Debtors	8,400	Balance c/d	67,600
	81,200		
			81,200

DR	Cash in hand account		CR
Balance b/d	400		
Debtors	600		
Capital	2,500	Balance c/d	3,500
	3,500		3,500
DR	Capital account		CR
		Balance b/d	330,800
Balance c/d	333,300	Cash	2,500
	333,300		333,300
DR	Other Creditors account		CR
Balance c/d	<u>13,800</u>	Equipment	<u>13,800</u>

4.9.3 Extended activities

The following balances were extracted from the books of Mukasa's business on 31/5/2021.

	FRW
Creditors	3,000,000
Debtors	7,000,000
Rent	500,000
Electricity	300,000
Capital	5,000,000
Loan	2,000,000
Drawings	500,000
Cash	5,000,000
Bank	3,300,000

During the month of June 2021, the following transactions occurred.

- June 1 Bought goods on credit for FRW 6,500,000.
2 Sold goods on credit for FRW 8,000,000.
4 Received a cheque of FRW 5,000,000 from a debtor and banked it.
7 Paid creditors FRW 1,500,000 cash and FRW 500,000 by cheque.
10 Rejected and returned goods worth FRW 300,000 to a creditor.
12 A debtor rejected and returned goods worth FRW 100,000.
14 Banked FRW 1,500,000 cash.
16 Paid rent cash FRW 400,000 and FRW 800,000 by cheques and electricity FRW 250,000 cash.
20 Withdrew FRW 1,000,000 from the bank and put into the cash box for payment of cash expenses.
22 Paid FRW 2,000,000 by cheque in respect of retiring the loan.
25 Fearing the consequences of the land bill, he sold the land inherited from his father for FRW 10,000,000 cash. He used FRW 5,000,000 for his marriage ceremonies and the rest of the money he put into his business.
27 Received cash of FRW 100,000 and a cheque FRW 2,000,000 from a debtor and banked both cash and cheque.
30 Used business cash of FRW 300,000 for a social evening with his friends at a club.

Required: Prepare Mukasa's ledger accounts and extract balances on 30/6/2021 (Ignore subsidiary ledgers).

Possible answers

Mukasa's Ledger

Purchase A/C

2021	FRW'000	FRW'000
June 5 Creditors	<u>6,500</u>	June 30 Bal c/d
	<u>6,500</u>	<u>6,500</u>
July 1 Bal b/d	6,500	

Creditors' A/C

2021	FRW'000		FRW'000
June 7 Cash	1,500	June 1 Bal b/d	3,000
7 Bank	500	1 Purchases	6,500
10 Returns out	300		
30 Bal c/d	<u>7,200</u>		
	<u>9,500</u>		<u>9,500</u>
		July 1 Bal b/d	7,200

Debtors' A/C

2021	FRW'000		FRW'000
June 1 Bal b/d	7,000	June 4 Bank	5,000
2 Sales	8,000	12 Returns in	100
		27 Cash	100
		27 Bank	2,000
		30 Bal c/d	7,800
	<u>15,000</u>		<u>15,000</u>
July 1 Bal b/d	<u>7,800</u>		

Sales A/C

2021	FRW'000		FRW'000
June 30 Bal c/d	<u>8,000</u>	June 2 Debtors	8,000
	8,000		8,000
		July 1 Bal b/d	8,000

Return Outwards A/C

2021	FRW'000		FRW'000
June 30 Bal c/d	<u>300</u>	June 10 Creditors	<u>300</u>
	<u>300</u>		<u>300</u>
		July 1 Bal b/d	300

Return Inwards A/C

2021		FRW'000		FRW'000
June 12	Debtors	100	June 30	Bal c/d
		100		100
July 1	Bal b/d	100		100

Rent A/C

2021		FRW'000		FRW'000
June 1	Bal b/d	500		
16	Cash	400		
16	Bank	800	June 30	Bal c/d
		1,700		1,700
July 1	Bal b/d	1,700		1,700

Electricity A/C

2021		FRW'000		FRW'000
June 1	Bal b/d	300		
16	Cash	250	June 30	Bal c/d
		550		550
July 1	Bal b/d	550		550

Loan A/C

2021		FRW'000		FRW'000
June 22	Bank	2,000	June 1	Bal b/d
		2,000		2,000
			July 1	Bal b/d
				2,000

Capital A/C

2021	FRW'000		FRW'000
		June 1 Bal b/d	5,000
June 30 Bal c/d	<u>10,000</u>	25 Cash	<u>5,000</u>
	<u>10,000</u>		<u>10,000</u>
		July 1 Bal b/d	10,000

Drawings A/C

2021	FRW'000		FRW'000
June 1 Bal b/d	500		
June 30 Cash	<u>300</u>	June 30 Bal c/d	<u>800</u>
	<u>800</u>		<u>800</u>
July 1 Bal b/d	800		

UNIT 5

EXTRACT TRIAL BALANCE

5.1 Key unit competence

To be able to extract a trial balance

5.2 Unit prerequisite

In previous unit called “posting in ledger account”, you distinguished accounts with debit balances and those with credit balances. The prior knowledge, skills and competences should help the students to be able to list the ledger account balances and distinguish them according to the nature of their balances.

5.3 Cross-cutting issues to be addressed

Gender education: The teacher should bear in mind that everyone, girls and boys have equal opportunities and rights to study. Therefore, when forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback, the teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when teaching accounting subject, which provide skills for effective use of resources. Students will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students’ diversities and encourage them to maximize their full potential in classroom.

Peace and value education: Through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Environmental sustainability: While teaching, both teacher and students should keep in mind that protecting the environment is everyone's responsibility.

Genocide studies: Teacher and students should understand the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unit. They must comprehend their role in ensuring that genocide never happens again.

5.4 Guidance on the introductory activity

At this stage, the students will not be able to answer all the questions, they can answer some of them. The most important thing is that you want to challenge students to be expectant and to use their previous knowledge and background to self-discover during teaching and learning of this unit.

Explain the purpose of the introductory activity of the lesson. This activity is intended to provide interest and motivation for students to be able to extract the trial balance as one step of the accounting cycle.

The introductory activity will also arouse student's interests about what to expect in this unit as they answer the questions that follow in the activity. Students can build on previous knowledge, skills, values and attitudes to help you assess the student's prior knowledge and help think with the new content.

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the introductory activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between girls and boys and student's different abilities. During this activity, ensure that students have understood the instructions, prompt and probe them through question and answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Encourage different students from the groups to share the group's work to avoid just a few students dominating. Also encourage other students to listen and not disturb when other teams are sharing unless if it is a question. Encourage students to appreciate each other's work especially during the presentation.

Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of

what to expect in the unit. Answers to activity will be got as the unit progresses. You can support student's answers by referring to possible answers to the introductory activity below:

Possible answers to introductory activity:

- a) The images are compared as under:
 - For the image 1, the left side is heavy than the right side.
 - For the image 2, the two sides are balanced.
 - For the image 3, the right side is heavy than the left side.
- b) If the content of the right side of the image 2 is increased without increasing the content of its left side, the image will show the right side which will be heavy than the left side.

5.5 List of lesson title/ Subheading

Nº	Sub-heading	Lesson title	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Meaning, purpose and limitations of trial balance	Meaning of trial balance	<ul style="list-style-type: none">– Explain the meaning of the trial balance– Outline the content of the trial balance	3
		Purpose of trial balance	<ul style="list-style-type: none">– Explain the purpose (uses) of the trial balance– Describe the format of the trial balance	3
		Limitations of trial balance	<ul style="list-style-type: none">– Identify the limitations of the trial balance– Meaning of agreement/disagreement of the trial balance.	3
2		Preparation of trial balance	<ul style="list-style-type: none">– Distinguish accounts with debit balances from accounts with credit balances– Prepare the trial balance	4
3	End of unit assessment			3

Lesson 1: Meaning, purpose and limitations of the trial balance

a) Lesson objectives:

- Explain the meaning of the trial balance.
- Outline the content of the trial balance.
- Explain the purpose (uses) of the trial balance.
- Describe the format of the trial balance.
- Identify the limitations of the trial balance.
- Meaning of agreement/ disagreement of the trial balance.

b) Teaching resources

Student's books, internet, case study, source document sample, marker pens, chalk board, computers, etc.

c) Prerequisites/ Revision/ Introduction:

After journalizing in Unit 3, students learnt how to post journalized transactions in ledger accounts. After preparing ledger accounts, calculated balances are carried into trial balance which means that the trial balance is prepared based on ledger balances.

d) Learning activities

Activity 5.1

Think-pair and share; small group discussions, gallery work, brainstorm, case study analysis, research in the library and research on the internet about the meaning, purpose and limitations of the trial balance with convincing examples.

Possible answers

After balancing off ledger accounts, the book keeper proceeds on preparing the trial balance

He/ she makes a list of debit and credit accounts with their corresponding balances from ledger account.

e) Application Activity 5.1

Possible answers

- a) A trial balance is a statement of debit and credit totals of balances extracted from the various accounts in the ledger with a view to test the arithmetic accuracy of books.
- b) It contains all ledger accounts with their corresponding balances.
- c) The following describe the purpose of a trial balance:
 - i) It gives the balances of all the accounts of the ledger. The balance of any account can be found from the trial balance without going through the pages of the ledger;
 - ii) It is the check on the accuracy of posting. If the trial balance agrees, it proves:
 - a. That both the aspects of each transaction are recorded;
 - b. That the books are arithmetically accurate.
 - iii) It facilitates the preparation of profit and loss account and the balance sheet.
 - iv) Important conclusion can be delivered by comparing the balances of two or more than two years with the help of trial balances of those years.
- d) Generally, the trial balance format has three columns. The first column or particulars describes the ledger accounts as name or head under which such ledger is created. Then there is amount (debit) which has debit balances and are shown under the second column. The last is for amount (credit) which has credit balances.
- e) The limitations of the trial balance are the following:
 - The trial balance can be prepared only in those concerns where double entry system of book keeping is adopted
 - A trial balance is not a conclusive proof of the arithmetical accuracy of the books of account.
 - If a trial balance is wrong, the subsequent preparation of trading, profit and loss account and the balance sheet will not affect the true picture of the concern.
- f) A correct trial balance would not contain any error.

Lesson 2: Preparation of the trial balance

a) Lesson objectives:

- Distinguish accounts with debit balances from accounts with credit balances.
- Prepare the trial balance.

b) Teaching resources

Student's books, internet, case study, source document sample, marker pens, chalk board, computers, etc.

c) Prerequisites/ Revision/ Introduction:

After journalizing in Unit 3, students learnt how to post journalized transactions in ledger accounts. After preparing ledger accounts, calculated balances are carried into trial balance which means that the trial balance is prepared based on ledger balances.

d) Learning activities

Activity 5.2

In small groups, students brainstorm the distinguishing accounts with debit balances, accounts with credit balances and preparation of a trial balance.

Possible answers

1. Ledger accounts with debit balances are mainly assets and expenses.
2. Ledger accounts with credit balances are mainly capital, liabilities and income.
3. When preparing the trial balance, care must be taken to distinguish debit balances from credit balances.

d) Application Activity 5.2

Possible answers

1. In the trial balance, the account balances are listed according to their nature, i.e. debit balances in one column and credit balances in other column.
2. The ledger accounts with debit balances are mainly asset and expenses accounts.
3. The ledger accounts with credit balances are mainly capital, liability and income accounts.
4. A credit balance of the bank account means an overdraft.
5. Trial balance for the period ended 31st March 2010.

Particulars	Debit	Credit
Bank overdraft		24,160
Sales		131,340
Commission income		13,670
Debtors	41,300	
Postage and stationery		6,000
Repairs to building		6,200
Heating		2,130
Purchases	112,100	
Cash in hand		1,100
Creditors		26,950
Premises	269,000	
Owner drawings		7,150
Capital		248,860
Total	444,980	444,980

5.6 Summary of the unit

As mentioned above, a trial balance is a list of debit and credit balances extracted from the ledger and aimed at checking the accuracy of the accounting process. Accounts with net debit balances i.e. before closing the account, the total on the debit side was more than the total on the credit side.

Meaning balance carried down is on the credit side and balance brought down on the debit side, will appear on the debit side of the trial balance. Likewise accounts with net credit balances will appear on the credit side of the trial balance. All asset accounts (expect bank in case of bank overdraft), expenses accounts and drawings account are expected to have debit balances. If you get credit balances on these accounts, it means your working was wrong.

5.7 Additional information to teacher

As long as the trial balance totals in the debit and credit columns balance, it leaves very little meaning. In other words, there is no special significance attached to these totals since the trial balance is not a ledger account. They may, however, be reviewed in terms of total debit balances (representing employment of business capital) being equal to, total credit balances (representing the sources of the capital employed in the business) in the course of trading.

5.8 End unit assessment

Possible answers

Answer 1

Trial balance for the period ended 31st December 2014

Details	Debit	Credit
Stock	96,000	
Sales		860,000
Rent	5,000	
Cash at bank	10,500,000	
Debtors	2,100,000	
Creditors		1,420,000
Motor van	8,200,000	
Equipment	1,945,000	
Rent payable		543,000

Telephone	1,810,000	
Land	920,000	
Salaries and wages	1,460,000	
Insurance	960,000	
Raw materials	200,000	
2-year loan		17,567,000
Bank overdraft		300,000
Capital		7,506,000
Total	28,196,000	28,196,000

Answer 2: Rewrite the following trial balance correcting any items you consider to be incorrect:

Particulars	Debit	Credit
Cash in hand	17,500	
Bank overdraft		30,000
Discount allowed	20,000	
Purchases	255,000	
Sales		475,000
Furniture and fittings	100,000	
Motor vehicles	215,000	
Capital		125,000
Drawings	35,000	
Returns outwards		12,500
Loan repaid during the year	15,000	
Returns inwards	7,500	
Discount received		10,000
Advertising	27,500	
Stationery	17,500	
Debtors	50,000	
Interest received		7,500
Creditors		100,000
Total	760,000	760,000

5.9 Additional activities

5.9.1 Remedial activities

- a) Which of the following best describes a trial balance?
- (i). It is a list of balance in books. (ii). Shows all the entries in the book
(iii). It is a special account (iv). Shows the financial position of the business.

Answer: (i). (it is a list of balance in books)

- b) To prove that books are arithmetically accurate we open up:

- (i). balance sheet (ii). income statement (iii). capital account
(iv). none of these

Answer: (iv). (none of those)

- c) To prove that books are arithmetically accurate we open up:

- (i). suspense account (ii). balance sheet (iii). capital statement
(iv). trial balance

Answer: (iv). (trial balance)

5.9.2 Consolidation activities (Questions and answers)

- a) The following are ledger accounts with their corresponding balances for the month ended on 31st March 2022

Account name	Balance
Capital	22,000
Stock	10,000
Creditors	12,000
Machinery	20,000
Cash in hand	2,000
debtors	8,000
Bank overdraft	14,000
Sales returns	8,000
Purchases returns	4,000
Miscellaneous expenses	12,000
Sales	44,000
Purchases	26,000
Wages	10,000
Salaries	12,000
Prepaid insurance	200
Bills payable	10,800
Outstanding salaries	1,400

Required: Prepare the trial balance for the month ended.

Answer: Trial balance for the month ended on 31st March 2022.

Particulars	Debit	Credit
Capital		22,000
Stock	10,000	
Creditors		12,000
Machinery	20,000	
Cash in hand	2,000	
Debtors	8,000	
Bank overdraft		14,000
Sales returns	8,000	
Purchases returns		4,000
Miscellaneous expenses	12,000	
Sales		44,000
Purchases	26,000	
Wages	10,000	
Salaries	12,000	
Prepaid insurance	200	
Bills payable		10,800
Outstanding salaries		1,400
Total	<u>108,200</u>	<u>108,200</u>

b) Referring to AKEZA Ledger accounts (Unit 4.5 above), prepare her trial balance, knowing that the closing ledger balances are as follows:

Particulars	balance
Cash	6,700,000
Bank	1,500,000
Land	2,500,000
Office equipment	2,000,000
Motor vehicle	15,000,000
Drawings	800,000
Capital	20,000,000
Equipment suppliers Ltd	500,000
Loan	8,000,000

Answer: AKEZA trial balance for the period ended

Particular	Debit (FRW)	Credit (FRW)
Cash	6,700,000	
Bank	1,500,000	
Land	2,500,000	
Office equipment	2,000,000	
Motor vehicles	15,000,000	
Drawings	800,000	
Capital		20,000,000
Equipments Suppliers Ltd		500,000
Loan		8,000,000
Total	<u>28,500,000</u>	<u>28,500,000</u>

59.3 Extended activities

- a. Sandra Black Company operates a secretariat service to farmers and the following lists of account balance was extracted from its books on 31st April 2009:

Income from Clients.....	32,500,000
Income Commissions from other sources	800,000
Discounts received.....	150,000
Stationery & wages	9,700,000
Purchases	20,000,000
Inventory on 01/04/2008	9,000,000
Equipment	4,500,000
Vehicles	6,500,000
Rent and rates	2,350,000
Vehicles expenses.....	2,000,000
Light and heat	800,000
Insurance	850,000
Telephone	250,000
Sundry expenses.....	175,000
Drawing	11,200,000
Accounting receivable	760,000
Accounts payable	70,000
Bank overdraft	250,000
Cash in hand	175,000

You are required to find out the level of the capital and prepare the trial balance for the period ended.

Answer: Trial balance for the period ended 31st April 2009:

Particulars	Debit	Credit
Income from Clients.....		32,500,000
Income Commissions from other sources		800,000
Discounts received.....		150,000
Stationery & wages	9,700,000	
Purchases	20,000,000	
Inventory on 01/04/2008	9,000,000	
Equipment	4,500,000	
Vehicles	6,500,000	
Rent and rates	2,350,000	
Vehicles expenses.....	2,000,000	
Light and heat	800,000	
Insurance	850,000	
Telephone	250,000	
Sundry expenses.....	175,000	
Drawing	11,200,000	
Accounting receivable	760,000	
Accounts payable		
Bank overdraft		
Cash in hand	175,000	70,000
Capital		250,000
		34,315,000
Total	68,085,000	68,085,000

UNIT 6

CORRECTION OF ERRORS

6.1 Key unit competence

To be able to correct errors

6.2 Prerequisite

From (S4, Unit 3) students know how to prepare journals, and from (S4, Unit 4), they know how to post transactions into ledger accounts and preparation of trial balance in Unit 5. This prior knowledge, skills and competences should help them to distinguish errors affecting trial balance and those not affecting and to correct them.

6.3 Cross-cutting issues to be addressed

Gender education: The teacher should bear in mind that everyone, girls and boys have equal opportunities and rights to study. Therefore, when forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback, the teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when accounting source documents. Students will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom.

Peace and value education: Through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Environmental sustainability: While teaching, both teacher and students should keep in mind that protecting the environment is everyone's responsibility.

Genocide studies: Teacher and students should understand the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unit. They must comprehend their role in ensuring that genocide never happens again.

6.4 Guidance on the introductory activity

- Form groups of five.
- Ask students to read the case study in student' book.
- Facilitate discussion and sharing ideas in groups.
- Have some groups to present findings.
- Supplement students answers by providing deep explanations.
- Provide constructive feedback.

Possible answers to introductory activity

3. The trial balance debit and credit side disagreement is caused by errors.
4. If I am hired by SHUMBUSHO, I will correct these errors.

6.5 List of lessons/ sub-headings

	Lesson title/ Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Errors which not affect a trial balance	Describe errors not affecting the trial balance	4
2	Errors which affect a trial balance	Describe errors affecting the trial balance	4
3	Correct errors not affect the trial balance	Journal entries to correct errors not affect the trial balance	4
4	Correct errors that affect the trial balance	Journal entries to correct errors which affect the trial balance Prepare suspense account Open and clear the suspense	4 2 4
	End Unit Assessment		3
	Total		25

Lesson 1. Errors which not affect a trial balance

a) Learning objectives

Describe errors which not affect the trial balance

b) Teaching resources

Desks, students' books, internet, case studies and any other trustworthy and reliable resources to facilitate learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

Students are familiar with the preparation of trial balance in Unit 5. This learning unit will help them to know about errors a not affecting the trial balance.

d) Learning activities

Using an appropriate method, students conduct a research on errors committed by ABIKIZA and the types of those errors. The research can be using text books (including the student's book) and the internet.

Make a follow up as student's do the activity. Ensure everyone is actively participating and heard; instructions clearly followed; and address any challenges/ issues identified. Encourage students to think about the work.

Group representatives present their findings, results, answers while others are following without disturbing.

Give a constructive feedback and involve students to lesson as the answers will be got as the lesson progresses.

Answers to activity 6.1

Types of errors committed:

- Errors of omission
- Errors of commission
- Errors of compensating
- Errors of duplicating
- Complete reversal of entries
- Error of the original entry
- Errors of principles

e) Application activity

- Ask students to do individually the questions in students' book.
- Have collective correction in the classroom.
- Supplement students' answers by providing deep explanations.
- Provide constructive feedback.
- Depending on the performance or results, you may decide to give remedial or extension activities.

Possible Answers to Application Activity

- i) These are errors not disclosed by the trial balance. Agreement of a trial balance is not an absolute proof that the book-keeping has been correctly done. There are certain book-keeping errors that do not affect the agreement of the trial balance. These errors are not disclosed by the trial balance by its failure to balance. It will actually balance even if such errors have been committed in the course of book-keeping.
- ii) Types of errors not affecting the trial balance:
 - Errors of omission
 - Errors of commission
 - Errors of compensating
 - Errors of duplicating
 - Complete reversal of entries
 - Error of the original entry
 - Errors of principles

Lesson2. Errors which affect a trial balance

a) Learning objectives

Describe errors which affect the trial balance.

b) Teaching resources

Desks, students' books, internet, case studies and any other trustworthy and reliable resources to facilitate learning.

c) Prerequisites/ Revision/ Introduction

Students are familiar with the preparation of trial balance in Unit 5. In previous lesson, they learnt about errors not affecting a trial balance and that will help them to know about errors affecting the trial balance.

d) Learning activities

- Put students in small groups.
- Ask students to read the case study in students' book.
- Facilitate discussion and sharing ideas in groups.
- Have one of group representative to present findings.
- Supplement students' answers by providing deep explanations.
- Provide constructive feedback.

Answers to activity 6.1

Types of errors committed:

- Errors of omission
- Errors of commission
- Errors of compensating
- Errors of duplicating
- Complete reversal of entries
- Error of the original entry
- Errors of principles

Link the students' answers to the lesson

e) Application activity

- Ask students individually to read and do the questions in students' book.
- Provide clear guidelines.
- Have some students to share with colleagues.
- Supplement students' answers by providing deep explanations.
- Provide constructive feedback.
- Depending on the performance or results, you may decide to give remedial or extension activities.

Possible Answers to Application Activity

1. i. Arithmetical error
 - ii Mis-posting error
 - iii Single entry error
- iv. The debit entry is FRW 180,000 too high. Therefore, the debit entries will exceed the credit entries by FRW 180,000

Lesson3. Correct errors do not affect the trial balance

a) learning objective

Journal entries to correct errors not affect the trial balance.

b) Teaching resources

Desks, students' books, internet, case studies and any other trustworthy and reliable resources to facilitate learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

Students acquired journalizing from Unit 3, posting from Unit 4 and the preparation of trial balance in Unit 5. That learning unit will help them to correct errors a not affecting the trial balance.

d) Learning activities

- Help students to form groups of five
- Distribute printed sheets in which a case study is written
- Facilitate discussion and sharing of ideas in groups
- Have one of group representative to make correction while others are listening
- Provide supplements and constructive feedback.

Possible Answers to activity

- i) Those are errors not affecting the agreement of a trial balance
- ii) 1. Dr: purchases A/C. Cr: Supplier's (ALICE) A/C
2 Dr: Umulisa A/C. Cr: Umwali A/C
3 Dr: Electricity 2,200, Cr: Cash 2,200

Link the students' answers to the new lesson

e) Application activity

- Help students to form small groups
- Ask them to read the case study in the students' book
- Provide guidelines

- Guide the students' discussion on the application activity
- Have one of group representative to make correction while other are listening
- Give constructive feedback
- Depending on the performance or results, you may decide to give remedial or extension activities.

Possible Answers to Application Activity

JOURNAL

Date	Details	Folio	Debit	Credit
	Machine a/c Purchases a/c Being the purchases of machine debited in error to the purchases account		15,000,000	15,000,000
	Mahoro a/c Mahirwe a/c Being the correction of a commission error		3,000,000	3,000,000
	Purchases account Cash account Being correction of original entry error		900,000	900,000
	Wages a/c Sales a/c Being the correction of compensating error		2,000,000	2,000,000
	Bank Sales Being the correction of an omitted transaction		5,000,000	5,000,000
	Cash a/c Debtors' a/c Being a correction of complete reversal of entries		8,000,000	8,000,000

Lesson4. Correct errors which affect the trial balance

a) Learning objectives

- Journal entries to correct errors which affect the trial balance
- Prepare suspense account
- Open and clear the suspense

b) Teaching resources

Desks, students' books, internet, case studies and any other trustworthy and reliable resources to facilitate learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

From the previous lessons in this unit, students acquired the meaning of errors and those errors affecting the agreement of a trial balance. The knowledge and skills acquired will help them to correct errors affecting the trial balance.

d) Learning activities

- Put students in pairs
- Invite students to read the case study from students' book and provide answers to the questions
- Facilitate discussions
- Have some pairs to present findings
- Provide supplementary explanations and constructive feedback

Possible answers to activity

- 1) Dr: Suspense A/C
Cr: Debtors A/C
- 2) Dr: Distribution expenses
Cr: Suspense A/C
- 3) Dr: Motor insurance
Cr: Suspense A/C

Link students' answers to the new lesson.

e) Application activity

- Invite each student to read and do the question in student book.
- Give clear guidelines.
- Correct individual student.
- Provide constructive feedback and deep explanations
- Depending on the performance or results, you may decide to give remedial or extension activities.

Possible answers to activity

i.

	FRW'000'	frw'000'
DEBIT Insurance		1,328
Receivables expense		428
Purchases FRW(5,926,000-5,296,00)		630
Distribution expenses FRW(1,611,000x2)		3,222
CREDIT Suspense account		5,608

ii. in ledger account

Suspense account

Debit	FRW'000'	Credit	FRW'000'
Balance b/f	5,608	Insurance	1,328
Payment incorrectly debited		Receivables expense	428
		Purchases	630
		Distribution expenses	3,222
	<u>5,608</u>		<u>5,608</u>

Skills lab

For this lab, students will be able to prepare suspense account.

Guidance to the lab:

In conducting this skills lab activity, you can ask student to do it referring to the worked exercises from student book.

- **Build**

Given the skills lab from the student book;

- Remind students on the expected objective for the skills lab attendance
- Form manageable groups in your class and remember to mix both boys and girls
- Let each team have the representatives (note taker, time keeper, presenter)
- Ensure they have where to keep necessary notes from the findings
- Share them the printed exercises.

- **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions are clear and understandable to each one
- Move around the groups as you provide necessary clarifications and guidance.

- **Present**

- Choose randomly any one team representative to correct the questions
- Allow students to ask questions to their fellow.

- **Conclusion**

- Teacher emphasizes on the objective of the skills lab reminding students that they have to use knowledge and skills acquired in correction if errors.
- Give necessary constructive feedback as you conclude the lesson.

Possible answers to activity

Debit	SUSPENSE ACCOUNT	Credit
	FRW	FRW
Debtor's A/C	90,000	Balance as per trial bal- ance 130,000
Bad debts a/c	20,000	15,000
Bad debts recoverable A/C	20,000	Rates account 10,000
Discount received A/C	<u>25,000</u>	Returns inwards
	<u>155,000</u>	<u>155,000</u>

6.6 Summary of the unit

This unit is to help students to know about different book keeping errors. After understanding the different errors committed which may affect or not the agreement of a trial balance, the unit will help student to know about their correction. Furthermore, the unit consists of preparation of suspense account.

6.7 Additional information for teachers

Because of limited time, the unit does not contain enough exercises. In this regard the teacher is recommended to use additional exercises on correction of errors from different sources such as textbooks from different writers to make the content more understandable. This will help to strengthen the teaching-learning on correction of errors.

6.8 End unit assessment

- Distribute printed assessment sheets to each student.
- Give clear instructions about the assessment.
- Invigilate the assessment.
- After finishing the assessment, collect the assessment sheets.
- Correct the student assessment sheets.
- Give clear and constructive feedback.

Possible answers to end unit assessment

1. If FRW 870,000 will have been debited to the expense account. To bring this amount down to FRW 780,000, it will be credited with FRW 90,000.
2. In I, a debit entry has been omitted from the receivables account. This would give rise to a debit balance in the suspense account. Both C and D are examples of a transaction being omitted entirely and although the general ledger is incorrect, it will still balance.
3. C an invoice entered twice will not give rise to a suspense account entry.

6.9 Additional activities

6.9.1 Remedial activities

A trial balance was extracted from the books of MAHIRWE and it was found that the debit side exceeded the credit side by FRW 4,000. This amount was entered in the suspense account. Subsequently, the following errors were discovered and corrected.

- The purchases were over-added by FRW 2,000.
- An amount paid to Cyusa was debited to his account as FRW 9,800 instead of FRW 8,900.
- The sales were under-added FRW 1,100.

Required:

Show the entries in the suspense account.

Possible answers to activity

		Suspense account	
Debit	FRW'000'	Credit	FRW'000'
Purchases A/C	2,000	balance as per trial balance	4,000
Cyusa	900		
Sales A/C	1,100		
	<u>4,000</u>		<u>4,000</u>

6.9.2 Consolidation activities

While extracting the trial balance of NIWEMWALI Ltd as at 31st December 2018, it was observed that the total debits exceeded the total credits by FRW 23,800,000. Investigation revealed the following errors:

- Sales had been over casted by FRW 1,500,000.
- Returns outwards accounts had not been credited with amount of FRW 6,132,000.
- A payment by a debtor of FRW 15,000,000 by a direct bank transfer had not been entered in the debtor's account.
- A cash purchases of FRW 232,000 had been recorded in the cash book only.
- FRW 2,200,000 received from a debtor had been debited in the cash account.

You are required to show:

- i. The necessary journal entries to correct the above errors.
- ii. Suspense account duly balanced as it would appear after the correction of the above errors.

Possible Answer

JOURNAL ENTRIES

Date		Debit FRW	Credit FRW
2018 Dec 31	Sales a/c Suspense a/c Being the correction of over-cost of sales	1,500,000	1,500,000
Dec 31	Suspense account a/c Returns outwards a/c Being the correction of credit entry omitted	6,132,000	6,132,000
Dec 31	Suspense account a/c Debtor's account a/c Being the correction of credit entry omitted	15,000,000	15,000,000
Dec 31	Purchases account a/c Suspense account a/c Being the correction of debit entry omitted	232,000	232,000
Dec 31	Suspense account a/c Debtor's account a/c Being the correction of credit entry made as debit entry	4,400,000	4,400,000

Possible Answer

Suspense account

Debit		Credit
	FRW'000'	FRW'000'
Returns outwards	6,132,000	Balance as per trial balance
Debtor's account	15,000,000	Sales account
Debtor's account	4,400,000	Purchases account
	<u>25,532,000</u>	<u>25,532,000</u>

6.9.3 Extended activities

The totals on the trial balance of AKANYANGE Ltd. For the quarter ended 31st March 2017 was as follows:

	Dr (FRW)	CR (FRW)
Total	16,978,000	17,000,000

The difference was entered into a suspense account. At the beginning of the next quarter, the following errors which were committed in the previous quarter were identified.

- i) The debit side of the insurance account was over added by FRW 6,000
- ii) A purchase invoice of FRW 400,000 was not posted from the purchases day book to the ledger.
- iii) A sale of goods on credit to Twine for FRW 710,000 was properly recorded in the sales account but it was mistakenly recorded in account for Twino as FRW 700,000.
- iv) Discount allowed of FRW 15,000 was entered to the cash receipts column of the cash book but credited to the sales account.
- v) Sale of old motor vehicle at cost FRW 500,000 cash was properly recorded in the cash book but credited to the sales account.
- vi) Returns inwards of FRW 50,000 was credited to the returns outwards account as FRW 55,000. The corresponding double entry account has a correct record.
- vii) Cash of FRW 30,000 which was stolen was only recorded in the cash book no other record being made.
- viii) Depreciation of FRW 1,000,000 on fixed assets for the quarter was not provided for.

- ix) Provision for bad debts of FRW 100,000 was recorded in the bad debts account but no entry was made in the provision for bad debts account.
- x) Payment to a creditor FRW 252,000 by cheque was recorded in the cash book as FRW 250,000 but was properly recorded in the creditors account.

REQUIRED:

- a. Journal entries to correct all the errors.
- b. Suspense account.

Possible answer

AKANYANGE LTD
GENERAL JOURNAL FOR CORRECTION OF ERRORS

	ACCOUNT TITLE	LP	DR 'FRW'	CR 'FRW'
i)	Suspense Insurance		6,000	6,000
ii)	Purchases Creditors		400,000	400,000
iii)	Twine Twino Suspense		710,000	700,000 10,000
iv)	Suspense Cash		15,000	15,000
v)	Sales Motor vehicle Disposal a/c		500,000	500,000
vi)	Returns inwards Returns outwards Suspense		50,000 55,000	105,000
vii)	P&L (Stolen Cash-Loss) Suspense		30,000	30,000
viii)	P&L (Depreciation) Acc. Dep. (Provision for Depreciation)		1,000,000	1,000,000
ix)	Suspense Provision for bad debt		100,000	100,000
x)	Suspense Bank		2,000	2,000

Possible Answer

		Suspense account	
Debit			Credit
	FRW'000'		FRW'000'
Balance b/f (Difference in Trial balance)	22,000	Twine	10,000
Insurance	6,000	returns inwards	50,000
Cash	15,000	returns outwards	55,000
Provision for bad debts	100,000	P&L (stolen Cash)	30,000
Bank	2,000		
	<u>145,000</u>		<u>145,000</u>

N.B: The teacher should choose to use further additional activities after evaluating the understanding level of each student in class.

UNIT 7

CONTROL ACCOUNTS

7.1 Key unit competence

To be able to prepare control account

7.2 Prerequisite

Students were introduced to journalizing financial transactions (S4, Unit 3) and posting into ledger accounts (S4, Unit 4) and correction of errors (S4, Unit 6). This prior knowledge, skills or competences should help them to be able to prepare control accounts.

7.3 Cross-cutting issues to be addressed

Gender education: The teacher should bear in mind that everyone, girls and boys have equal opportunities and rights to study. Therefore, when forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback, the teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when teaching accounting subject, which provide skills for effective use of resources. Students will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom.

Peace and value education: Through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Environmental sustainability: While teaching, both teacher and students should keep in mind that protecting the environment is everyone's responsibility.

Genocide studies: Teacher and students should understand the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unit. They must comprehend their role in ensuring that genocide never happens again.

7.4 Guidance on the introductory activity

This introductory activity is intended to:

1. Provide interest and motivation to the students about preparation of control accounts
2. Focus students' attention on business meaning, purpose and different control accounts.
3. Convince students about what they will benefit from the unit.
4. Build on previous knowledge, skills, values, and attitudes to help the teacher to assess the students' prior knowledge and help to link with the new content.
5. The new content can help to arouse students' interest about what to expect in the new content that can be answered in one lesson.
6. Gradually, over a period as the unit progresses. At this point, there is no right or wrong answers as students will gradually get more appropriate answers progressively as they go through the unit.

Use an appropriate method such as small groups or pairs and provide students with Unit 7 introductory activity, give clear instructions to the activity. They read a scenario about UMULISA's list of debtors and creditors' balances and discuss about What could be done by UMULISA to be certain on information provided taking into consideration that the lists may contain errors that could be very difficult to find and advise her on what to do in order to find out the balances to bring down in a trial balance.

During grouping or pairing, mix boys and girls and students with different abilities.

During the discussion, make sure everyone is following and actively participating. Those who are not acting may have to listen attentively without disturbing and should applaud/congratulate the actors after.

Students share their findings, responses or answers to the activity using an appropriate method such as group presentation, pair share or large group

discussion. Ensure all students are given an opportunity to give their views and should be respected.

Harmonize their findings or answers, and help them draw conclusions/summary to questions. Answer or address any questions or challenges about the activity. Guide them to make notes in their books referring to students' book.

Possible answers for the Introduction Activity

1. As any errors could be very difficult to find, she could have to check every item in every ledger.
2. In order to find out the balances to bring down in a trial balance, she has to prepare control accounts.

7.5 List of lessons/ sub-heading

	Lesson title/ Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	Meaning and purpose of control account	Explain the meaning of control account.	1 period
2	Sales Ledger control account	<ul style="list-style-type: none">▪ Prepare sales ledger control account▪ Balance the sales ledger control account.	4 periods
3	– Purchase ledger control account	<ul style="list-style-type: none">Prepare purchase ledger control account<ul style="list-style-type: none">▪ Balance the purchase ledger control account.	4 periods
4	Control account reconciliation	<ul style="list-style-type: none">▪ Reconcile the balance on the sales ledger control account with a list of debtors▪ Reconcile the balance on the purchase ledger control account with a list of creditors.	3 periods
5	Assessment		2 periods
	TOTAL		14 periods

Lesson 1: Meaning and purpose of control accounts

a) Learning objectives

Explain the meaning and purpose of control account.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

Students are familiar with debtors' and creditors' personal accounts in Unit 4.

d) Learning activities

Exploit and use appropriate learning methods that can foster collaborative learning for (example small groups or pairs, gallery walk). Provide students with the activity in the student's book, and give instructions to the activity to be done.

During grouping or pairing, ensure a balance between boys and girls and learners' different abilities. During this activity ensure that students have understood the instructions, prompt and probe them through question and answer approach to make sure they are active and their curiosity in learning and discovery is aroused. Encourage students to work together, value each other's contributions, share ideas, etc.

Students present their findings, results, answers through an appropriate method such as pair-share, small group presentations on the introductory activity. Also encourage other students to listen and not disturb when other teams are sharing unless it is a question. Encourage students to appreciate each other's work especially the presentation. Appreciate the team's presentations and remind them that this activity was not meant to come to the very right answers but to help them become aware of what to expect in the lesson. Answers to the activity will be got as the lesson progresses. You can support students' answers by referring to possible answers to the activity below:

Answers to activity 7.1

1. An account in which the balances from personal accounts is posted is called control account
2. The purpose of preparing control accounts:
 - Check the accuracy of entries made in the personal accounts.
 - Assist in the location of errors.
 - Detection of fraud.
 - Internal check where there is separation of bookkeeping duties.
 - A balance can be extracted quickly for producing a trial balance or statement of financial position.
 - Enhancing management efficiency.
 - Determination of credit sales and credit purchases.

e) Application Activity 7.1

Referring to activities of previous lessons, especially in Unit 3, students discuss about the meaning of control accounts and the purpose of control accounts in business activities in groups or in pairs and come with ideas that may result into preparation of control accounts. This activity may be given as a research question or homework.

Depending on the purpose of the application activity, choose an appropriate method to assess students' findings, answers, or responses. Depending on the performance or results, you may decide to give remedial or extension activities.

Possible answers for activity 7.1.

- i) Control account is a summary account appearing in the general ledger for the purpose of controlling all the detailed entries in the ledger to which it relates. It is a total account inserted in a ledger to make itself balancing.
- ii) Yes. The purpose of control accounts:
 1. Check the accuracy of entries made in the personal accounts.
 2. Assist in the location of errors.
 3. Detection of fraud.
 4. Internal check where there is separation of bookkeeping duties.
 5. A balance can be extracted quickly for producing a trial balance or statement of financial position.

6. Enhancing management efficiency.
7. Determination of credit sales and credit purchases.

Lesson 2: Sales Ledger/ Debtors' control account

a) Learning objectives

- Prepare sales ledger control account.
- Balance the sales ledger control account.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, Students books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/ revision/ Introduction

From Unit 4, learners know how to prepare debtors' personal ledger accounts and balancing them. That will help them to prepare debtor's control accounts using total balances from debtors' individual accounts.

d) Learning activities

Activity 7.2

Students, in small groups read the total balances given from total lists of individual debtors' accounts in the books of MURENZI Enterprises and from these information, they have to give the name of control account to be prepared by his accountant.

Ensure a balance among the groups or when pairing and that the instructions are clearly understood. Make a follow up as students does the activity. Ensure everyone is actively participating and heard; instructions clearly followed; and address any challenges/ issues identified.

Encourage students to think about the activity. Students share their findings through an appropriate method such as group presentation, pair-share, written reports, whole class presentation. Ensure students of different needs and abilities are given opportunities to share or present their findings.

Harmonize their findings or answers, and help them draw conclusions/summary. Guide them to make notes in their books referring to learners 'book.

Possible answers to activity 7.2

An account to be prepared by MURENZI's Accountant is called "**Debtor's Control Account**"

e) Application Activity 7.2 Students' book

Students in groups analyze the question to come up with possible answers. This activity may be given as a research question or homework.

Depending on the purpose of the application activity, chose an appropriate method to assess learners' findings, answers or responses. Depending on the performance or results, you may decide to give remedial or extension activities.

Possible answers to the Application Activity 7.2

1. The correct answer is b) The double entry is to the control account as:
A The double entry must be recorded in the control account and the entry is reversed
C This entry has been reserved
D The control account must be credited and write off recorded in the customer's personal account.

2.

Total sales/ Total debtors control account

Debit			Credit
	FRW		FRW
Bal b/d	1,634,200	Balance b/d	64,300
Credit Sales	1,734,380	Bad debts W/O	18,600
Interest charged on debtors	15,460	Petty cash received	24,240
Dishonored cheque (bank)	33,800	Discount allowed	304,340
Debt collection expenses	6,650	Cheques received	1,325,250
Bal c/d	35,900	Sales return	19,770
		Under ledger transfer	22,800
		Balance C/D	1,681,090
	3,460,390		3,460,390

Balance b/d 1,681,090 Balance b/d 35,900

NOTE: Cash sales have not been taken record of since these accounts record only credit transactions.

Lesson 3. Creditor's control account/ purchases ledger control account

a) Learning objectives

- Prepare purchase ledger control account
- Balance the purchase ledger control account

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, Students books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites

From Unit 4, students know how to prepare debtors' personal ledger accounts and balancing them. That will help them to prepare debtor's control accounts using total balances from debtors' individual accounts.

Students, from the previous lesson know how to prepare debtors' control account.

d) Learning activities

Activity 7.3

Give instructions of the learning activity, students in small groups or pairs discuss about total lists of individual creditors' accounts in the books of KAREKEZI Enterprise and then give the name of control account to be prepared by his accountant.

Monitor group activities to ensure everyone is actively participating and heard instructions clearly; and address any challenges/issues identified. Encourage students to think information in creditors' control account. Guide students to share their findings on the activity, ensure students of different needs and abilities are given opportunities to share or present their findings.

Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/ summary on when to prepare a creditors' control account. Answer or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book

Possible solution to activity 7.3.

An account to be prepared by KAREKEZI's Accountant is called “**Creditor's Control Account**”

e) Application activities from students' book

This activity can be given as a normal individual or group activity, where students prepare creditors' control account. Monitor the activity to ensure students are on track and actively participating.

Students share their findings to the large group. Assess their answers depending on the purpose of the application activity. Refer to the possible answers below as you assess their work.

Answers to Application Activity 7.3

Total purchases/ Total creditors' control account

Debit			Credit
	FRW		FRW
Bal b/d	32,530	Balance b/d	1,502,400
Cheque paid	1,436,300	Credit purchases	1,435,520
Petty cash paid	13,860	Interest charged by creditors	9,760
Discount received	128,500	Balance C/D	18,600
Returns outwards	20,000		
Bal c/d	1,312,290		
Under ledger transfer	22,800		
	<u>2,966,280</u>		<u>2,966,280</u>
Balance b/d	18,600	Balance b/d	1,312,290

NOTE: Cash purchases have not been taken record of since these accounts record only credit transactions.

Lesson 4. Control account reconciliation

a) Learning objectives

- Reconcile the balance on the sales ledger control account with a list of debtors
- Reconcile the balance on the purchase ledger control account with a list of creditors

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, Students books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites

In previous lessons, lesson 2 and 3 Students studied how to prepare debtors' personal ledger accounts and creditors' control accounts and balancing them. That will help to reconcile these control accounts with personal ledger accounts learnt in Unit 4.

d) Learning activities

Activity 7.4

- Put students in small groups and give clear instruction about the activity
- Ask them to read the scenario in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary on when to prepare a creditors' control account. Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Answers to activity 7.4.

1. The disagreement between control account and personal ledger account may be caused by errors in personal ledger
2. In order to get the same balance in debtor' and creditors' personal ledger accounts and control accounts, UWAMAHORO should prepare a control account reconciliation.

Skills lab

For this lab, learners will be able to prepare control accounts.

Guidance to the lab:

For this lab, learners will be able to prepare control accounts.

In conducting this skills lab activity, you can ask student to do it referring to the worked exercises from student book.

- **Build**

Given the skills lab from the student book.

- Remind students on the expected objective for the skills lab attendance
- Form manageable groups in your class and remember to mix both boys and girls
- Let each team have the representatives (note taker, time keeper, presenter)
- Ensure they have where to keep necessary notes from the findings
- Share them the printed exercises.

- **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions are clear and understandable to each one
- Move around the groups as you provide necessary clarifications and guidance

- **Present**

- Choose randomly any one team representative to correct the questions
- Allow students to ask questions to their fellow

- **Conclusion**

- Teacher emphasizes on the objective of the skills lab reminding students that they have to follow the steps followed to prepare in control accounts.
- Give necessary constructive feedback as you conclude the lesson

Answers to the skills lab

Debtors' ledger control a/c

Debit		Credit	
	FRW	FRW	
Bal b/d	476,000	Bal b/d	13,500
Credit sales	689,400	Returns inwards	25,000
Interest charged to debtors	3,600	Receipt from debtors	526,000
Dishonored cheque	8,700	Discount allowed	69,900
		Bad debts W/O	12,400
		Balance C/D	16,900
		Contra	12,300
		Bal c/d	501,700
	1,177,700	1,177,700	

Creditors' ledger control a/c

Debit		Credit	
	FRW	FRW	
Bal b/d	3,500	Bal b/d	184,600
Returns outwards	8,900	Credit purchases	394,000
Payment to trade creditors	386,400		
Discount received	47,500		
Contra	12,300		
Bal c/d	4,800		
Bal c/d	115,200		
	578,600	578,600	

7.6 Summary of the unit

This unit provided the description of on control accounts meaning and the reason why we need to prepare control accounts. The unit consists of knowing how debtors and creditors' control accounts are prepared using information gotten from individual debtors and creditors' accounts. Furthermore, the unit was to reconcile control accounts with debtors' and creditors' individual accounts.

7.7 Additional information for teachers

Because of limited time, the unit does not contain enough exercises. In this regard the teacher is recommended to use additional exercises on unit (control accounts) from different sources such as textbooks from different writers to make the content more understandable. This will help to strengthen the teaching-learning on control accounts.

7.8 End unit assessment

- Distribute the printed assessment quiz sheets
- Give clear instructions on how the assessment will be conducted
- Invigilate the assessment
- Collect the assessment sheets after finishing it.
- Provide answers to the assessment

Answers to end unit assessment activities

1. Control account is a summary account appearing in the general ledger for the purpose of controlling all the detailed entries in the ledger to which it relates. It is a total account inserted in a ledger to make itself balancing.
2. Control accounts are also referred to as total accounts because it is only totals from day books or other subsidiary books of account which are posted to them.
3. The answer is d) as settlement discounts received are set out against purchases and so are entered in the payables ledger control account.
But for
 - A This will appear in the receivables ledger control account
 - B Returns inwards are sales returns and will be in the receivables ledger control account.
 - C Trade discounts received have already been deducted from sales invoices
4. The answer is D Balance b/f FRW 7,500,000 + FRW 20,000,000 – FRW 8,000,000 - FRW 900,000= FRW 18,600,000 As
A you have entered the opening balance on the wrong side of the account.
B You have ignored the irrecoverable debts.
C You have entered the irrecoverable debts on the incorrect side of account; they should be credited to the receivables ledger control account.

5. MULIHANO

Dr	Sales Ledger control account	Cr	
2004	FRW	2004	FRW
Balance b/f	227,200	Balance b/f	420
Credit sales	402,000	Sales Returns	2,120
Carriage charged to customers	3,600	Cash from debtors	411,000
Dishonored cheques	9,000	Discounts allowed	20,110
Discounts allowed on dishonored (Cancelled)	450	Contra	2,000
Balance c/f	<u>540</u>	Bad debts written off	4,700
	<u>642,910</u>	Balance c/f	<u>202,560</u>
Balance b/f	202,560		<u>642,910</u>
		Balance b/f	540

Dr	Purchases Ledger control account	Cr	
2004	FRW	2004	FRW
Balance b/f	1,270	Balance b/f	147,200
Purchases returns	4,500	Credit purchases	160,560
Cash payments to creditors	222,700	Balance c/f	<u>825</u>
Contra	2,000		
Balance c/f	<u>78,115</u>		
	<u>308,585</u>		<u>308,585</u>
Balance b/f	825	Balance b/f	78,115

The errors are (i) FRW 3,600 (206,160-202,560) committed in the debtors' ledger; and (ii) FRW 5,000 (83,115-78,115) committed in the creditors ledger. Provisions for bad debts recovered should not appear in the control accounts.

7.9 Additional activities

7.9.1 Remedial activities

The following entries appeared in the payables ledger control account for February. Balance b/f 1 February FRW 1,700,000, purchases FRW 18,000,000, paid to suppliers FRW 10,000,000, discount received FRW 1,200,000, purchases returns FRW 3,000,000. What was the balance at 28 February?

- a) FRW 5,500,000
- b) FRW 2,100,000

- c) FRW 11,500,000
- d) FRW 7,900,000

Possible answers:

The answer is

- A as balance b/d (cr) FRW 1,700,000 +FRW 18,000,000-FRW 10,000,000 -FRW 3,000,000=FRW 5,500,000 as
- B you have entered the opening balance as a debit. The balance on the payables ledger control account should be a credit, as it is owing to suppliers.
- C you have entered the purchases returns on the same side as the purchases figure. The correct entry for purchases returns is: Debit: payables ledger control account; credit: purchases returns account.
- D You have entered the discount received as a credit where as it should be debited to the payables ledger control account and credited to discount received.

7.9.2 Consolidation activities

Draw up control accounts from the following information and ascertain credit sales and credit purchases figures. The financial year runs from 1.1.2018 up to 31.12.2018.

	FRW
Debtors balance 1.1.2018	15,000,000
Creditors balance 1.1.2018	10,000,000
Cheques received from debtors	6,000,000
Cash received from debtors	2,000,000
Cheque payments to creditors	8,000,000
Cash paid to creditors	1,000,000
Sales discounts	500,000
Purchases discount	700,000
Sales returns	2,000,000
Purchases returns	3,000,000
Bad debts written off	1,500,000
Interest charged by creditors	200,000
Cheques paid to creditors and dishonored	3,500,000
Debtors cheques dishonored	300,000
Debtors balance 31.12.2018	35,000,000
Creditors' balance 31.12.2018	25,000,000

Possible answers

DEBIT	Debtor's control A/C	CREDIT
	FRW	FRW
Bal b/d	15,000,000	Bank
Bank (Debtors cheques dishonored)	300,000	Cash
Credit sales	31,700,000	Sales discount
		Sales returns
		Bad debts W/O
		Bal c/d
	<u>47,000,000</u>	<u>35,000,000</u>
		<u>47,000,000</u>

DEBIT	Creditor's Control Account	CREDIT
	FRW	FRW
Bank	8,000,000	Bal b/d
Cash	1,000,000	Interest charged
		Dishonored
Purchases returns	3,000,000	cheque
Purchases discount	700,000	
Bal c/d	<u>25,000,000</u>	
	<u>37,700,000</u>	<u>3,700,000</u>

7.9.3. Extended activities

1. In reconciling the payables control account to the payables ledger, the following discrepancies are noticed: a credit note for FRW 105,000 has been posted to the wrong side of the control account; the payables ledger has not been adjusted for a receivables ledger offset of FRW 2,055,000; an account with a credit balance of FRW 348,000 has been omitted from the list of payables ledger balances. The balance on the payables control account is FRW 3,627,000. The balance on the payables ledger is FRW 5,124,000.

What is the reconciled balance?

- a) FRW 3,627,000
 - b) FRW 3,069,000
 - c) FRW 3,417,000
 - d) FRW 3,765,000
2. The balance on the trade accounts payable control account of NSHIMIYIMANA Co as at 31st December 2016 was FRW 110,000,000. A review of the individual trade accounts payable revealed the following:

	FRW '000'
Total on list of credit balance in the accounts payable ledger	106,280
List of debit balances in accounts payable ledger	FRW'000'
– Valentine Co's account	670
– Uwera Co'account	3,000
	3670

1. The debit balance on Valentine Co's account was caused by a transposition error when posting a payment as FRW 1,968,000 instead of FRW 1,298,000
2. The purchases day book has been added incorrectly overstating the total by FRW 600,000
3. Purchases of FRW 3,800,000 had not been posted to UWERA's personal account in the payables ledger.
4. Discounts received of FRW1,340,000 had been posted to the personal accounts concerned but not to the control account.
5. An irrecoverable debt of FRW 980,000 written off Martin's account in the receivables ledger had been incorrectly posted to the payables control account.

Task:

- a) Make the necessary corrections to the payables control account
- b) Make the necessary corrections to the payables ledger, ensuring that the revised control account balance agrees with the adjusted list of balances in the payables ledger.

Possible answers:

- The answer is C

Debtors' ledger control a/c

Debit		Credit
	FRW'000'	FRW'000'
Adjustment re. credit note	210	Balance b/f
Balance c/f	3,417	<u>3,627</u>
		<u>3,627</u>
		FRW'000'
Payables ledger		5,124
Balance		-2,055
Receivables ledger offset		348
Omitted account		<u>3,417</u>
2.		
a) Payables		FRW'000'
Balance per trade payables control account		110,000
Less: Overstatement of purchase day book totals		(600)
Less: Discounts received not posted to control A/C		(1,340)
Less: Irrecoverable debt written off, incorrectly posted to the trade payables		<u>(980)</u>
control account		<u>107,080</u>
b) Adjustments to the list of balances in the trade payables ledger		FRW
'000'		
Total credit balances in the trade payables ledger		106,280
Total debit balances in the trade payables ledger		<u>(3,670)</u>
		102,610
Adjust for transposition error in Valentine Co account		670
Adjust for invoice of FRW 3,800 not posted in Frank Co's personal account		<u>3,800</u>
		4,470
		107,080

N.B: The teacher should choose to use further additional activities after evaluating the understanding level of each student in class.

UNIT 8

RECEIVING MONEY AND THE BANKING SYSTEM

8.1 Key unit competence

To be able to explain banking system

8.2 Prerequisite

The students have already acquired the basic knowledge of accounting in Entrepreneurship subject studied in O' level, Financial awareness unit 5 and Initial accounting entries for business unit 7 learnt in senior one and senior two respectively which will facilitate understanding to learn receiving money and the banking system

8.2 Cross-cutting issues to be addressed

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the cross-cutting issues where possible taking consideration of their environment or community around them.

Gender: The teacher should bear in mind that all students (girls and boys) have equal opportunities and rights to study. When forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback teacher should include both girls and boys, Emphasis throughout this unit has to be put on how both males and females have the equal opportunities to understand and explain Banking system in Rwanda.

Inclusive education: To make teaching and Learning process inclusive, the tutor must understand individual differences and consider them when organizing and setting teaching and learning activities. Tutor will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom.

Environment and sustainability: Environment is one of the greatest factors that can affect both positively or negatively any business activity and one cannot start up a business without the environment. Therefore, great care for environment is crucial. Students are to be advised on the importance of environmental protection and the importance banking system in reducing harmful imports such as polythene paper while promoting other environmentally friendly businesses e.g. use of renewable energies (solar energy).

Peace and Values: You need to emphasize to learners the need to live in peace and harmony with others. Students need to appreciate the role of banking system in promoting peace and patriotism in the community avoiding activities that are illegal e.g. money laundering.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when introducing the accounting and its main purpose, which can also be helpful in using resources effectively. Students will put in mind that misusing materials is wasting money.

8.4 Guidance on introductory activity

- Put students in small groups and give clear instruction about the activity.
- Ask them to observe the pictures in student book and answer the questions provided in the activity.
- Guide students' discussion and make sure that everyone is participating.
- Invites students to share their findings.
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/ summary.

Possible Answers

Note: These responses may be shared or not with the students. They are specifically to guide you while harmonizing students' responses during presentation.

- 1) Banking system in Rwanda is composed by
 - The national bank of Rwanda (BNR)
 - Clearing banks, retail banks
 - Microfinance services
- 2) Clearing system is the mechanism for obtaining payment for Cheques

3) Procedures for preparing pay-in-slip

Step 1 Count the cash.

Step 2 Add up, on a separate piece of paper, how much cash you are banking.

Step 3 Compare the calculated total to the total according to the cash register.

Step 4 Calculate any discrepancy between the cash counted and the cash register total. If it is large then it should be investigated, but if it is small then it may be ignored, depending on company Policy.

Step 5 Enter the total for each denomination of note in the appropriate place on the paying in slip.

Step 6 Add up the numbers again to check the total and enter it in the 'total cash' box.

4) Before teller processing Cheques must check whether.

- Cheques must be signed by the account holder.
- Teller must check the time check was signed for checking long outstanding Cheques
- Payee name
- Amount in both words and figures
- Teller must request Identity card of beneficiary

8.5 List of lessons/ sub-heading

	Lesson title/ Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1	The banking system	Explain the Banking system in Rwanda Describe how the banking clearing system works Identify the main services offered by banks, savings and credit co-operatives, and microfinance	2
2	Remittance advices	Explain the remittance advices	2
3	Banking cash	Explain the paying-in slip Explain the procedures for preparing a paying-in slip Describe the processing and security procedures relating to cash payment	2
4	Cheques	Explain the meaning of cheque Describe the format of cheques	2
5	Receipt of debit and credit card payments	Explain the use of debit and credit cards Describe features of debit and credit cards	2
6	Electronic receipt	Explain the electronic transfer methods	1
7	Retention of documents	Identify the different types of documents that may be stored	1
8	End of unit assessment		2

Lesson 1: The banking system

a) Learning objectives

- Explain the Banking system in Rwanda
- Describe how the banking clearing system works
- Identify the main services offered by banks, savings and credit co-operatives, and microfinance

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard

c) Prerequisites/ Revision/ Introduction

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of each learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives link to the key unit competence.

d) Learning activities

Activity 8.1

- Form groups of 3 or 4 students
- Invite students to read the scenario from student book, share ideas and then answer related questions
- Guide the students' discussions
- Ask students to present their findings
- Supplement students' presentations

Possible Answers

Commercial banks: are joint stock companies dealing in financial business with a motive of making profits. They accept deposits from the public, safeguarding the deposits and avail them to true owners on demand. Commercial banks extend loans to borrowers at an interest while Microfinance institutions is a general term for the practice of providing financial services such as micro credits, micro savings or micro insurance to poor people. Microfinance is composed of many finance services such as loans, credit and insurance.

e) Application activities 8.1

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings.
- Ask other pairs to supplement.
- Give constructive feedback.

Possible Answers

1. **A** Cheques passed between banks are settled through the clearing system. Options B, C and D are functions of the banking system but do not specifically define clearing.
2. Bank of Kigali owes bank Populaire amount equivalent to FRW 18,000,000
Bank populaire owes amount to Bank of Kigali equivalent to FRW 12,000,000
Net debt bank of Kigali owes to Bank Populaire equivalent to FRW **6,000,000**.

Lesson 2: Remittance advices

a) Learning objective

- Explain the remittance advices

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard

c) Prerequisites/ Revision/ Introduction

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of each learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives link to the key unit competence.

d) Learning activities

Activity 8.2

- Put students in groups ask them to observe and read question in student book
- Guide student's discussions
- Group representatives present their work
- Provide constructive feedback in terms of supplements

Possible Answers

- Q1. C Trade customers usually send a remittance advice with their payment.
- Q2. C A remittance advice may be a tear-off slip at the bottom of the invoice, which can be submitted to the supplier together with the payment.
- Q3. B Credit note
- Q4) C Remittance advice
- Q5) D invoice
- Q6) A The remittance advice is sent out with payment to show what outstanding amounts are being paid.

e) Application activity 8.2

- Put students in groups ask them to read the scenario in student book
- Guide student's discussions
- Group representatives present their work
- Provide constructive feedback in terms of supplements

Possible Answers

CyprienRugamba

Kigali

REMITTANCE ADVICE

To: J. Savério

Date 30 April 2018

The Attached cheque relates to the items listed here

Invoice or credit Note number	Amount Frw 000
Invoice 4591	3,295
Invoice 5003	2,031
Credit note 67	(875)
Total amount paid	4,451

Note that in this case, remittance advice notes are sent on the last day of the month following the month of invoice (also including credit notes relating to that same period). Therefore, as you are preparing the remittance advice for April, it should include invoices from March: invoice 4591 and invoice 5003 and credit note 67.

2. C

Period	November	December	January	February
sales with grow 10%	100,000	110000	121,000	131,100
payment of November invoice *60%,40%	0	60,000	40000	
payment of December invoice *60%,40%	0	0	66,000	44,000
payment of January invoice *60%,40%	0	0	0	72,600
remittance advice as at 28 February 2021				116,600

Lesson 3: Banking cash

a) Learning objective

- Explain the paying-in slip.
- Explain the procedures for preparing a paying-in slip.
- Describe the processing and security procedures relating to cash payment.

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard and pay-in-slip.

c) Prerequisites/ Revision/ Introduction

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of each learning objective. This will help you see the skills, knowledge attitudes Embedded in the learning objective. Remember the learning objectives link to the key unit competence.

d) Learning activities

Activity 8.3

- Put students in small groups and give clear instruction about the activity
- Ask them to observe the pictures in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary to identify if student is able to know quality of valid paying-in slip

Possible Answers

Commercial banks: are joint stock companies dealing in financial business with a motive of making profits. They accept deposits from the public, safeguarding the deposits and avail them to true owners on demand. Commercial banks extend loans to borrowers at an interest while Microfinance institutions is a general term for the practice of providing financial services such as micro credits, micro savings or micro insurance to poor people. Microfinance is composed of many finance services such as loans, credit and insurance

e) Application Activity 8.3

- Put students in small groups and give clear instruction about the activity
- Ask them to read the scenario in student book and answer the questions provided in the activity
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings
- Harmonize their findings or answers, for demonstrate amount to be appeared on paying in slip cash to be banked Answers or address any questions or challenges about the activity. Guide them to make notes in referring in their students' book.

Possible Answers

The amounts of money to be banked	FRW
5XFRW 5,000	25,000
20XFRW 2,000	40,000
35XFRW 1,000	35,000
60XFRW 500	30,000
6X30XFRW 100	18,000
2X10XFRW 50	1,000
10X50XFRW 20	10,000
Other coins	10,500
Total	169,500

Lesson 4: Cheques

a) Learning objective

- Explain the meaning of cheque
- Describe the format of cheques

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard and pay-in-slip

c) Prerequisites/ Revision/ Introduction

In previous lesson of entrepreneurship covered in senior 1 unit 5 financial awareness and lesson 1 lesson 1 banking system Students studied for meaning cheques and banking system That will help to discuss cheque Leant in this lesson.

d) Learning activities

Activity 8.4

- Put students in small groups and give clear instruction about the activity
- Ask them to observe the pictures in student book and answer the questions provided in the activity.
- Guide students' discussion and make sure that everyone is participating.
- Invites students to share their findings.
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/ summary students should be able to know preparation of cheque.

Possible Answers

- Payee: The person to whom the cheque is being paid (eg: the supplier)
- Drawer: The person who is writing and signing the cheque in order to make a payment (eg: the customer)
- Cheque must be signed by owner of bank account
- Cheque must show date

Possible answers

- Payee: The person to whom the cheque is being paid (eg: the supplier)
- Drawer: The person who is writing and signing the cheque in order to make a payment (eg: the customer)
- Cheque must be signed by owner of bank account
- Cheque must show date

e) Application Activity 8.4

- Put students in small groups and give clear instruction about the activity.
- Ask them to observe the pictures in student book and answer the questions provided in the activity.
- Guide students' discussion and make sure that everyone is participating
- Invites students to share their findings.
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/ summary students should be able to know information contained by the valid cheque.

Possible Answers

1.

Statement	Term
In respect of Cheques, the person to whom the cheque is payable is the	Payee
In respect of Cheques, the person writing and signing the cheque in order to make the payment is the	Drawer
In respect of Cheques, the bank which has issued the cheque and will have to pay the cheque (the customer's bank) is the	drawee

2. In processing a cheque, the following should be considered:

- Cheque must be signed by drawer.
- Name of drawer.
- Amount in both words and figures.
- identity card of beneficiary.
- Date cheque was signed.

Lesson 5 : Receipt of debit and credit card payments

a) Learning objective

- Explain the use of debit and credit cards.
- Describe features of debit and credit cards.

b) Teaching resources.

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard and debit card.

c) Prerequisites/ Revision/ Introduction

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept and context of each learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives link to the key unit competence.

d) Learning activities

Activity 8.5

- Put students in small groups and give clear instruction about the activity.
- Ask them to observe the pictures in student book and answer the questions provided in the activity.
- Guide students' discussion and make sure that everyone is participating.
- Invites students to share their findings.
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/summary students should be able to know the features of debit card.

Possible Answers

1. The following are features of visa card:
 - Visa card must show owner ABC ltd (card holder).
 - Visa card must show date from which the card can be used.
 - Visa card must show date on which the card expires.
 - Visa card must show account number.
 - Visa card must show bank logo.
 - Etc.

2. Where does debit card and credit card used?
 - Debit card can be used on Cash withdrawals.
 - Credit card can be used to Purchase of goods from a supplier by credit.
 - Credit card can be used for Payment of supplier.

e) Application Activity 8.5

- Invite student to read individually the question in the student book and work in pairs to share with the classmates.
- Have some pairs make presentations?
- Provide constructive feedback in terms of supplements.

Possible answers

- 1. A** A credit card is the most appropriate payment method. It is an electronic method, therefore can be used for payment over the internet. Credit cards offer security to their customers for items purchased.
- B** Banks do not offer compensation for debit card payments.
- C** There will be a delay in a cheque reaching the supplier and if the supplier were not to send the goods on receipt of the cheque, the bank would not offer compensation.
- D** Cash cannot be used for internet payments.

Lesson 6: Electronic receipts and retention of documents

a) Learning objective

- Explain the electronic transfer methods
- Identify the different types of documents that may be stored

b) Teaching resources

Computers (Desktops & laptops), projectors, text books, internet, markers, pens, and chalkboard and debit card

c) Prerequisites/ Revision/ Introduction

Read the Key unit competence in the syllabus to determine what students will know and be able to do by the end of the unit. Look at the action verb, concept

and context of each learning objective. This will help you see the skills, knowledge attitudes embedded in the learning objective. Remember the learning objectives link to the key unit competence.

d) Learning activities

Activity 8.6

- Put students in small groups and give clear instruction about the activity.
- Ask them to observe the pictures in student book and answer the questions provided in the activity.
- Guide students' discussion and make sure that everyone is participating.
- Invites students to share their findings.
- Harmonize their findings or answers, and link the findings to the learning objective, help them draw conclusions/ summary students should be able to know the features of debit card.

Possible answers

1. That machine is called Point of Sales (POS) which is a portable machine that allows businesses to receive cash payments with bank card like debit card. POS can be used in super market, bus station, restaurant, hotel, hospital, etc.
2. Peter can use standing order as direct transfer to account of university.

Application Activity 8.6

- Invite student to read individually the question in the student book and work in pairs to share with the classmates.
- Have some pairs make presentations?
- Provide constructive feedback in terms of supplements.

Possible answers

1. C Provided that employees have bank accounts.

A A standing order should be set up.

B A direct debit arrangement should be established.

D It would not be cost effective to use BACS for irregular payments.

Companies which used to pay their employees using BACS can now do the transfers themselves using the internet, and save the BACS charges.

A, B and D could all be done online, but other methods of payment are more likely to be used, probably direct debit for A, petty cash for B and cheque for D.

8.6. Summary of the unit

This unit describes the meaning of banking systems in Rwanda and their components, operations and format of electronic cards such as debit card, credit card. It also shows how remittance advice and pay in slip should be used. Besides this unit also shows how cheque should be populated.

8.7 Additional information for teachers

The content provided in the student's textbook has holistically covered the information that a student needs in this unit. However, the teacher should look for more application activities to supplement the ones presented in the main content. This will help students get the required skills to post journal entries and balance off the accounts.

8.8. End unit assessment

Possible answers

1) **B.** A journal posting is the recording of a transaction in the general ledger.

It is not a means through which a Customer settles an amount owed to a business.

A. This is the most common mode of payment.

C. Used as a payment device and permits a period of credit.

D. A payment device, but the payment is charged immediately against the customers' bank account.

- 2) B **(i), (iii)** Investments and share dealing are services a bank may offer. Paying accounts payable on behalf of a business and posting entries to the general ledger are not services banks would offer.
- 3) A. A credit card is the most appropriate payment method. It is an electronic method, therefore can be used for payment over the internet. Credit cards offer security to their customers for items purchased.
- B Banks do not offer compensation for debit card payments.
- C There will be a delay in a cheque reaching the supplier and if the supplier were not to send the goods on receipt of the cheque, the bank would not offer compensation.
- D Cash cannot be used for internet payments.
- 4) A Cheques passed between banks are settled through the clearing system. Options B, C and D are functions of the banking system but do not specifically define clearing.
- 5) B A bank will honor a cheque if it is for less than the guaranteed amount and the guarantee card number is written on the back of the cheque.
- A Banks will honor cheques provided the amount is less than the guaranteed sum, so option (ii) is not a valid reason.
- C If the cheque/guarantee card are on the bank stolen list it is invalid and worthless.
- D The drawer must ensure the words and figures are the same and any errors should be corrected and initialed by the drawer.
- 6) C A paying-in slip lists notes and coins being paid in by denomination.
- 7) A The account is in the name of the company; Alfredo is a signatory acting on behalf of the company. The bank is not responsible for maintaining funds in the account.
- 8) C Selina has received the payment so she is the payee.
- B is the term for the one writing the cheque.
- A is not a term commonly used in relation to cheques. The drawee refers to the bank that has issued the cheque.

8.9 Additional activities

8.9.1 Remedial activities

1. Which one is not method a business can receive money
 - a) Cash
 - b) Cheque
 - c) Credit and debit cards**
 - d) Electronic receipts
- e) Petty cash
2. What is operational balance?
3. What should be accompanied by receipt for enables the receiving business to check that the correct amount is accurately processed and recorded?
4. **Which one are** Documents which are used to record transactions in the books of account of the company.
 - A. Source documents.
 - B. Invoice.
 - C. Remittance advice.
 - D. Cheque.
5. What is a float?
6. is an unconditional order in writing addressed by a person to a bank, signed by the person giving it, requiring the bank to pay on demand a sum certain in money to or to the order of a specified person.
 - A. Cheque.
 - B. Remittance advice.
 - C. Pay in slip.
 - D. Debit card and credit card.
7. Dishonored cheques is cheque that has been received and banked, the bank may find it necessary to return the cheque to the payee and to remove lists amount form the payee's bank account state two main reasons the bank may give for dishonoring the payment.
8. There are two main types of card which one should purchase of goods from a supplier by card holder, Payment of supplier by card issuer and Payment of card issuer by card holder.

9. What Electronic transfers methods Customer may choose to transfer monies owed to another business by other electronic methods of transfer.
10. How long preferably period Retention of documents should be kept in a safe place?

Possible answers

1. Petty cash
2. Operational balance is balance on account bank held by banks at national bank **after** settlement of debt banks owe money to other banks
3. Receipts will be accompanied by documentation Remittance advices
4. A Source documents
5. Float **is** the money kept in the till at the end of the Day so that the next day there is some cash available to give change to customers.
6. A Cheque
7. Insufficient funds and stolen cheques.
8. Credit card
9. BACS direct credit, CHAPS and faster payments.
10. Six months

8.9.2. Consolidated activities

1. You are preparing the day's takings for banking. When you have sorted and counted the notes you find you have the following.
 - (a) Ten RWF 5,000 notes
 - (b) Twenty-five RWF 2,000 notes
 - (c) Thirty RWF 1,000 notes
 - (d) Six RWF500 notes
 - (e) Ten bags each containing twenty 100 franc coins
 - (f) Five bags each containing five 50 franc coins
 - (g) Ten bags each containing fifty 20 franc coins

Prepare the paying in slip so that the cash can be banked.

Possible answers

The amounts of money to be banked are worked out on a separate piece of paper

FRW				
10	X			RWF 5,000
50,000				
25	X			RWF 2,000
50,000				
30	X			RWF 1,000
30,000				
6				RWF 500
3,000				
10	X	20	X	RWF100
20,000				
5	X	5	X	RWF50
1,250				
10	X		20	X
RWF100				
10,000				
TOTAL				
164,250				

8.9.3. Extended activities

CHUB, university teaching hospital of Butare is located at Mamba, Butare cell, Huye district in south. It has a bank account in bank of Africa, its cheques equivalent to FRW 50,000,000 was drawn in Ecobank and in turn, Ecobank paid Cheques of client of bank of Africa equivalent to FRW 35,000,000. How much each bank should be reimbursed?

Possible answers

Bank of Africa owes Ecobank amount equivalent to	FRW 50,000,000
Ecobank owes amount to Bank of Africa equivalent to	FRW 35,000,000
Net debt bank of Africa owes to Ecobank equivalent to	FRW 15,000,000

UNIT 9

CASHBOOK AND BANK RECONCILIATION

9.1 Key unit competence

To be able to reconcile cashbook and bank statement balances

9.2 Prerequisite (knowledge, skills, attitudes and values)

In the third unit, students have studied the cash book, they have acquired the knowledge on the use of cashbook and how bank transactions are recorded in the cash book for the business. Besides in the entrepreneurship subject they applied in O' Level, especially in year two, students have studied the use of cashbook and recording transactions in the cashbook including bank transactions.

Unit 8 is about receiving money and banking system. Under this unit, the students have knowledge which will enable them to understand the causes of discrepancy between the cash book and bank statement balances which will lead them to understand and process the bank reconciliation.

9.3 Cross-cutting issues to be addressed

Gender: The teacher should bear in mind that all student (girls and boys) have equal opportunities and rights to study. When forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when studying techniques of managing different resources especially cash and other assets. Students will learn to make budgets for resources and materials and manage them well. They will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching

approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential classroom.

- **Peace and value education:** through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.
- **Environmental sustainability:** The accounting students should learn and understand that when they work for or conduct the business organization, the environment should be preserved.
- **Standardization Culture:** Under this issue, the teacher should help students to understand the importance of standards as a pillar of economic development and in the practices, activities and lifestyle of the citizens. It is intended that the adoption of standardization culture should have an impact upon health improvement, economic growth, industrialization, trade and general welfare of the people.

9.4. Guidance on introductory activity

- Form groups of four students.
- Invite students to read the scenario from student book, share ideas and then answer related questions.
- Guide the students' discussions.
- Ask students to present their findings.
- Supplement students' presentations and link students' answer on the new lesson.

Possible answers

- i) **Errors:** errors in calculation, or in recording income and payments, are as likely to have been made by yourself as the bank. These errors must be corrected.
- ii) **Bank charges:** The bank might deduct interest on an overdraft or charges for its services, which you are not informed about until you receive the bank statement. These should be accounted for in your records.
- iii) **Timing differences:** a) cheques recorded as received and paid in but not yet cleared and added and added to your account by the bank. Although your own records show that some cash has been added to your account, it has not yet been acknowledged by the bank, although it will be in a very short time when the cheques are eventually added. b) Payments made by cheque and recorded, but not yet banked by payee.

Even when it is banked, it takes a day or two for the banks to process it and for the money to be deducted from your account.

The timing differences should be listed and used to reconcile the cash book to the balance on the bank statement.

The answer for ensuring the balance to be reported to financial statements is preparing the bank reconciliation.

9.5. List of lessons/ sub-heading

	Sub-heading	Lesson title	Learning objectives	Number of periods
1	Cash book and bank statement	Cash book	Explain the cashbook	4
		Use of cash book	Describe the use of cashbook	4
		Bank statement	Describe the bank statement	4
2	Bank reconciliation	Importance of reconciling cashbook with bank statement balances	Describe the importance of reconciling cashbook with bank statement	4
		Reasons for discrepancy between cashbook and bank statement balances	Describe the reasons for discrepancy between cashbook and bank statement balances	4
3	Preparing bank reconciliation statement	Bank reconciliation procedures	Explain the bank reconciliation procedure	4
		Method of bank reconciliation statement	Describe the method of preparing bank reconciliation	4
		End Unit Assessment		2

Lesson 1: Cashbook and Bank Statement

a) Learning objective

Describe the use of cash book and the difference between cash book and bank statement.

b) Teaching resources

Flip chart, Chalk board, markers, pens, sample of cash book, sample of bank statement, chalks

c) Prerequisites/ Revision/ Introduction

Students have learnt banking system in unit 8 and also they have previously learnt in unit 3 the cash book, its purpose and transactions recorded in the cash book. Therefore, the competences gained will enable to learn and perform the bank reconciliation process.

d) Learning activity 9.1

Guidance

- Put the students in groups ask them to read the scenario in student book.
- Send them in school library and search the difference between cashbook and bank statement using accounting books.
- Guide students' discussions.
- Invite students to share their findings in plenary.

Possible Answer 9.1

The cash book is the in which receipts and payments are recorded. A cashbook is part of ledger (thus a principle book) as well as a book of original entry. All cash receipts and payments are recorded in the cashbook directly. And any entry made in the cashbook is part of double entry. We can maintain cash account and bank account in a cashbook. A cash account records the receipt and payment on cash, and the bank account records receipts and payments of money by cheque.

While a bank statement is sent by a bank to its short- term receivables and payables (customers with bank overdrafts and customers with money in their accounts) itemizing the balance on the account at the beginning of the period, receipts into the account and payments from the account during the period,

and the balance at the end of the period. These statements may be produced monthly, weekly or even daily depending on the volume of transactions going through the account.

e) Application activities 9.1

- Distribute small sheets of paper on which it is written a scenario;
- Split students into groups;
- Invite students to share ideas in groups;
- Ask each group to present findings;
- Provide supplements.

Possible Answers 9.1

1. A cashbook is a book in which cash transactions are recorded. It records cash and cheques receipts and cash and cheques payments.
2. The following are elements shown by the bank statement:
 - a) The statement date;
 - b) Account number;
 - c) Date;
 - d) Sheet number;
 - e) Key;
 - f) Balance;
 - g) Cheque number;
 - h) Paying- in slip numbers;
 - i) Direct debit payments & receipts;
 - j) Standing order payments & receipts;
 - k) Charges;
 - l) Interests.

Lesson 2: Bank reconciliation

a) Learning Objectives

- Describe the importance of reconciling cashbook with bank statement.
- Describe the reasons for discrepancy between cashbook and bank statement balances.

b) Teaching resources

Flip chart, Chalk board, markers, pens, sample of cash book, sample of bank statement, chalks.

c) Prerequisites/ revision/ introduction

In previous units' students gained the banking system and they understood the banking process. That knowledge they got from units 3 und 8 enable them to understand the importance of bank reconciliation and the reasons of discrepancy between cash book and bank reconciliation statement balances.

d) Learning activity 9.2

- Have students in small groups.
- Ask them to brain storm on the question in student book.
- Invite students to present in plenary.
- Provide constructive feedback.
- Link the student ideas to the new lesson.

Possible answers 9.2

Purpose of bank reconciliation

- To check the accuracy of the cashbook and the bank statement before preparation of financial statements and reports.
- It is a tool of internal control for bank transactions which allows the accountant to investigate and settle any differences arising between the firms cash records and the bank statements.
- To ascertain the correct balance of cash and bank to be reported in the balance sheet.
- It ensures that undue delays are not occurring between cheque disbursements, deposits and their clearance by the bank (un-presented cheques and un-credited cheques).
- To check for any errors committed in the recording of banking transactions by the firms accounting staff and those of the bank.
- To update the firms cash records as regards payments made and items received by the bank which appear only in the bank statement but not in firm's cashbook.

e) Application activity

- Put students in small groups.
- Ask students to read questions and discuss them.
- Have each group presentation in plenary?
- Provide supplements to students' presentations

Possible answers 9.2

- a) Bank reconciliation statement: Bank reconciliation statement may be defined as a detailed statement reconciling at a given date the cash balance reported by the bank with that shown in the records of a business.
- b) Un-credited cheques: These are cheques that are deposited or ledger into the bank account at the bank, but take time before being posted to the trader's account by the bank.
- c) Un presented cheques: These are cheques issued to creditors and immediately credited to the bank account in the cash book but take time before they are actually presented to the bank for payment
- d) Direct remittances: This refers to deposits directly lodged into the customer's bank current account without his/ her knowledge.

Reasons for discrepancy between cashbook and bank statement balances

- Direct debits
- Bank charges
- Standing orders
- Direct credits
- Un-presented cheques
- Un-credited cheques
- Clerical errors
- Dishonored cheques

Importance of bank reconciliation.

- Bank reconciliation strengthens an organization's internal control system through detection and prevention of fraud.
- Bank reconciliation leads to accuracy in records.

Lesson 3: Preparation of bank reconciliation

a) Learning objectives

- Explain the bank reconciliation procedure.
- Describe the method of preparing bank reconciliation.

b) Teaching resources

Computer (Desktops & laptops), projectors, Manila papers and markers, flipcharts, scientific calculators, accounting software, Accounting study books.

c) Prerequisites/ revision/ introduction

- The knowledge that students acquired on the unit “Receiving cash and banking system, and that they have gain from previous lesson, will enable them to understand the preparation of bank reconciliation.

d) Learning activities 9.3

- Split students in small groups.
- Invite students to read scenario and discuss the questions.
- Ask them to share ideas in their groups.
- Invite students to share through presentation.
- Provide supplements.

Possible answers 9.3

The following are procedures of preparing the bank reconciliation:

Step 1- Compare the ending balances on the cash book and bank statement and see if they equal or not.

Step 2 – Tick off the items in both cash book and bank statement.

Step 3 – Update the cash book from the bank statement.

Step 4 – Balance the cash book bank columns to produce an updated balance.

Step 5 – Identify the remaining un-ticked items from the cash book.

Step 6 – Preparation of the bank reconciliation statement.

e) Application activities 9.3

Distribute small sheets paper on which it is written activity

- Split students into small groups.

Ask each group to give its solution.

Provide supplements.

Possible answers 9.3

Answer to application activity 9.3

- a) Updating / adjusting cash book.

Amended cash book

	FRW'000		FRW '000
Trader's credit	102	Balance b/d	1, 682
Updated balance c /d	1746	Standing order payment	94
		Bank charges	72
	1, 848		1,848

Bank reconciliation statement as at 31 December 2021

FRW'000

Balance as per updated cash book (1,746)

Add: Un-presented cheques: K Chanita 37

(1,709)

Less: Un-credited cheques: W Bertin (325)

Balance as per bank statement **(2,034)**

9.6. Summary of the unit

This unit provided explained details on how to prepare a bank reconciliation statement and why you need to do this when a bank statement is received from the bank, this unit also helped to know how to deal with dishonored cheques in the ledger accounts.

9.7. Additional information for teachers

To be successful in teaching this unit, the teacher has, in addition to the application activities stated in student book, to prepare other more application activities referring to financial accounting books. Besides, to prepare bank

reconciliation statement you should also start with the bank statement balance as shown above:

ABC Ltd

Bank reconciliation statement as at 31st January 2022

	FRW
Balance as per bank statement	xxx
Add: Un-credited cheques or deposits in transit	<u>xxx</u>
	Xxx
Less: un-presented cheques	<u>xxx</u>
Balance as per adjusted cash book	<u>xxx</u>

9.8. End unit assessment

Possible answers

Answers to end unit assessment activities

a) Amended cash book (xbank column)

FRW'000	FRW'000
Credit transfer	600
Balance c/d	5,650
	6,250
	Balance b/d
	4,870
	Standing order
	330
	Bank charges
	550
	Understated cheque
	500
	6,250
	Balance b/d
	5,650

b) Bank reconciliation statement as at 30 November 2021

	FRW
Overdraft as per cashbook	5,650
Un-credited cheques	
MUZEHE 1,400	<u>2,120</u>
CASSIEN <u>720</u>	7,770
Un-presented cheques	630
Overdraft as per bank statement	7,140

9.9. Additional activities

9.9.1. Remedial activities

1. What is a bank reconciliation statement?
2. State any three reasons why balances in cash book and bank statements disagree.
3. Describe the purpose of bank reconciliation.

Possible answer:

1. This is a detailed statement reconciling at a given date the cash balance reported by the bank i.e. in the bank statement with that shown in the records of the business, i.e. in the cash book.
2. The Common causes of differences are:
 - Un-presented cheques
 - Un-credited cheques
 - Service charge and other items
 - Standing order payments
 - Standing order receipts
 - Dishonored cheques
 - Over-banking and under-banking
 - Errors
3. Purpose of bank reconciliation
 - To check the accuracy of the cash book and the bank statement before preparation of financial statements and reports.
 - It is a tool of internal control for bank transactions which allows the accountant to investigate and settle any differences arising between the firms' cash records and the bank statements.
 - To ascertain the correct balance of cash and bank to be reported in the balance sheet.
 - It ensures that undue delays are not occurring between cheque disbursements, deposits and their clearance by the bank (un-presented cheques and un-credited cheques)
 - To check for any errors committed in the recording of banking transactions by the firms accounting staff and those of the bank.
 - To update the firms cash records as regards payments made and items received by the bank which appear only in the bank statement but not in firm's cash book.

9.9.2. Consolidation activities

Mr. MULINDWA's cash book showed a debit balance of FRW 36,080 on December 31st 2021. Whereas the bank statement showed a credit balance of FRW 49,320 in investigation the following information was discovered.

- a) Cheques for FRW 61,450 issued did not appear in the bank statement
- b) Cheques for FRW 39,450 deposited on 31st December were credited by the bank on January 5th 2022.
- c) Bank charges for the month were FRW 2,410.
- d) The bank paid FRW 8,000 to a land lord and FRW 2,000 to an insurance company on behalf of MULINDWA as per standing order.
- e) A cheque for FRW 6,050 deposited on 23rd December 2021 was returned unpaid by the bank.
- f) A debtor remitted FRW 9,700 direct to MULINDWA's bank account (credit transfer)

Required:

- To prepare an amended cash book
- A bank reconciliation statement as at 31 December 2021

Possible answer:

Adjusted cash book (bank column)

	FRW		FRW
Balance b/d	36,080	Bank charges	2,410
Credit transfer	9,700	S.O. Land lord	8,000
		Insurance Co	2,000
		Dishonored cheques	6,050
		Balance c/d	<u>27,320</u>
	45,780		45,780

**MULINDWA
Bank reconciliation statement**

	FRW
Balance as per bank statement	49,320
Un-credited cheques	39,450
	88,770
Un-presented cheques	61,450
Balance as per adjusted cash book	27,320

9.9.3. Extended activities

Q1. From the following information, prepare a bank reconciliation statement of COOPAMUKI for the month ended 31st January 2021

Appendices to December 2021 bank reconciliation statement

List of Un-presented cheques as on 31st December 2021

Cheques No	Amount (FRW)
15	500,000
20	1,200,000
25	700,000
30	400,000
32	3,000,000
40	600,000
45	2,500,000
50	1,500,000

List of Un-credited cheques as on 31st December 2021

Cheques No	Amount (FRW)
101	2,400,000
83	100,000
163	900,000
75	1,400,000
105	250,000

January 2021 Cash book (Bank column)

	(FRW'000)		(FRW'000)
Bal. b/f	4,650	Cheque No 60	2,500
Cheque No 204	1,500	Cheque No 61	1,400
Cheque No 310	2,800	Cheque No 62	300
Cheque No 802	4,000	Cheque No 64	700
Cheque No 740	600	Cheque No 65	2,600
Cheque No 150	2,000	Cheque No 66	200

Cheque No 610	1,500	Cheque No 68	1,000
Cheque No 550	3,200	Cheque No 69	7,200
Cheque No 440	1,900	Cheque No 70	3,000
Cheque No 320	400	Cheque No 71	2,200
Cheque No 280	5,000	Cheque No 72	100
Cheque No 900	6,000	Cheque No 73	800
Cheque No 260	5,500	Bal. c/f	<u>18,350</u>
Cheque No 850	1,300		
	40,350		40,350

January 2022
Bank statement

	Debit (FRW'000)	Credit (FRW'000)	Balance (FRW'000)
Balance b/f			10,000
Cheque No 25	700		9,300
Cheque No 32	3,000		6,300
Cheque No 15	500		5,800
Cheque No 105		250	6,050
Cheque No 163		900	6,950
Cheque No 204		1,500	8,450
Cheque No 310		2,800	11,250
CM		1,000	12,250
Cheque No 60	2,500		9,750
Cheque No 61	1,400		8,350
Cheque No 64	700		7,650
Cheque No 40	600		7,050
Cheque No 802		4,000	11,050
Cheque No 740		600	11,650
Cheque No 75		1,400	13,050
Cheque No 66	200		12,850
Cheque No 68	1,000		11,850
Cheque No 150		2,000	13,850
Cheque No 30	400		13,450
Cheque No 610		5,100	18,550
CM		500	19,050

Cheque No 70	3,000		16,050
Cheque No 280		5,000	21,050
Cheque No 69	2,700		18,350
Ledger fee	50		18,300
Commission	150		18,150
Interest		100	18,250

Notes :

- Cheque No. 440 and 65 were dishonored by the bank and returned together with the bank statement.

In case of any mistakes in figures, they must have arisen due to mis-recording of the cash book.

Answer

METHOD 1
COOPAMUKI
AMENDED CASH BOOK

	FRW('000)		FRW('000)
Bal. b/f	18,350	Ledger fee	50
C.M.	1,000	Commission	150
Mistake on cheque No610	3,600	Dishonored cheque No 440	1,900
C.M.	500		
Interest	100		
Dishonored cheque No65	2,600		
Mistake on cheque No 69	4,500	Bal. c/f	28,550
	30,650		30,650

COOPAMUKI**BANK RECONCILITION STATEMENTFOR THE MONTH ENDED
31/1/2022**

	FRW'000	FRW'000
Balance as per adjusted cash book		28,550
Add: Un-presented cheques		
Cheque number		
20	1,200	
45	2,500	
50	1,500	
62	300	
71	2,200	
72	100	
73	<u>800</u>	<u>8,600</u>
		37,150
Less: Un-credited cheques		
Cheque Number		
101	2,400	
83	100	
550	3,200	
320	400	
900	6,000	
260	5,500	
850	<u>1,300</u>	<u>18,900</u>
Balance as per bank statement		18,250

Note the following:

- Un-presented cheques with numbers 20, 45 and 50 were un-presented in December 2021 and were still un-presented by 31st January 2022. Likewise, un-credited cheques 101 and 83 from December 2021 were still un-credited by 31st January 2022.
- Where un-presented or un-credited cheques are very many, only the total can be quoted in the bank reconciliation statement. A schedule or lists of those cheques are then attached to the reconciliation statement as appendices or annexes.

METHOD 2

	FRW'000	FRW'000	FRW'000
Balance as per bank statement			18,250
Add: <u>Directs debits</u>			
Ledger fee	50		
Commission	<u>150</u>	200	
Dishonored cheque No 440			1900
Un-credited cheques			
<u>Cheque No</u>	101		
2,400			
83	100		
550	3,200		
320	400		
900	6,000		
260	5,500		
850	<u>1,300</u>	18,900	<u>21,000</u>
			39,250
Less: Un-presented cheques			
<u>Cheques No</u>	20	1,200	
	45	2,500	
	50	1,500	
	62	300	
	71	2,200	
	72	100	
	73	<u>800</u>	8,600
Directs credits			
C.M.	1,000		
C.M	500		
Interest	100	1,600	
Cash book mistakes			
<u>Cheque No</u>	610	3,600	
	69	4,500	8,100
Dishonored cheques			
<u>Cheque No</u>	65		<u>2,600</u>
			<u>20,900</u>
Balance as per cash book			18,350

METHOD 3

	FRW'000	FRW'000	FRW'000
Balance as per cash book			18,350
Add: <u>Direct credits:</u>			
C.M.	1,000		
C.M.	500		
Interest	<u>100</u>	1,600	
Cash book mistakes			
Cheque No. 610	3,600		
Cheque No. 69	<u>4,500</u>	8,100	
Dishonored cheque			
Cheque No. 65		2,600	12,300
Less: <u>Direct debits</u>			
Ledger fee	50		
Commission	<u>150</u>	200	
Dishonored cheque			
Cheque No. 440		<u>1900</u>	2,100
Adjusted cash book balance			28,550
Balance as per bank statement			18,240
Add: <u>Un-credited cheques:</u>			
Cheque No:			
101		2,400	
83		100	
550		3,200	
320		400	
900		6,000	
260		5,500	
850		1,300	<u>18,900</u>
			37,150
Less: <u>Un-presented:</u>			
Cheques No.			
20		1,200	
45		2,500	
50		1,500	
62		300	
71		2,200	

72	100
73	<u>800</u> 8,600
Adjusted bank statement balance	28,550

Q2. The opening balance for the month of October 2021 is **FRW 761,000** while the closing balance for the month was an overdraft of **FRW 554,000**

- The bank statement balance as at 31st October is an overdraft of FRW 1,353,000
- All receipts are banked and all payments are made by cheque

On investigation you discover:

1. Bank charges of **FRW 136,000** entered on the bank statement have not been entered in the cash book.
2. Cheques drawn amounting to **FRW 267,000** had not been presented to the bank for payment.
3. Cheques received totaling **FRW 762,000** had been entered in the cash book and paid into the bank, but had not been credited by the bank until 3 November.
4. A cheque for **FRW 22,000** for sundries had been entered in the cash book as a receipt instead of as a payment.
5. A cheque received from K Jones for **FRW 80,000** had been returned by the bank and marked 'No funds available'. No adjustment has been made in the cash book.
6. A standing order for a business rates installment of **FRW 150,000** on 30 October had not been entered in the cash book.
7. All dividends received are credited directly to the bank account. During October amounts totaling **FRW 62,000** were credited by the bank but no entries were made in the cash book.
8. A cheque drawn for **FRW 66,000** for stationery had been incorrectly entered in the cash book as **FRW60,000**
9. The balance brought forward in the cash book should have been **FRW 711,000**, not **FRW 761,000**.

Required:

- Show the adjustments required in the cash book and calculate the revised cash book balance
- Prepare a bank reconciliation statement

Answer:**ADJUSTED CASH BOOK BALANCE**

	FRW		FRW
Dividend received	62,000	Bal b/f	554,000
Reversal of wrong transaction on transaction	60,000	Bank charges Sundries Cheque (Reversal 22,000 and correct entry 22,000)	136,000 44,000
Error in calculation opening balance	50,000	Cheque returned Jones	80,000
Bal c/d	858,000	Standing order	150,000
		Accurate transaction in the cashbook for stationary	66,000
Total	1,030,000	Total	1,030,000

Bank reconciliation statement as at 31st October, 2021.

	FRW
Balance per Cash book	(858,000)
Add un-presented cheques	267,000
Less Outstanding lodgments	.. 762,000
Balance per bank statement	(1,353,000)

UNIT 10

FINANCIAL STATEMENTS OF SOLE TRADERS

10.1 Key unit competence

To be able to prepare financial statements of a sole trader.

10.2 Prerequisite

During this unit, students need to revise some contents studied in previous lessons. The trial balance and accounting equation. They are units and topics which are relevant to this study of preparation of financial statements. This unit requires to go back and read again the preparation of trial balance.

10.3 Cross-cutting issues to be addressed

Gender education: The teacher should bear in mind that everyone, girls and boys have equal opportunities and rights to study. Therefore, when forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback, the teacher should include both girls and boys.

Financial education: Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when teaching accounting subject, which provide skills for effective use of resources. Students will put in mind that misusing materials is wasting money.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom.

Peace and value education: Through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Environmental sustainability: While teaching, both teacher and students should keep in mind that protecting the environment is everyone's responsibility.

Genocide studies: Teacher and students should understand the circumstances leading to the genocide and the remarkable story of recovery and re-establishing national unit. They must comprehend their role in ensuring that genocide never happens again.

10.4 Guidance on introductory activity

This introductory activity intends to arise students' attention and interest on financial preparation to be prepared by sole proprietors.

- Guide students to read the case study from the text book.
- Guide them to work in pairs.
- Have some pairs make presentations?
- Give constructive feedback and guide towards the lesson (you can use additional simulating questions)

Possible Answers to introductory activity

To know his financial performance, AMANI should prepare a Statement of Profit or Loss and on financial position, he should prepare a Statement of Financial position.

10.5. List of lessons/sub-headings

Lesson title/Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1 Meaning, objectives and qualitative characteristics of financial statements.	Explain the meaning, objectives and qualitative characteristics of financial statements.	2 period
2 Statement of profit or loss/ Income statement.	Prepare a profit and loss account/ income statement of a sole trader.	5 period
3 Effect of errors on the calculation of the profit.	Adjust a profit reported in a statement of profit or loss taking into consideration the errors affecting it.	2 period

4	Statement of financial position/ Balance sheet.	Prepare statement of financial position/balance sheet.	4 periods
5	Effect of errors on the balance sheet.	Adjust a balance sheet taking into consideration the errors affecting it.	2 periods
6	Statement of cash flow	Prepare statement of cash flow	4 periods
7	Accounting records for incomplete information.	Compute the profit with incomplete information	5 periods
		Produce final accounts for incomplete records.	4 periods
9	Assessment		2 periods
	Total		30 periods

Lesson 1: Meaning, objectives and qualitative characteristics of financial statements

a) Learning objectives

Explain the meaning, objectives and qualitative characteristics of financial statements

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

As they have studied the trial balance in previous units, they know the elements of trial balance which will be used to get the purpose of financial statements.

d) Learning activities

Activity 10.1

- Help students to form small groups.
- Ask them to read the case study.
- Guide them while they are discussing.

- Distribute the flip charts and markers.
- Ask the group representatives to present their results.
- Give the constructive feedback.

Possible Answers to activity 10.1

1. Financial statements provide information about financial performance, financial position and cash-flow of the business.
2. Qualitative characteristics of financial statements: Relevance, Reliability, Comparability, Understandability and consistency.

e) Application Activity 10.1

- Help students to form groups accordingly.
- Guide them where they do not understand.
- Each group should have time to present to their classmates.
- Give constructive feedback.

Possible answers to Application Activity 10.1

- 1) Financial statements are a collection of summary level reports about an organization's financial performance, financial position, and cash flows.
- 2) The main financial statements are:
 - Statement of Profit or Loss (Income statement).
 - Statement of financial position (Balance Sheet).
 - Statement of Cash flow (Cash flow statement).
- 3) Qualitative characteristics of financial statements are:
 - Relevance
 - Reliability
 - Comparability
 - Understandability
- 4) Main objectives of financial statements:
 - To provide information about the financial position (Balance sheet).
 - To provide information about financial performance (income statement).
 - To provide information about changes in financial position of an entity (cash flow statement).

Lesson 2: Statement of profit or loss/ Income statement

a) Learning objectives

Prepare a profit and loss account/ income statement of a sole trader.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

As they have studied the trial balance in previous units, they know the elements of trial balance which will be used to prepare statement of profit or Loss.

d) Learning activities

- Invite students to read the case study individually.
- Invite them to work in pairs to share with the classmate.
- Have some pairs to make presentations while others are listening.
- Give them a constructive feedback.

Possible Answers to activity 10.2

- i) In order to get the financial performance of a business, statement of financial profitability/ income statement is used.
- ii) Financial performance/ net profit = incomes-expenses.

e) Application activity 10.2.

- Help student teachers to form group and discuss about the activity.
- One of group representatives should have time to correct and the rest of class may ask questions or supplement to the correction.
- Help student teachers to reach the correct conclusion after a disagreement.

Possible Answers to Application Activity 10.2.

1. C the false statement is: it represents the financial position at a point in time.
2. MUGABO'S STATEMENT OF PROFIT or LOSS ACCOUNT FOR THE YEAR ENDED 2015

	FRW'000'	FRW'000'
Sales		60,000
Opening stock	8,000	
Purchases	<u>45,000</u>	
CGAS	53,000	
Less: closing stock	<u>9,200</u>	
CGS		<u>43,800</u>
Gross Profit		16,200
Interest received		<u>2,500</u>
		18,700
Less: Expenses		
Rent	3,500	
Salaries	2,000	
Insurance	2,800	
Office expenses	3,000	
Rates	1,500	
Total expenses		<u>12,800</u>
Net profit		<u>5,900</u>

Lesson 3: Effect of errors on the calculation of the profit

a) Learning objectives

Adjust a profit reported in a statement of profit or loss taking into consideration the errors affecting it.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip chart, markers, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

As students have studied the trial balance in previous lesson, they know the how to prepare income statement and from unit 6, they acquired how to correct errors. These acquired skills will help them to understand the effect of errors on net profit and how to adjust the net profit after correcting errors.

d) Learning activities

- Help students to form small groups.
- Invite students in groups read the case study.
- Distribute the flip charts and markers.
- Guide group discussion.
- Allow group representatives to present they results.
- Allow other students to ask questions and give support whenever possible.
- Give them a clear and constructive feedback.

Possible Answers to activity 10.3

- a. Net profit Decrease
- b. No effect on net profit
- c. Net profit decreased
- d. Net profit decreased
- e. No effect on net profit

e) Application Activity 10.3

- Request students to form group.
- Distribute the printed application sheets.
- Guide students in discussion.
- Help them to understand the question.
- Each group presents its correction and helps the whole class to make conclusion.
- Give them a clear and constructive feedback.

Possible Answer to application activity 10.3

MUYANGO

STATEMENT OF CORRECTED PROFIT AS AT 31ST MAY 2018

	FRW '000'
Net profit as by the question	64,000
Add:	
Rates overcast	2,000
Less:	
Rent payable under cast	800
Sales overcast	2,800
Purchases understated	<u>1,800</u>
Corrected net profit	<u>60,600</u>

Lesson 4: Statement of financial position/ Balance sheet

a) Learning objectives

Prepare statement of financial position/ balance sheet

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

As they have studied the trial balance in previous units, they know the elements of trial balance which will be used to prepare the statement of financial position.

d) Learning activities

Activity 10.4

- Help students to form small groups.
- Ask them to read the case study.
- Guide them while they are discussing.
- Distribute the flip charts and markers.
- Ask the group representatives to present their results.
- Give the constructive feedback.

Possible Answers to activity 10.4

1. The accounting equation: ASSETS=CAPITAL + LIABILITIES
2. Accounting equation is applied in statement of financial position.

e) Application Activity 10.4

- Request students to form group.
- Distribute the printed application sheets.
- Guide students in discussion.
- Help them to understand the question.
- One of group representatives presents its results and helps the whole class to make conclusion.
- Give them a clear and constructive feedback.

Possible Answers to application activity 10.4

1. If a five-year bank loan should be shown as a non-current liability.
2. If the statement of financial position contains a list of all the assets owned and all the liabilities owed by a business.

Possible Answers to application activity 10.4

1. li a five-year bank loan should be shown as a non-current liability.
2. li the statement of financial position contains a list of all the assets owned and all the liabilities owed by a business.
3. Answer

	FRW '000'	FRW '000'
Non-current assets:		
Furniture	90,000	
Office equipment	67,500	
Motor vehicles	270,000	
Total non-current assets		427,500
Current assets:		
Stock	102,150	
Debtors	147,150	
Cash at bank	38,790	
Cash in hand	10,800	
Petty cash in hand	<u>1,350</u>	
Total current assets	300,240	
Less current liabilities:		
Creditors	<u>(119,340)</u>	
Net current assets/ working capital		<u>180,900</u>
Capital Employed		<u>608,400</u>
Financed by:		
Capital	464,040	
Add: Net profit	166,860	
Less: Drawings	<u>(22,500)</u>	
Capital employed		<u>608,400</u>

Lesson 5: Effect of errors on the balance sheet

a) Learning objectives

Adjust a balance sheet taking into consideration the errors affecting it.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

As they have studied the trial balance in previous lessons, they know to prepare the balance sheet and the correction of errors.

d) Learning activities

Activity 10.5

- Help students to form small groups.
- Ask them to read the case study.
- Guide them while they are discussing.
- Distribute the flip charts and markers.
- Ask the group representatives to present their results.
- Give the constructive feedback.

Answers to activity 10.5.

1. Assets increased
2. Decrease of owner's equity
3. No effect
4. No effect

e) Application Activity 10.5

- Request students to form group.
- Distribute the printed application sheets.
- Guide students in discussion.
- Help them to understand the question.

- One of group representatives presents its results and helps the whole class to make conclusion.
- Give them a clear and constructive feedback.

Possible Answers to application activity 10.5

Odile Statement of adjusted profit

	FRW
Reported profit	154,000
Add: cash sales reported in cash book only	6,000
Less: rent account under casted	<u>2,000</u>
	<u>158,000</u>

Drawings = FRW 1,000+72,000=FRW 73,000

Cash =30,000-1,000= FRW 29,000

Creditors=109,000+5,000=FRW 114,000

Odile

Revised balance sheet

	FRW
Capital	1,000,000
Net profit	158,000
Drawings	<u>(73,000)</u>
Owner's equity	1,085,000
Current liabilities:	
Creditors	114,000
	<u>1,199,000</u>
Fixed assets:	
Plant and machinery (cost)	1,010,000
Depreciation	<u>(60,000)</u>
	950,000
Current assets:	
Stock	170,000
Debtors	50,000
Cash	<u>29,000</u>
	<u>254,000</u>
	<u>1,199,000</u>

Lesson 6. Statement of cash flow

a) Learning objectives

Prepare statement of cash flow

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

As they have studied the trial balance in previous lessons, they know to prepare the balance sheet and statement of Profit or Loss, they know about incomes and expenses which will help them to prepare a statement of cash flow.

d) Learning activities

Activity 10.6

- Help students to form small groups.
- Ask them to read the case study.
- Guide them while they are discussing.
- Distribute the flip charts and markers.
- Ask the group representatives to present their results.
- Give the constructive feedback.

Possible Answers to activity 10.6.

- a. Movement of cash is shown in statement of cash flow.
- b. The formula: Net cash position = cash inflows – cash outflows.

e) Application Activity 10.6

- Form small groups.
- Distribute sheets in which questions are written.
- Facilitate discussions in pairs.
- Provide constructive feedback and deeper explanations.

Possible Answers to application activity 10.6

1. **Cash and cash equivalent:** these are items which are not held for investment or other long term purposes, but rather to meet short term cash commitments. An investment's maturity date should normally be three months from its acquisition date.
2. C administration costs are classification in the statement of profit or loss, not the statement of cash flows.
- 3.

	FRW '000'
Cash flows from operating activities:	
Cash received from customers	32,900
Cash paid to suppliers	(17,950)
Cash paid to employees	(11,250)
Interest paid	(2,100)
Net cash flow from operating activities	<u>1,600</u>

4. Direct Method

Cash-Flow from Operations:	
Cash received from customers	207,500
Cash paid for inventory	-124,000
Cash paid for insurance	-9,000
Cash paid for wages	<u>-53,000</u>
Cash-flow from operations	21,500
Cash-Flow from Investments:	
Cash paid for fixed assets	-46,000
Cash-flow from financing activities:	
Cash dividend payments	-2,500
Proceeds from issuance of note payable	13,000
Proceeds from issuance of stock	<u>4,000</u>
Cash flows from financing activities	14,500
Net Cash Flow	-10,000
Beginning Cash Balance	<u>14,000</u>
Ending Cash Balance	<u>4,000</u>

Lesson 7: Accounting records for incomplete information

a) Learning objectives

- Compute the profit with incomplete information.
- Produce final accounts for incomplete records.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/ Revision/ Introduction (Guidance on how to start the lesson)

As they have studied the trial balance in previous lessons, they know to prepare the trial balance, balance sheet and statement of Profit or Loss, they know about control accounts. The acquired knowledge and skills will help them to account for incomplete records.

d) Learning activities

Activity 10.7

- Help students to form small groups.
- Ask them to read the case study.
- Guide them while they are discussing.
- Distribute the flip charts and markers.
- Ask the group representatives to present their results.
- Give the constructive feedback.

Possible Answers to activity 10.6.

1. Maurice records are called single entry and incomplete records.
2. No, this book-keeping is unsuitable. It is impossible to extract any trial balance. Financial statements cannot therefore be prepared from information supplied under single entry and incomplete records because some key figures for financial statements preparation are missing.

e) Application Activity 10.7

- Form small groups.
- Distribute sheets in which questions are written.
- Facilitate discussions in pairs.
- Provide constructive feedback and deeper explanations.

Possible Answers to application activity 10.7

1. C In the statement of profit or Loss, credit entries exceed debit entries so Ossie has made a profit of FRW 7,209,000 (FRW 136,894,000 - FRW 129,685,000)
2. D this question involves the use of accounting equation

	FRW '000'
Increase in capital	6,798
Add back drawings	14,600
Capital introduced	(2,900)
Profit for the year	18,498

SKILLS LAB

Guidance to the lab

In conducting this skills lab activity, you can ask student to do it referring to the worked exercises from student book.

▪ Build

Given the skills lab from the student book,

- Remind students on the expected objective for the skills lab attendance.
- Form manageable groups in your class and remember to mix both boys and girls.
- Let each team have the representatives (note taker, time keeper, presenter).
- Ensure they have where to keep necessary notes from the findings.
- Share them the printed exercises.

- **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions are clear and understandable to each one.
- Move around the groups as you provide necessary clarifications and guidance.

- **Present**

- Choose randomly any one team representative to correct the questions.
- Allow students to ask questions to their fellow.
- Conclusion
- Teacher emphasizes on the objective of the skills lab reminding students that they have to follow those identified formats of financial statements.
- Give necessary constructive feedback as you conclude the lesson.

Answers to the skills lab

1.

AKEZA

Balance sheet

Fixed Assets:		
Land	2,500,000	
Motor vehicle	15,000,000	
Office equipment	<u>2,000,000</u>	19,500,000
Current assets:		
Bank	1,500,000	
Cash	<u>6,700,000</u>	8,200,000
		<u>27,700,000</u>
Financed by:		
Capital	20,000,000	
Drawings	(<u>800,000</u>)	19,200,000
Liabilities:		
Loan	8,000,000	
Equipment suppliers Ltd	<u>500,000</u>	8,500,000
		<u>27,700,000</u>

AKANYANA

Statement of Profit or Loss

Sales	6,700,000	
RIW	(140,000)	
Net sales		6,560,000
Purchases	860,000	
ROW	<u>(100,000)</u>	
Cost of sales		<u>760,000</u>
GROSS PROFIT		5,800,000
Operating expenses:		
Rent	160,000	
Electricity	150,000	
Salaries	<u>310,000</u>	
Total expenses		<u>620,000</u>
NET PROFIT		<u>5,180,000</u>

2.

AKANYANA

Statement of financial position

Assets:		
Bank	3,930,000	
Cash	690,000	
Debtors	<u>910,000</u>	<u>5,530,000</u>
Liabilities:		
Creditors	350,000	
Financed by:		
Net profit	<u>5,180,000</u>	<u>5,530,000</u>

10.6. Summary of the unit

This unit describes the main financial statements prepared by sole traders which are statement of Profit or Loss aims of ascertaining the financial performance of a business, statement of financial position prepared to ascertain the financial performance of a business organization and statement of cash flow with the aim of knowing the movement of cash in a business. The unit discusses about the effect of errors on financial statements. Finally, it discusses about accounting for incomplete records.

10.7. Additional information for teachers

Because of limited time, the unit does not contain enough exercises. In this regard The teacher is recommended to use additional exercises on preparation of financial statements from different sources such as textbooks from different writers to make the content more understandable. This will help to strengthen the teaching-learning on preparation of financial statements.

10.8. End unit assessment

- Distribute assessment sheets to the students.
- Give clear and concise instructions.
- Invigilate the assessment.
- Collect the assessment sheet.
- Give clear and concise constructive feedback.

Answers to end unit assessment activities

1. B insurance is an expense, trade payables is a current liability and trade receivables is a current asset
2. B

	FRW '000'
Payments to suppliers	95,886
Owed at 31/10/2016	(13,856)
Owed at 31/10/2017	<u>11,552</u>
Total credit purchases	<u>93,582</u>

3. D bank (current liability)/ Bank loan (Non-current liability)

4. D

Silas
Statement of Profit or Loss

	FRW	FRW
Sales		38,000
Opening stock	5,000	
Purchases	35,000	
Closing stock	<u>(6,000)</u>	
Cost of goods sold		<u>(34,000)</u>
GROSS PROFIT		4,000
EXPENSES:		
Salaries and wages	3,500	
Electricity	500	
Postage & telephone	600	
Rent	<u>1,000</u>	
		<u>(5,600)</u>
Net loss		<u>1,600</u>

Silas
Statement of financial position as at 30th June 2020

	FRW	FRW
Fixed assets:		
Motor vehicles		21,000
Current assets:		
Cash in hand	2,500	
Cash at bank	2,400	
Stock	6,000	
Sundry debtors	<u>7,000</u>	<u>17,900</u>
Total assets		<u>38,900</u>
 Financed by:		
Capital	30,000	
Net loss	<u>(1,600)</u>	
Owner's equity		
Liabilities:		28,400
Sundry creditors		<u>10,500</u>
		<u>38,900</u>

10.9. Additional activities

10.9.2 Remedial activities

1. What is profit and loss account?
2. Distinguish between carriage inwards and carriage outwards. How are these treated?

Possible Answers

1. Profit and loss account is a part of profit and loss statement aimed at calculating a Net profit.
2. **Carriage inwards and carriage outwards** are both expenses of the business. Carriage inwards means transport charges regarding the goods sold, while carriage outwards are transport charges regarding the goods purchased and it is added to the purchases to increase the cost of goods sold.

10.9.3 Consolidation activities

The balances of the accounts of Marina at 31st December 2018 are shown in the following list. From it, prepare a statement of profit or Loss account and a statement of financial position as at 31st December 2018.

Details	FRW'000'
Cash at bank	11,514
Sundry debtors	1,000
Closing stock	1,692
Sundry creditors	568
Gross profit	10,030
Stationery	163
Rent, rates and telephone	528
Bank charges	42
Travelling expenses	357
Salaries	1,290
Office furniture	1,526
Commission received	270
Capital at 1 st January, 2018	7,244

Possible Solution

Marina

Statement of profit or Loss for the year ended 31st December 2018

	FRW '000'	FRW '000'
Gross profit		10,030
Commission received		<u>270</u>
		10,300
Expenses:		
Stationery	163	
Rent, rates and telephone	528	
Bank charges	42	
Travelling expenses	357	
Salaries	<u>1,290</u>	<u>(2,380)</u>
NET PROFIT		<u>7,920</u>

Marina

Statement of financial position as at 31st December 2018

	FRW '000'	FRW'000'
Fixed assets:		
Office furniture		1,526
Current assets:		
Cash at bank	11,514	
Sundry debtors	1,000	
Closing stock	<u>1,692</u>	<u>14,206</u>
		<u>15,732</u>
Financed by:		
Capital	7,244	
Net profit	7,920	
Liabilities:		
Sundry creditors		15,164
		<u>568</u>
		<u>15,732</u>

10.9.3 Extended activities

Joseph does not maintain a complete set of accounting records for his business. The following information is available for the year ended 31.12.2017.

	1/1/2017 FRW'000'	1/1/2017 FRW '000'
Assets and liabilities		
Buildings, valuation	100,000	98,000
Vehicles, cost	20,000	20,000
Stock	3,000	5,000
Bank	10,000	To be determined
Trade debtors	5,000	To be determined
Trade creditors	7,000	To be determined
Accrued rates	500	600
Prepaid insurance	300	100

Vehicle should be depreciated by 20% on cost

Debit	Cash book (Bank)	Credit
	FRW'000'	FRW'000'
Reception from debtors	14,000	Payment to creditors
Crash sales	40,000	Rates
Bad debts recovered	5,000	Insurance
		Electricity
		Drawings

The figures for credit sales and credit purchases went missing. However, Joseph recollects that he earned a gross profit of FRW 20,000,000 and he adds a markup of $\frac{1}{4}$.

Required:

- Calculation of opening capital on 1.1.2017.
- Calculate credit sales and credit purchases.
- Prepare Joseph Statement of Profit or Loss and Statement of Financial Position for the year ended 31.12.2017.

Possible answer

Joseph

Statement of Affairs as at 1/1/2017

	FRW '000'	FRW '000'	FRW'000'
Fixed assets:			
Buildings at valuation			100,000
Vehicles, at cost			<u>20,000</u>
			120,000
Current assets:			
Stock		3,000	
Trade debtors		5,000	
Prepaid insurance		300	
Bank		<u>10,000</u>	
		18,300	
Current liabilities:			
Trade creditors	7,000		
Accrued rates	<u>500</u>	<u>7,500</u>	
Working capital (NCA)			<u>10,800</u>
			<u>130,800</u>
Financed by:			
Opening capital 1/1/2017			<u>130,800</u>
			<u>130,800</u>

Debit	Cash book (Bank column)	Credit
	FRW'000'	FRW'000'
Bal b/d	10,000	Payment to creditors 16,000
Crash sales	40,000	Rates 2,500
Receipts from debtors	14,000	Insurance 1,200
Bad debts recovered	<u>5,000</u>	Electricity 1,000
		Drawings 6,000
		Bal c/d <u>42,300</u>
	69,000	69,000

Calculation of credit sales and credit purchases

NOTE: it is more feasible to calculate sales first than purchases. Therefore, convert mark-up into margin.

$$\text{Mark-up} = \frac{1}{4}$$

$$\text{Margin} = \frac{1}{4+1} = 1/5$$

Margin = Gross profit/sales

Sales = gross profit/margin

Sales = 20,000:1/5 = FRW 100,000,000

Total sales = FRW 100,000,000

Credit sales = total sales - cash sales

$$100,000,000 - 40,000,000 = \text{FRW } 60,000,000$$

Mark up = Gross profit/Cost of goods sold

Cost of goods sold = gross profit/ Mark up

$$= 20,000,000: 1/4 = 80,000,000$$

Cost of goods sold = Opening stock + purchases – closing stock

Purchases = cost of goods sold + closing stock – Opening stock

$$= 80,000,000 + 5,000,000 - 3,000,000$$

$$= \text{FRW } 82,000,000$$

Debit	Debtor's control account	Credit
	FRW'000'	FRW'000'
Bal b/d	5,000	Bank
Credit sales	<u>60,000</u>	Bal c/d
	<u>65,000</u>	<u>51,000</u>
		<u>65,000</u>

Debit	Creditors' control account	Credit
	FRW'000'	FRW'000'
Bank	16,000	Bal b/d
Bal c/d	<u>73,000</u>	Credit purchases
	<u>89,000</u>	<u>82,000</u>
		<u>89,000</u>

Debit	Rates account		Credit
	FRW'000'		FRW'000'
Bank	2,500	Bal b/d (accrued)	500
Bal c/d	<u>600</u>	P&L	<u>2,600</u>
	<u>3,100</u>		<u>3,100</u>

Debit	Insurance account		Credit
	FRW'000'		FRW'000'
Bal b/d (Prepaid)	300	P&L	1,400
Bank	<u>1,200</u>	Bal c/d (prepaid)	<u>100</u>
	<u>1,500</u>		<u>1,500</u>

Debit	Building account		Credit
	FRW'000'		FRW'000'
Bal b/d	100,000	Depreciation	2,000
		Bal c/d	<u>98,000</u>
	<u>100,000</u>		<u>100,000</u>

Joseph

Income statement for the period ended 31/12/2017

	FRW'000'	FRW '000'
Sales		100,000
Cost of goods sold:		
Opening stock	3,000	
Purchases	82,000	
Closing stock	(5,000)	
Cost of goods sold		<u>80,000</u>
Gross profit		20,000
Bad debts recovered		<u>5,000</u>
		25,000
Operating expenses:		
Rates	2,600	
Insurance	1,400	
Electricity	1,000	
Depreciation:		
Buildings	2,000	
Vehicles	<u>4,000</u>	(11,000)
		<u>14,000</u>

Joseph
Balance sheet as at 31st December 2017

	FRW '000'	FRW '000'	FRW '000'
Fixed assets:			
Building at valuation			98,000
Vehicles, cost	20,000		
Accumulated depreciation	(4,000)		16,000
Current assets:			
Stock	5,000		
Trade debtors	51,000		
Prepaid insurance	100		
Bank	42,300		
	98,400		
Current liabilities:			
Trade creditors	73,000		
Accrued rates	600	73,600	
Working capital (Net current assets)			24,800
NET ASSETS (WORTH)			138,800
Financed by:			
Opening capital 1/1/2027			130,800
Net profit			14,000
Drawings			144,800
CAPITAL EMPLOYED			138,800

Note to additional activities: The teacher should choose to use further additional activities after evaluating the understanding level of each student in class.

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