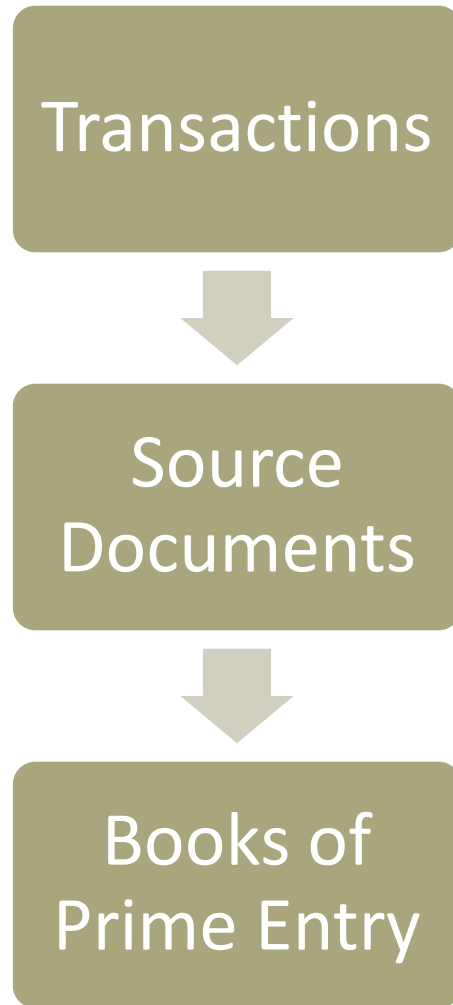


Books of Prime Entry

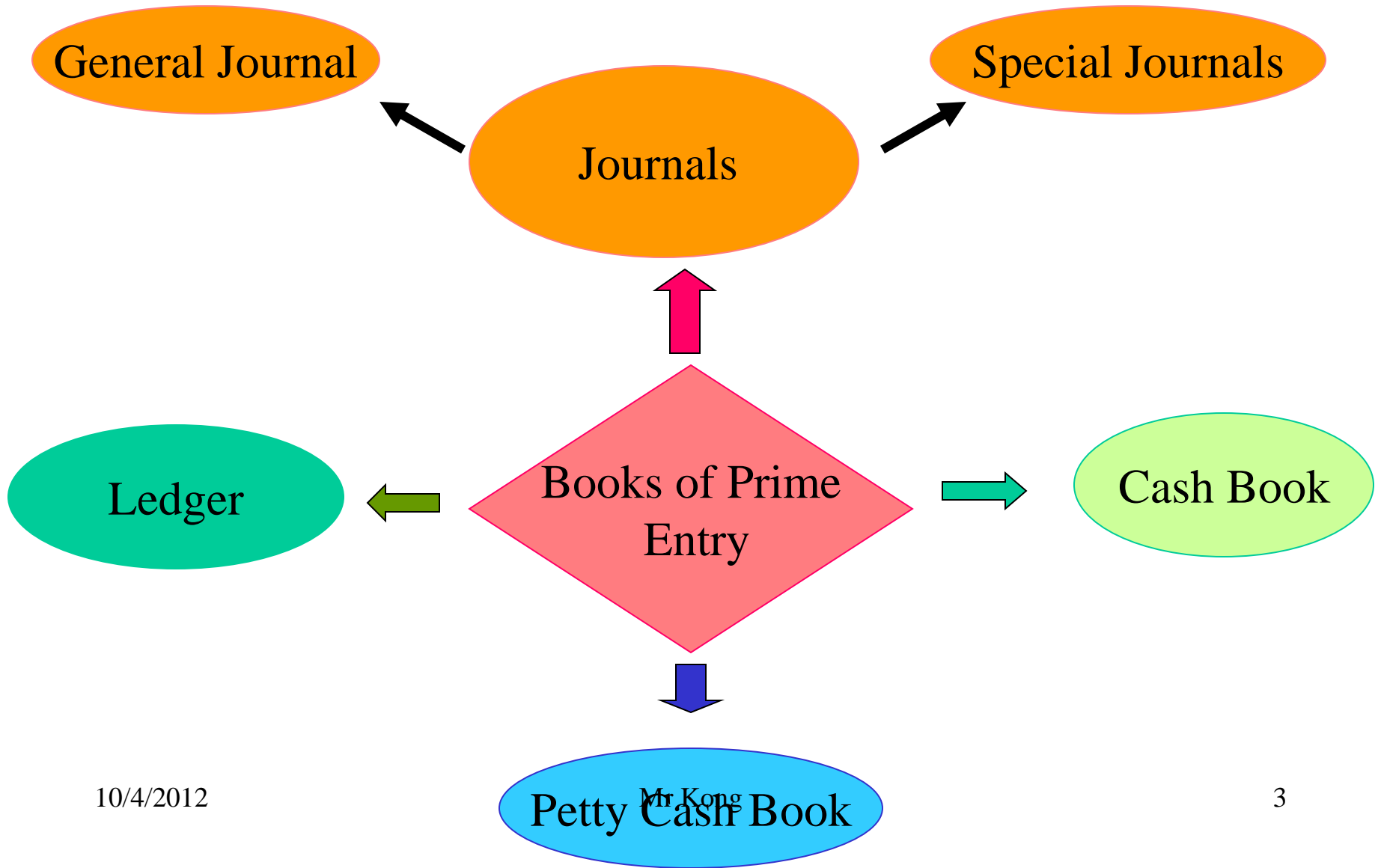
Objectives

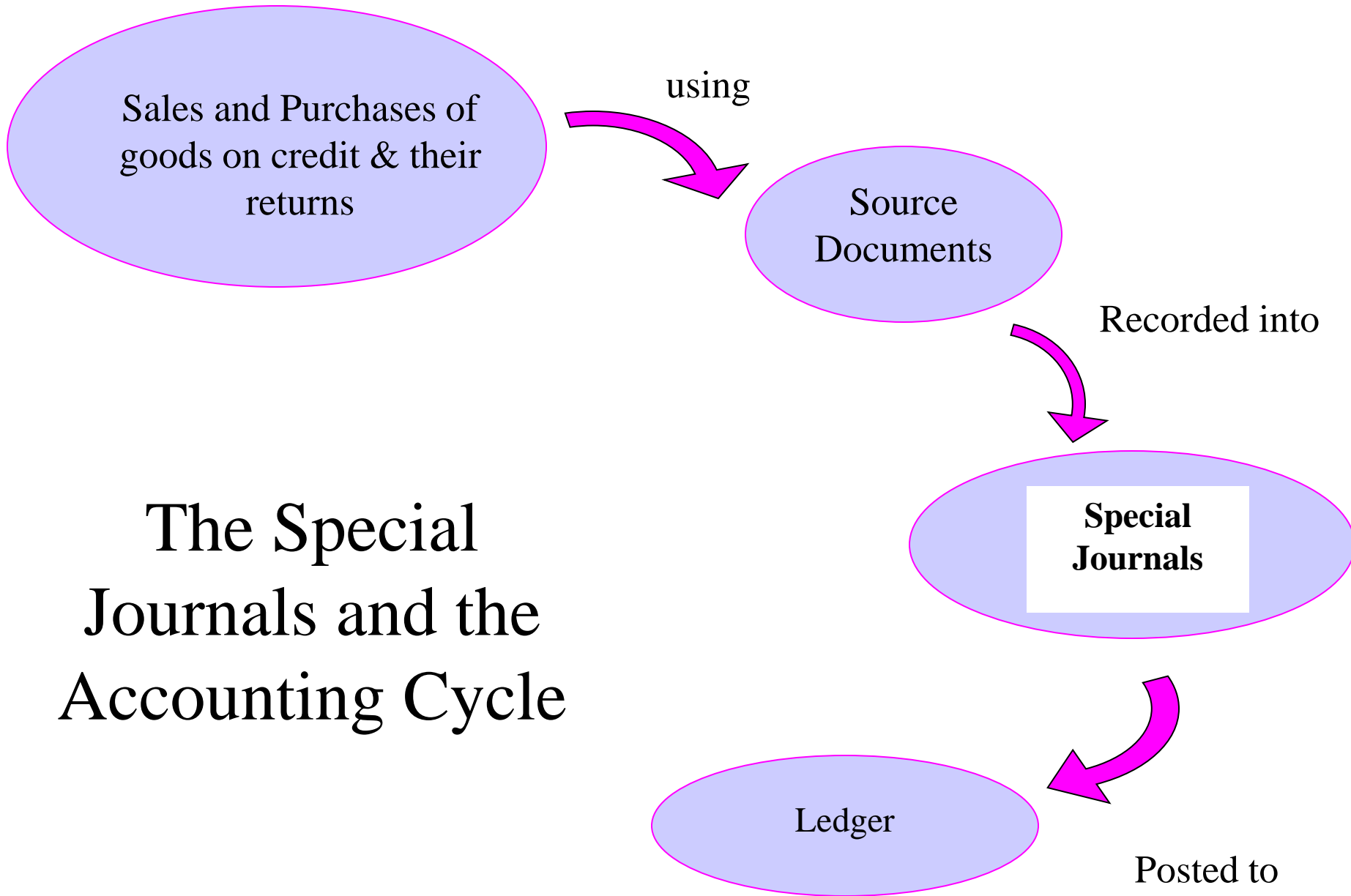
- Identify and define the types of books of prime entry
- Explain the purpose of using special journals
- State the type of transactions recorded in each book
- State the source documents associated with each book

Functions of books of prime entry



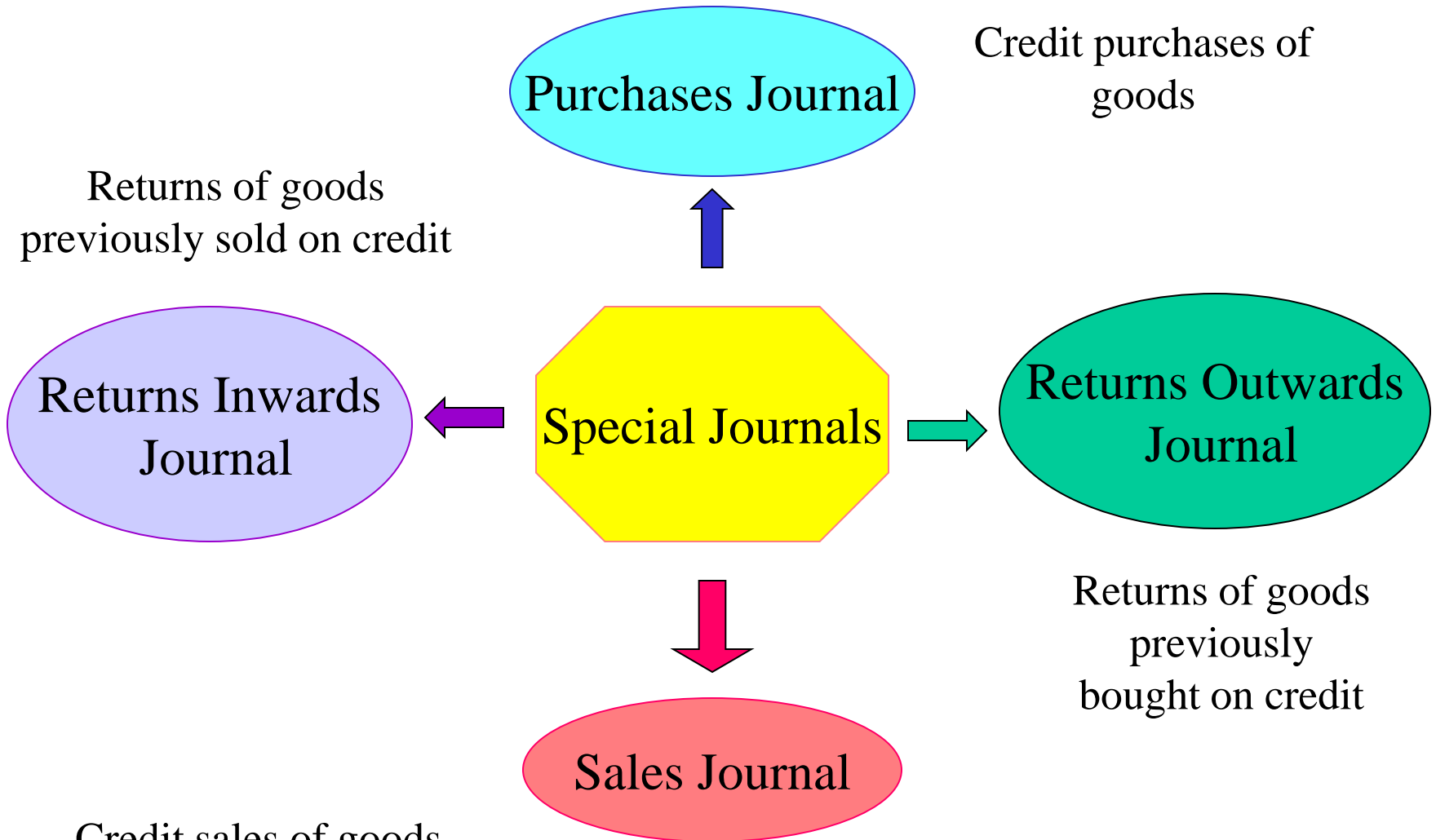
Books of Prime Entry





The Special Journals and the Accounting Cycle

The Special Journals



Advantages of Using Special Journals

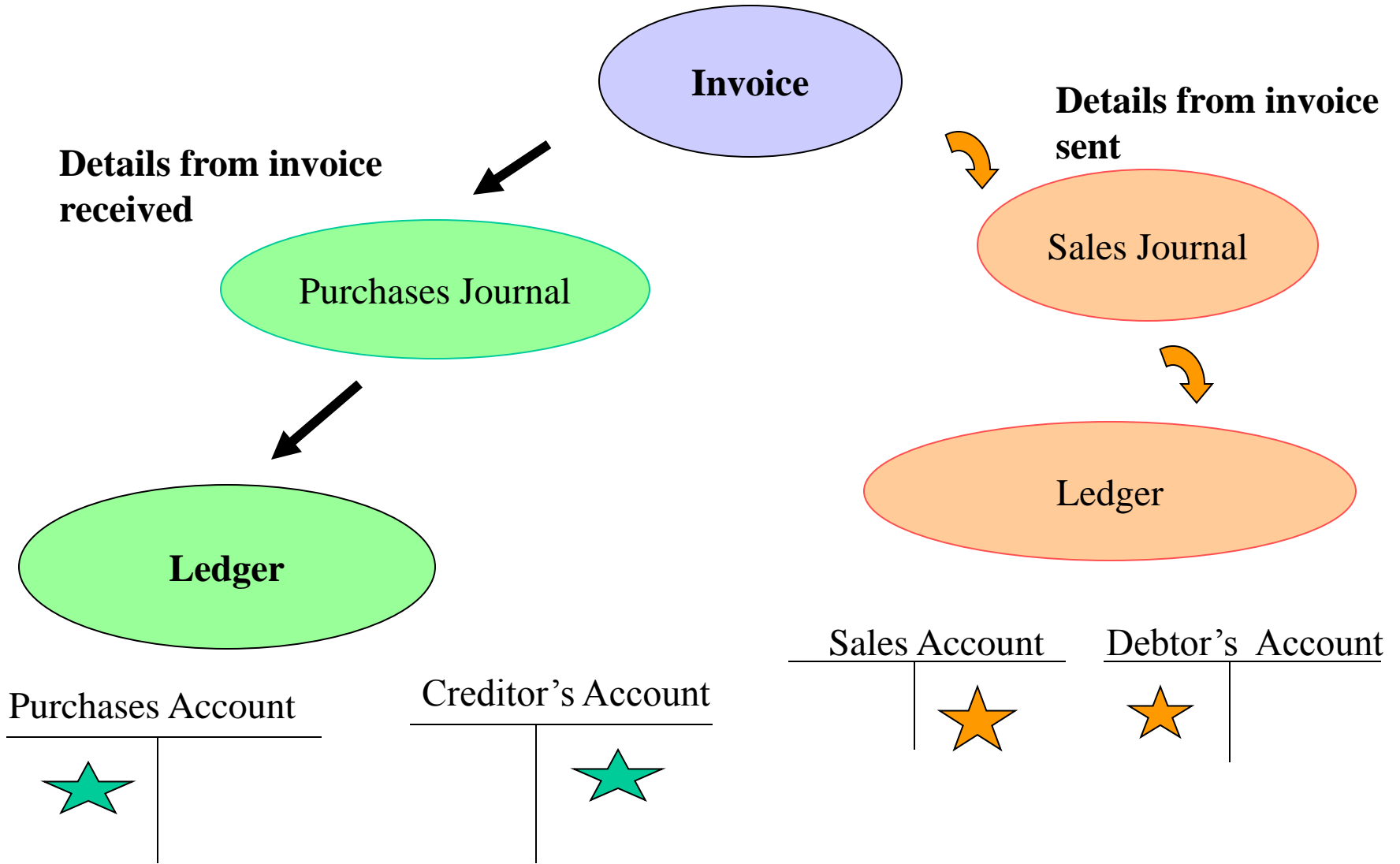
- Similar transactions in one book and in order of date (easier to trace transaction)
- Unnecessary detail in ledger is cut down
- Important middle step between source documents and ledger accounts

Sales and Purchase Journal

- Purchase of goods with cash is not recorded in the special journal (purchases)
- Purchase of fixed assets are not recorded in the special journal (purchases)
- Source documents involved is the original invoices received from suppliers

- Sales of goods for cash and the disposal of fixed assets are not recorded in the sales journal as well
- Source documents involved is the duplicate copies of invoices and duplicate copies of debit note (ask for more payment)

From Invoice to Ledger



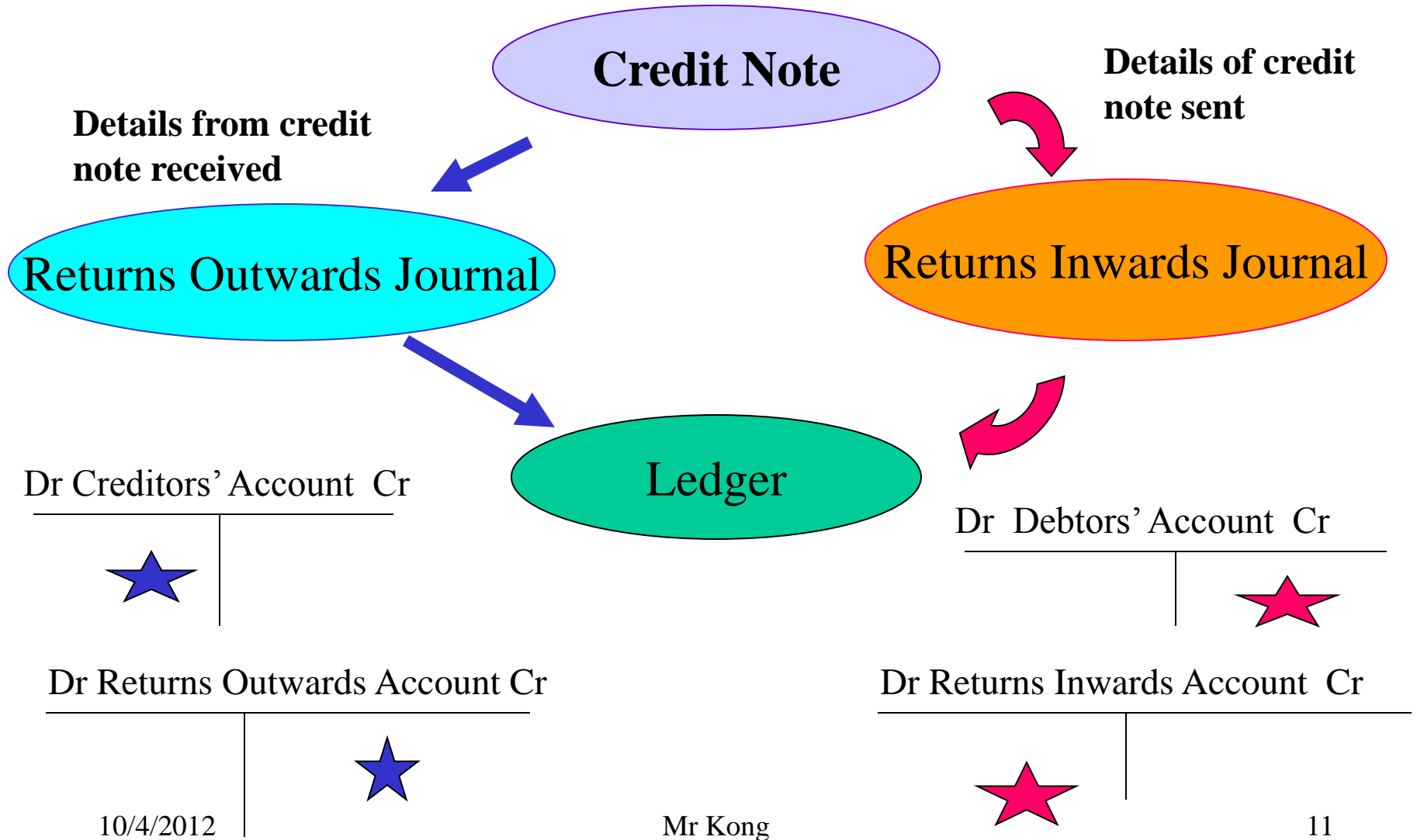
Reasons for Return of Goods

- **Defective or of faulty construction**
- **Of wrong specification, type, quality, size, quantity**
- **Damaged**
- **Empty containers**

Sales and Purchase return journal

- Return Outwards Journal also known as the purchase returns journal
- Source documents involved is the credit note the business received from it's supplier
- Return Inwards journal also known as the sales return journal
- Source documents involved is duplicate of the credit note the business sent to it's customer.

From Credit Note to Ledger



End of Section 1

Next section would be the General Journal,

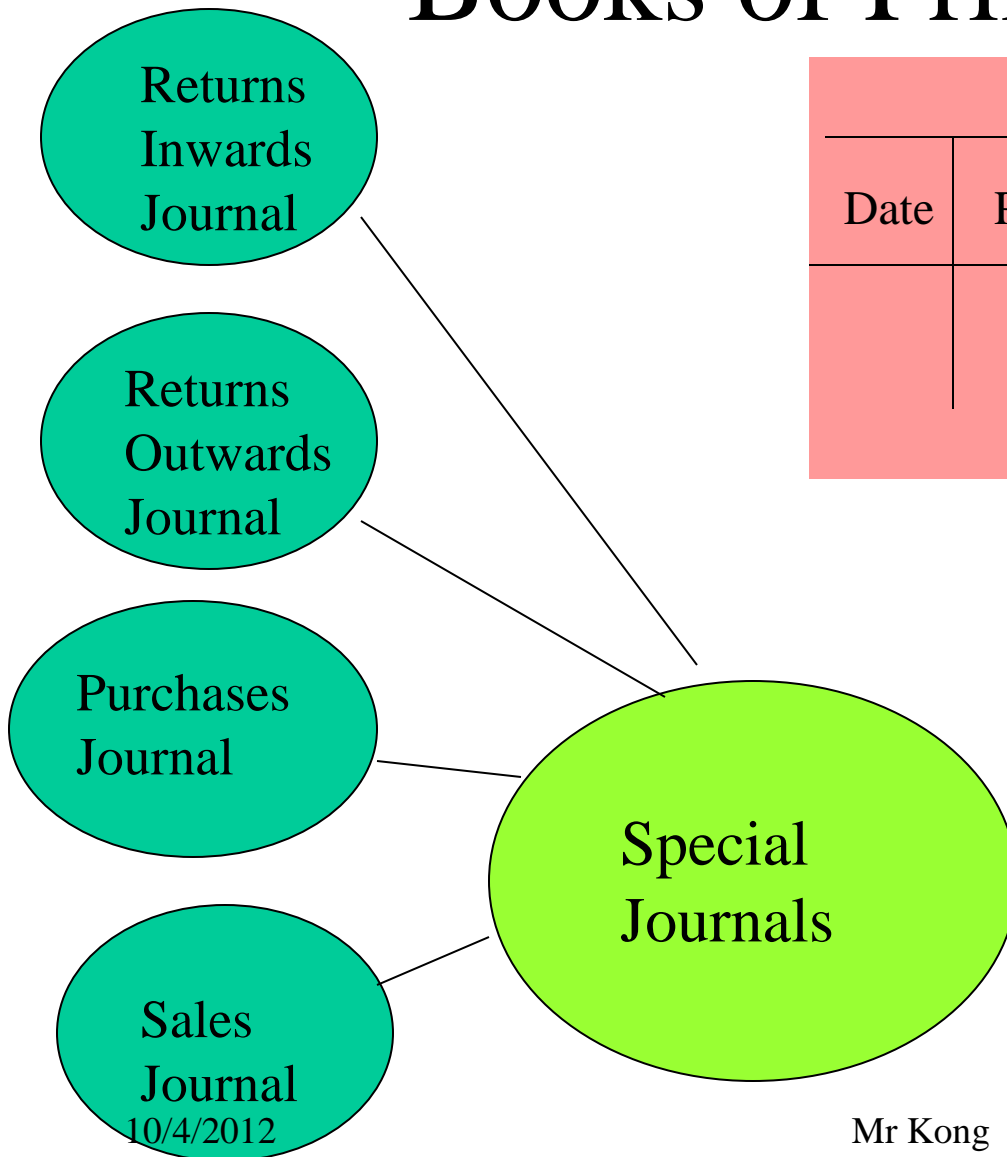
Any questions before I proceed?

The General Journal

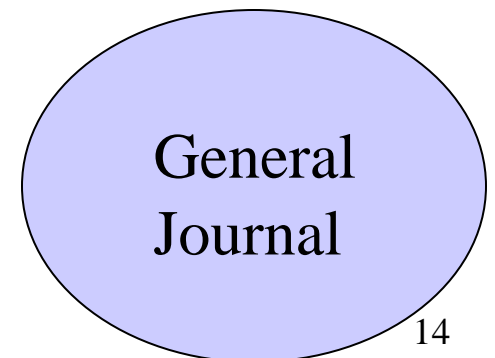
Objectives

1. Explain the purpose of the general journal
2. Opening entries
3. Closing entries
4. Purchase and sale of fixed assets on credit
5. Corrections of errors

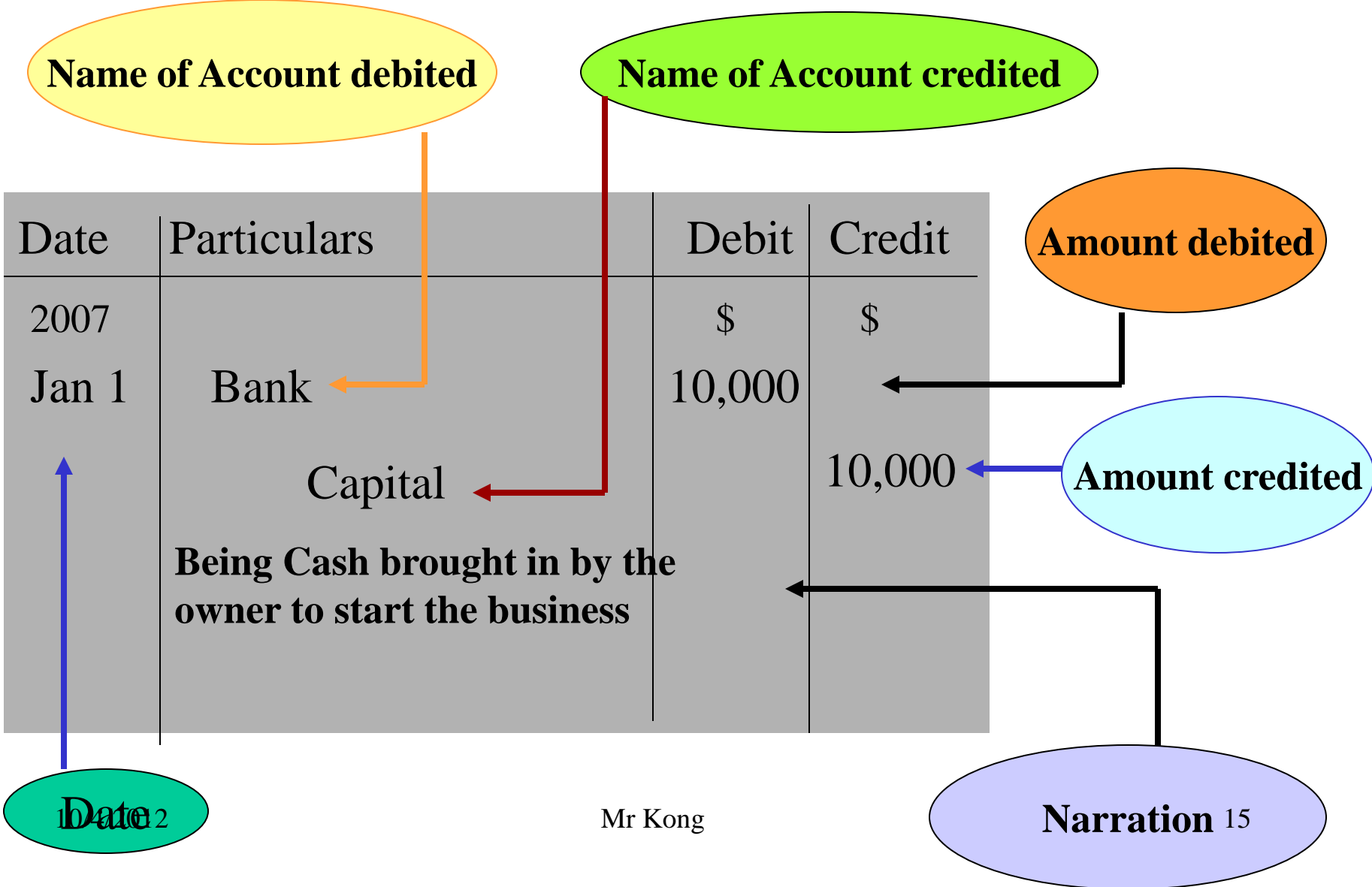
Books of Prime Entry



General Journal			
Date	Particulars	Debit	Credit



Main Components General Journal



Uses of General Journal

- Opening entries
- Closing entries
- Purchase and sale of fixed assets on credit
- Correction of Errors
- Adjusting entries
- Transactions

Advantages of Using the General Journal

- Narration – easy to recall and understand business transaction
- Easier to trace transaction, hence detect fraud
- Reduce risk of error of making only one entry

On 1 Jan, Wee deposited cash \$10000 in his business bank account to start his new business.

Wee's General Journal

Date	Particulars	Debit	Credit
Jan 1	Bank Capital	\$ 10,000	\$ 10,000
Being cash brought in by the owner to start the business			

Ledger

Dr	Bank Account	Cr
	\$	
Jan 1 Capital	10,000	

Dr.	Capital Account	Cr
	\$	
Jan 1 Bank		10,000

**Opening entries:
new business**

Opening entries: existing business keeping books for 1st time

General Journal

Date	Particulars	Debit	Credit
Jan 1	Equipment	\$ 80,000	\$
	Stock	30,000	
	Bank Loan		40,000
	Capital		70,000
Being assets, liabilities at this date			

Ledger

Dr	Equipment Account	Cr
2007	\$	
Jan 1	Bal b/d	80,000

Dr	Stock Account	Cr
2007		
Jan 1	Bal b/d	30,000

Dr	Bank Loan Account	Cr
2007		\$
Jan 1	Bal b/d	40,000

Dr	Capital Account	Cr
2007		\$
Jan 1	Bal b/d	70,000

A fax machine was bought on credit from Lions Ltd for \$400 on 1 July 2012.

General Journal

Date	Particulars	Debit	Credit
2012 July 1	Office equipment Lions Ltd Co Being purchase of fax machine on credit	\$ 400	\$ 400

Ledger

Dr **Office Equipment Account** Cr

2012	\$	
July 1		Lions Ltd Co 400

Dr **Lions Ltd Co** Cr

2012		\$
July 1	Office Equipment	400

Purchase of a Fixed Asset

The business sold off some furniture it has just bought for use in the office to Lin, an employee on credit. Lin was willing to take them at cost (\$600).

General Journal

Date	Particulars	Debit	Credit
2012		\$	\$
July 4	Lin	600	
	Office Furniture		600
	Being sale of office furniture		

Ledger

Dr	Office Furniture	Cr
	2012	\$
	July 4 Lin	600

Ledger

Dr	Lin	Cr
2012	\$	
July 4 Office Furniture	600	
10/4/2012		Mr Kong

Sale of used fixed asset

General Journal: Withdrawal from stock by owner for his own personal use

General Journal

Date	Particulars	Debit	Credit
2007		\$	\$
Feb 4	Drawings	250	
	Purchases		250
	Being withdrawal from stock for owner's personal use		

Ledger

Dr	Drawings Account	Cr
2007	\$	
Feb 4	Purchases	250

Dr	Purchases Account	Cr
	2007	\$
	Feb 4	Drawings 250

On 4 Feb 2007, owner withdraws goods for his personal use.

16/4/2012

Questions?