

## LEDGERS

Businesses are set up for one reason or the other but one thing common to all businesses; is the desire to make profit. It is important for businesses to keep proper records of all transactions, so they can assess how they have progressed or regressed.

Ledgers are books of accounts used in recording financial transactions that occur in an Organisation.

### **Format of a Ledger**

Dr.				Cr.			
Date	Particulars	Folio	Amount (₹)	Date	Particulars	Folio	Amount (₹)

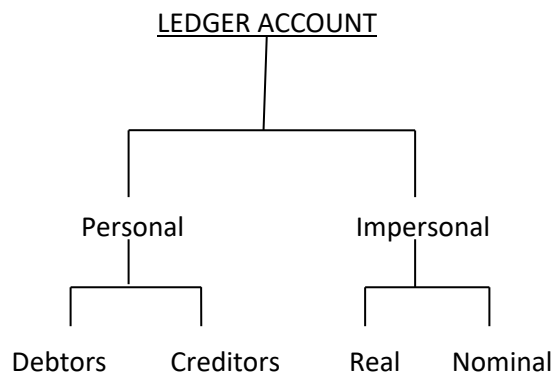
### Headings on a ledger:

- Dr: This is the short form of “debit” and it is placed at the top left corner of the ledger
- Cr: This is the short form of “credit” and it is placed at the top right corner of the ledger
- Date: It records the actual day a transaction occurred
- Particulars: It is also known as the “details” column. It explains the kind of transaction that occurred. E.g sales, purchases, capital, loan etc
- Folio: It is used to make references
- Amount: This is the monetary value of the transaction.

### CLASSIFICATION OF LEDGERS

Ledgers are broadly classified into 2:

- Personal Ledgers
- Impersonal ledgers



- a. **Personal Ledgers:** These are accounts belonging to individuals or organisations. E.g: Debtors Ledger, Creditors Ledger, Cosmos Enterprises Ledger etc
- b. **Impersonal Ledgers:** It is divided into real and nominal accounts. They relate to assets, liabilities, incomes and expenses.

Assets are items OWNED by individuals or organisations. They can also be referred to as possessions. E.g: Cars, Buildings, Furniture etc

Liabilities are items or money OWED by individuals or organisations. E.g: Unpaid electricity bills, unpaid telephone bills etc.

Income: This refers to money received as a result of sale of goods or rendering of services

Expenses: These refer to money paid for goods bought

### **Cash and Credit Transactions**

Transactions can be done either on cash or credit basis.

Cash transactions are transactions that occur and are paid for immediately (by cash or bank transfer) while credit transactions are not paid for immediately but at a future date.

#### **Example 1:**

The following transactions took place at Jameson Supermarket in Gwarimpa during the month of June 2016

- 2<sup>nd</sup> Sold 2 bags of rice for ₦ 25,000 cash
- 3<sup>rd</sup> Sold cosmetics to Mr. Makinwa for ₦ 4,500 on credit
- 3<sup>rd</sup> Sold 6 cans of tomato paste cash, each costing ₦ 1,500
- 4<sup>th</sup> Sold 2 packs of Noodles, ₦ 100 each and 1 crate of egg for ₦ 1,000. Both items were paid for by cash

You are required to prepare a sales ledger.

#### **Example 2**

The following transactions show the purchases made by Lantan Stores in September 2017

- 3<sup>rd</sup> Purchased goods on credit from Tomato Jos Ltd worth ₦2,000
- 6<sup>th</sup> Purchased goods and paid cash ₦ 1,500
- 12<sup>th</sup> Purchased goods and paid cash ₦ 3,000

You are required to show the purchases ledger of Lantan Stores

Note: Purchases are goods bought for resale. They are bought from a supplier to sell to customers.

### **Assignment:**

Prepare the creditors ledger for Lantan stores

### **Class work**

Record the transactions below in the Sales and Purchases ledgers of Hubbon Enterprises for the month of April 2017

- 3<sup>rd</sup> Bought goods paying cash N 12,000
- 5<sup>th</sup> Bought goods on credit worth N 12,500
- 8<sup>th</sup> Sold goods to Gombo Ltd worth N 8,500 on credit
- 10<sup>th</sup> Bought goods costing N6,000 paying via POS
- 11<sup>th</sup> Sold goods worth N11,500 cash

### **DISCOUNT ALLOWED AND DISCOUNT RECEIVED**

Discount allowed refers to an amount reduced from the selling price of an item in order to encourage a customer to buy a product. E.g A carton of milk sells for ₦2,000, a seller may decide to give out the product for ₦ 1,800 to compel the customer to buy.

Discount received is a reduction in the price of a good received by a seller. E.g Mallam Yakubu, a trader, buys goods worth N10,000 but pays N9,000 as a result of the discount given to him by the supplier.

**Note:** Discount allowed is from Seller to Customer while Discount received is from Manufacturer to Seller.

## **Petty Cash Book**

**14-05-2019.**

A petty cash book is a cashbook used in recording small payments i.e. expenses such as telephone bills, postages, transport, stationeries etc. These expenses are usually recurring hence the need for a smaller cashbook. It is also known as an analytical cash book because expenses are analysed on the cash book.

The recording of small transactions in the petty cash book is called an **Imprest system**. In this system, a specified sum is given to a petty cashier at the start of an accounting period by the main cashier. This amount is usually sufficient to cover estimated petty expenses for a stated period. At frequent intervals, the petty cashier is reimbursed for cash disbursed thus bringing the cash balance to its original amount.

## **Petty Cash Voucher**

It is a document used to record requests for petty cash. It shows the amount and reason for the request as well as the signature and date of the claimant.

### **Float**

It is the amount of money given to the petty cashier at the beginning of the accounting period.

### **Importance of the Petty Cash Book:**

1. It reduces the work and labour of the main cashier
2. Commission of fraud is reduced as the main cashier verifies petty cash book along with petty cash vouchers.
3. The main cash book does not become over bulky as small expenses are recorded separately in the petty cashbook
4. It allows for quick payment of minor expenses

### **Format for Petty Cashbook**

Amount Received	Date	Particulars	Folio	Voucher No.	Total Amount (₹)	Postages (₹)	Transport (₹)	Phone bills (₹)	Others (₹)

## **THE CASHBOOK**

The cashbook, also known as the cash account is a book for recording all transactions of payment and receipts made by cash. **Any transaction made on credit will not be recorded in the cashbook.**

### **Types of Cashbooks**

1. Single Column cashbook
2. Double/Two column cash book
3. Three column cashbook

## **SINGLE COLUMN CASHBOOK**

It contains only one amount column on each side (debit and credit) for recording cash receipts and payments.

### **Format for Single Column cash book**

Dr.				Cr.			
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
			₹				₹

### Illustration 1

The following cash transactions took place during the month of August 2013 at Ebeano Stores.

Aug 1	Balance b/f	2,500
Aug 4	Cash sales	3,000
Aug 8	Electricity bill	1,500
Aug 12	Received cash from Okoro & sons ltd	1,000
Aug 17	Paid wages	1,000
Aug 24	Cash sales	4,000
Aug 28	Stationeries	500
Aug 29	Transportation	500

Record the above transactions in a cash book

### Two Column Cashbook

In this cashbook, two separate columns are maintained for cash and bank transactions. The cash and bank columns appear side by side in the cashbook on both the debit and credit sides. If cash is received from a customer, it is recorded under the cash column while if a customer pays via cheque, POS or bank transfer; it is recorded on the bank column.

#### Format for Two Column Cashbook

Dr.					Cr.				
Date	Particulars	Folio	Cash	Bank	Date	Particulars	Folio	Cash	Bank
			N	N				N	N

### Contra Entry

Where surplus cash is paid into the bank, or money is withdrawn from the bank for office use, it is called a contra entry. This means that the single transaction will be recorded on both sides (credit and debit) of the cash account. The bank column (credit side) will give out while the cash column (debit) side will receive.

#### Recording a Contra Entry

- To record cash paid to the bank  
Debit: The bank account and write "cash" in the particulars column  
Credit: The cash account and write "bank" in the particulars column
- To record cash withdrawn from the bank  
Debit: The cash account and write "bank" in the particulars column  
Credit: The bank account and write "cash" in the particulars column

\*\*\*Whenever a contra entry occurs, use the letter "c" in the folio column to indicate it.

### Example 1

Mallam Congosa is a business man based in Sabon-gari, Kano State

Below is an extract from his books of account

March 9: Withdrew ₦1,500 from the bank for office use

March 11: Paid ₦ 1,000 to the bank from cash paid by customers

Show how this will appear on a two column cashbook

**Example 2**

September 2016;      1 Massa started business with a capital of N2,000 and deposited it in his bank account

2 Paid rent for premises ₦ 65 by cheque

9 Withdrew ₦ 15 from the bank account for office use

14 Paid advertising expenses ₦ 90 cash

26 Bought motor vehicle ₦500 and paid by cheque

Prepare a two column cash account to record the above transactions.