



Accounting المحاسبة

Grade 11 | Banking

بنيني
اقتصادي
المستقبل

• Semester 2

طبعة 2022-1444



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قَسَمًا بِمَنْ نَشَرَ الضِّيَاءَ
تَسْمُو بِرُوحِ الأَوْفِيَاءِ
وَعَلَى ضِيَاءِ الأنْبِيَاءِ
عِزٌّ وَأَمْجَادُ الإِبَاءِ
حُمَاتُنَا يَوْمَ النِّدَاءِ
جَوَارِحُ يَوْمِ الفِدَاءِ

قَسَمًا بِمَنْ رَفَعَ السَّمَاءَ
قَطْرٌ سَتَبَقَى حُرَّةً
سِيرُوا عَلَى نَهْجِ الأُلَى
قَطْرٌ بِقَلْبِي سِيرَةٌ
قَطْرُ الرِّجَالِ الأَوَّلِينَ
وَحَمَائِمُ يَوْمِ السَّلَامِ

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Published by:

Qatar Banking Studies and Business
Administration Secondary School

Printed for Qatar Banking Studies and Business Administration
Independent Secondary School

First published: February 2012

Reviewed: January 2018 Version 4

Acknowledgements

These resources were developed by the Qatar Commercial Education Project Team in the State of Qatar, in conjunction with Holmesglen Institute of TAFE in Melbourne, Australia. Holmesglen Institute of TAFE would like to acknowledge the contribution made by:

Mr Graham Smith Business/Banking Teaching Adviser

Mrs Ann Steindl Business/Banking Teaching Adviser

All of the teaching staff at Qatar Banking Studies and Business Administration Secondary School who have made a contribution to the development of these resources.

Refinement and editing of education content has been further developed by the Learning Innovation and development department at Holmesglen Institute of TAFE, in particular:

Ms Grisel Arancio Administration and template design

Ms Janet Unwin

Mr Matt Morris Graphic design

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About this **Learner** Resource

The purpose of this Learner Resource is to provide you with the underpinning knowledge required to assist you in completing assessment/s in Process financial transactions and extract interim reports.

This Learner Resource also contains activities for you to test your knowledge and examples of skills application.

Throughout this Learner Resource you will see icons that identify important information, provide opportunities to test your knowledge and practice skills as well as suggested times to begin a formal assessment. These icons are displayed as follows:

Inform

This icon is used to highlight important information, notes, research or training and assessment tips.

Practice

This icon is used to highlight an ideal time to test your knowledge or practise what you have learnt.

How will I be assessed?

In order to achieve competency in Process financial transactions and extract interim reports you will need to demonstrate the skills and knowledge required for the unit. Your teacher will decide with you how and when you will be assessed.

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About this unit

Welcome to the Learner Resource for Process financial transactions and extract interim reports. In this Learner Resource you will be learning about the functions involved in the preparation and processing of routine financial documents, preparing journal entries, posting journals to ledgers, preparing, banking and reconciling financial receipts, and extracting a trial balance and interim reports.

It is suggested that to meet all the requirements of Process financial transactions and extract interim reports you will need to complete the following tasks:

- Read the information contained in this Learner Resource.
- Complete the activities.
- Complete all the required assessment/s for this unit.

The topics in this Learner Resource are:

- Prepare journals and batch monetary items.
- Introduction to accounting and double entry.
- Post journals to ledger.
- Extract a trial balance and interim reports.



Introduction

You are about to continue a vocational course where you will be required to demonstrate your competency in preparing and processing routine financial documents, preparing journal entries, posting journal entries to ledgers, preparing, banking and reconciling financial receipts and extracting a trial balance and other interim reports.

This workbook follows on from Part A where we assumed you were working for Qatar Luxury Furnishings.



Prepare journals and batch monetary items

This section deals with the preparation of journals for recording both cash and credit business transactions.

We have previously worked with cash books when we prepared bank reconciliations. A journal is another name for a 'book'. It is used to record specialised business transactions. Journals are a summary of all of the source documents that have been received to provide evidence of the same type of business transaction.

Prepare journals accurately

Because we are already familiar with cash books, the first journals we prepare will be our cash journals – Cash Receipts and Cash Payments.

Before we go any further, we need to redefine 'cash'. For banking purposes, we made a distinction between cash and cheques and debit/credit cards. For accounting purposes, cash will now be defined as notes, coins, cheques, debit/credit card vouchers, EFTPOS and electronic funds transfers.

A Cash Receipts Journal will record all those transactions that result in the receipt of cash from any of the sources mentioned above.

The source documents that provide evidence for the receipt of cash will be receipts, cash register summaries, EFTPOS sales, EFT summaries and the bank statement.

Analysis columns can be used with journals. These provide information to the business owner about the different sources of receipts, eg a home maintenance business operator may decide to have columns for carpentry, painting, tiling, plumbing etc. This enables the owner to determine where the major income streams are coming from and which ones are not performing as well.

Before we look at preparing the cash receipts journal, we need to think about the impact of GST. Until this point, we have not considered GST. However, our accounting records must show the GST received and paid.

Let's look at the following example. We sell goods to a customer for cash for \$110. To calculate the GST component, we divide by 11. The sale of \$110 is made up of \$10 GST and \$100 sales. We will have to send the \$10 GST to the government.

Therefore, our accounting system needs to be able to record these figures.

The Cash Receipts Journal for a GST registered home maintenance business could have the following headings.

| Date | Rec No | Particulars | Carpentry | Painting | Tiling | Plumbing | Sundry | GST collected | Bank |
|------|--------|-------------|-----------|----------|--------|----------|--------|---------------|------|
|------|--------|-------------|-----------|----------|--------|----------|--------|---------------|------|

Let's look at how we enter the details from our receipts into our Cash Receipts Journal.

| RECEIPT | | RECEIPT | |
|----------------|-------------------|----------------|-----------------|
| 3 January 2017 | No 179 | 4 January 2017 | No 180 |
| Received from | A Masood | Received from | M Al Said |
| For | Carpentry | For | Plumbing |
| Amount | \$1,200.00 | Amount | \$700.00 |
| GST | \$120.00 | GST | \$70.00 |
| Total | \$1,320.00 | Total | \$770.00 |

| Date | Rec No | Particulars | Carpentry | Painting | Tiling | Plumbing | Sundry | GST collected | Bank |
|-------|--------|-------------|-----------|----------|--------|----------|--------|---------------|----------|
| 3 Jan | 179 | A Masood | 1,200.00 | | | | | 120.00 | 1,320.00 |
| 4 Jan | 180 | M Al Said | | | | 700.00 | | 70.00 | 770.00 |

Ashraf uses receipts and cash register and EFTPOS summaries to prepare his Cash Receipts Journal. Following is an example of the source documents, followed by the Cash Receipts Journal.

| RECEIPT | |
|-------------------|-------------|
| 1 October 2016 | No 211 |
| Received from | J Al Ghanim |
| For | Furniture |
| Amount (incl GST) | \$12,375.00 |
| GST | \$1,125.00 |

| RECEIPT | |
|-------------------|-------------|
| 3 October 2016 | No 212 |
| Received from | H Al Thani |
| For | Carpet |
| Amount (incl GST) | \$13,695.00 |
| GST | \$1,245.00 |

| Cash Register Summary | |
|-----------------------|----------|
| 1 October 2016 | |
| Furniture | \$0 |
| Furnish | \$0 |
| Carpet | \$250.00 |
| Kitchen | \$175.00 |
| Other | \$0 |
| Sub Total | \$425.00 |
| GST | \$42.50 |
| Total | \$467.50 |

| Cash Register Summary | |
|-----------------------|------------|
| 2 October 2016 | |
| Furniture | \$800.00 |
| Furnish | \$600.00 |
| Carpet | \$0 |
| Kitchen | \$0 |
| Other | \$0 |
| Sub Total | \$1,400.00 |
| GST | \$140.00 |
| Total | \$1,540.00 |

| Cash Register Summary | |
|-----------------------|------------|
| 3 October 2016 | |
| Furniture | \$0 |
| Furnish | \$0 |
| Carpet | \$200.00 |
| Kitchen | \$855.00 |
| Other | \$0 |
| Sub Total | \$1,055.00 |
| GST | \$105.50 |
| Total | \$1,160.50 |

| Cash Register Summary | |
|-----------------------|---------|
| 3 October 2016 | |
| Furniture | \$0 |
| Furnish | \$0 |
| Carpet | \$0 |
| | |
| Kitchen | \$0 |
| Other | \$50.00 |
| | |
| Sub Total | \$50.00 |
| GST | \$5.00 |
| Total | \$55.00 |

| Cash Register Summary | |
|-----------------------|------------|
| 4 October 2016 | |
| Furniture | \$0 |
| Furnish | \$0 |
| Carpet | \$415.00 |
| | |
| Kitchen | \$280.00 |
| Other | \$395.00 |
| | |
| Sub Total | \$1,090.00 |
| GST | \$109.00 |
| Total | \$1,199.00 |

| EFTPOS Summary | |
|----------------|-------------|
| 5 October 2016 | |
| Furniture | \$2,125.00 |
| Furnish | \$11,850.00 |
| GST | \$1,397.50 |
| Total | \$15,372.50 |
| | |
| EFTPOS Summary | |
| 4 October 2016 | |
| Other | \$955.00 |
| | |
| GST | \$95.50 |
| Total | \$1,050.50 |

CASH RECEIPTS JOURNAL

| Date | Reference | Particulars | Furniture | Furnishings | Carpet | Kitchen Appliances | Other | GST Collected | Bank |
|-------|-----------|-------------|-----------|-------------|--------|--------------------|--------|---------------|---------|
| 1 Oct | Rec. | J AI | 11,250 | | | | | 1,125.00 | |
| | CRS | Cash | | | 250.00 | 175.00 | | 42.50 | 12,842 |
| 2 Oct | CRS | Cash | 800.00 | 600.00 | | | | 140.00 | 1,540. |
| 3 Oct | Rec. | H AI | | | 12,45 | | | 1,245.00 | |
| | CRS | Cash | | | 200.00 | 855.00 | | 105.50 | 14,855 |
| | EFTPO | EFTPOS | 2,125.00 | 11,850.00 | | | | 1,397.50 | 15,372 |
| 4 Oct | CRS | Cash | | | | | 50.00 | 5.00 | 55.00 |
| | EFTPO | EFTPOS | | | | | 955.00 | 95.50 | 1,050.5 |
| 5 Oct | CRS | Cash | | | 415.0 | 280.00 | 395.00 | 109.00 | 1,199. |
| | | | 14,175 | 12,450. | 13,31 | 1,310. | 1,400. | 4,265. | 46,915 |
| | | | Cr | Cr | Cr | Cr | Cr | Cr | Dr |

NOTES

When proceeds from receipts and cash register takings are banked together on the same day and recorded on the one bank deposit form, only the total of the deposit form is inserted into the bank column, not separate amounts. See the deposit on 1 October for \$12,842.50 and 3 October for \$14,855.50.

EFTPOS summaries are recorded separately as they appear separately on the bank statement.



Practice

Practice activity 1

Using the information below for Office Supplies wll, prepare the Cash Receipts Journal.

Summary of Receipts and Cash Register Summaries (CRS)

| Date | Reference | Customer/Accounts Receivable | Amount | GST Collected | Tiling |
|--------|-----------|------------------------------|---------|---------------|---------|
| 5 Feb | 925 | P Austin | 1650.00 | | 1650.00 |
| 8 Feb | CRS | Cash Sales | 380.00 | 38.00 | 418.00 |
| 19 Feb | 926 | M Hussain | 1100.00 | | 1100.00 |
| 22 Feb | CRS | Cash Sales | 500.00 | 50.00 | 550.00 |

Cash Receipts Journal of

| Date | Ref | Particulars | Cash Sales | Accounts Receivable | Sundry Receipts | GST collected | Details | Bank |
|------|-----|-------------|------------|---------------------|-----------------|---------------|---------|------|
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Practice

Practice activity 2

Using the information below, prepare the Cash Receipts Journal for Qatar Cleaning Contractors. You will have to calculate the GST for this exercise.

Summary of receipts issued, cash register summaries and bank statement information.

| Date | Reference | Customer/Accounts Receivable | Total Received |
|--------|-----------|------------------------------|----------------|
| 12 Mar | 1154 | Al Dafna Stationery | 880.00 |
| 12 Mar | CRS | Cash sales | 660.00 |
| 20 Mar | 1155 | Aziz Supermarket | 2530.00 |
| 26 Mar | CRS | Cash Sales | 1320.00 |
| 31 Mar | B/S | Bank Interest Received | 17.50 |

Remember, Interest Revenue is exempted from GST.

Cash Receipts Journal of

| Date | Ref | Particulars | Cash Sales | Accounts Receivable | Sundry Receipts | GST collected | Details | Bank |
|------|-----|-------------|------------|---------------------|-----------------|---------------|---------|------|
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Practice

Practice activity 3

Use the information from the documents below to prepare the Cash Receipts Journal.

Qatar Luxury Furnishings

Receipt No 258

To **S Ibrhim**

2 March

Amount \$ 6000.00

GST \$ 600.00

TOTAL \$ 6600.00

Qatar Luxury Furnishings

Receipt No 259

To **Gulf Showrooms**

12 March

Amount \$ 2100.00

GST \$ 210.00

TOTAL \$ 2310.00

Qatar Luxury Furnishings

Receipt No 260

To **Desert Furniture**

23 March

Amount \$ 850.00

GST \$ 85.00

TOTAL \$ 935.00

Qatar Luxury Furnishings

Receipt No 261

To **S Ibrhim**

27 March

Amount \$ 2110.00

GST \$ 211.00

TOTAL \$ 2321.00

Qatar Luxury Furnishings

Cash Register Summary

23 March

Amount \$12 500.00

GST \$ 1 250.00

TOTAL \$13 750.00

Qatar Luxury Furnishings

Cash Register Summary

27 March

Amount \$ 3 450.00

GST \$ 345.00

TOTAL \$ 3795.00

Cash Receipts Journal of

| Date | Ref | Particulars | Cash Sales | Accounts Receivable | Sundry Receipts | GST collected | Details | Bank |
|------|-----|-------------|------------|---------------------|-----------------|---------------|---------|------|
| | | | | | | | | |
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The Cash Payments Journal will record all those transactions that result in the payment of cash from sources including cheques and electronic transfers.

Analysis columns used with the cash payments journal provide information to the business owner about the different types of expenditures, eg the home maintenance business operator may have columns for tools, supplies, vehicle expenses, wages etc. This enables the owner to determine what expenses the business incurs and compare with budget figures.

The amount of money paid for expenses will include GST. Again, we need to record this figure separately. The GST we pay for our business expenses will be reimbursed by the government. It is important to check the tax invoice received to ensure the correct GST figure is indicated. Some expenses will be exempted from GST, eg wages, bank charges and government charges. The Cash Payments Journal will have a column for GST paid.

Let's look at the following example. The cash payments journal will be prepared from the information on the cheque butt. GST is calculated in the same way.

The Cash Payments Journal for a GST registered home maintenance business could have the following headings.

| Date | Cheque No | Particulars | Tools | Supplies | Vehicle expenses | Wages | Sundry | GST paid | Bank |
|------|-----------|-------------|-------|----------|------------------|-------|--------|----------|------|
|------|-----------|-------------|-------|----------|------------------|-------|--------|----------|------|

Let's look at how we enter the details from our source documents (cheque butt) into our Cash Payments Journal.

| Cheque Butt | |
|----------------|---------------|
| 5 January 2016 | No 295 |
| Paid to | Doha Hardware |
| For | Supplies |
| Amount | \$575.00 |
| GST | \$57.50 |
| TOTAL | \$632.50 |

| Cheque Butt | |
|----------------|-----------------|
| 6 January 2016 | No 296 |
| Paid to | West Bay Petrol |
| For | Vehicle Exp |
| Amount | \$75.00 |
| GST | \$7.50 |
| TOTAL | \$82.50 |

| Date | Cheque No | Particulars | Tools | Supplies | Vehicle expenses | Wages | Sundry | GST paid | Bank |
|-------|-----------|-----------------|-------|----------|------------------|-------|--------|----------|--------|
| 5 Jan | 295 | Doha Hardware | | 575.00 | | | | 57.50 | 632.50 |
| 6 Jan | 296 | West Bay Petrol | | | 75.00 | | | 7.50 | 82.50 |

Ashraf uses the cheque butts of Qatar Luxury Furnishings to prepare the Cash Payments Journal. Following is an example of the source documents, followed by the Cash Payments Journal.

Cheque Butt

1 October No 2457
 Paid to Doha Furnishing Dist
 For Purchases
 Amount \$5,800.00
 GST \$580.00
 Total \$6,380.00

Cheque Butt

3 October No 2458
 Paid to Al Amari Trust
 For Rent
 Amount \$6,500.00
 GST \$650.00
 Total \$7,150.00

Cheque Butt

3 October No 2459
 Paid to Doha Furnishing Dist
 For Purchasing/freight
 Amount \$6,500.00/\$350
 GST \$685.00
 Total \$7,535.00

Cheque Butt

5 October No 2460
 Paid to QFS wll
 For Purchases
 Amount \$8,250.00
 GST \$825.00
 Total \$9,075.00

EFT Summary

| | |
|---------|----------------|
| Date | 5 October |
| Paid to | Kahramma |
| For | Government fee |
| Amount | \$545.00 |
| GST | Exempt |
| Total | \$545.00 |

EFT Summary

| | |
|---------|------------|
| Date | 5 October |
| Paid to | Cash |
| For | Wages |
| Amount | \$1,750.00 |
| GST | Exempt |
| Total | \$1,750.00 |

| CASH PAYMENTS JOURNAL | | | | | | | | | | |
|-----------------------|-----------|---------------------|-----------|---------|----------|----------|--------|----------|-----------|--|
| Date | Reference | Particulars | Purchases | Freight | Wages | Rent | Other | GST paid | Bank | |
| 1 Oct | Ch 2457 | Doha Furn Dist | 5,800.00 | | | | | 580.00 | 6,380.00 | |
| 3 Oct | Ch 2458 | Al Amari Trust | | | | 6,500.00 | | 650.00 | 7,150.00 | |
| 3 Oct | Ch 2459 | Doha Furn Dist | 6,500.00 | 350.00 | | | | 685.00 | 7,535.00 | |
| 5 Oct | Ch 2460 | QFS wll | 8,250.00 | | | | | 825.00 | 9,075.00 | |
| 5 Oct | EFT | Kahramma – Govt fee | | | | | 545.00 | | 545.00 | |
| 5 Oct | EFT | Wages | | | 1,750.00 | | | | 1,750.00 | |
| | | | 20,550.00 | 350.00 | 1,750.00 | 6,500.00 | 545.00 | 2,740.00 | 32,435.00 | |
| | | | Dr | Dr | Dr | Dr | Dr | Dr | Cr | |



Practice

Practice activity 4

Using the information below for Office Decore, prepare the Cash Payments Journal.

Summary of cheques issued and bank statement information.

| Date | Cheque No | Supplier/Accounts Payable | Amount | GST Paid | Total Paid |
|--------|-----------|---------------------------|---------|----------|------------|
| 3 Feb | 714 | M Al Bustan | 500.00 | 50.00 | 550.00 |
| 9 Feb | 715 | H Lawrence | 460.00 | 46.00 | 506.00 |
| 12 Feb | 716 | Wages | 1000.00 | | 1000.00 |
| 18 Feb | 717 | Rent | 1500.00 | 150.00 | |
| | | Electricity | 130.00 | 13.00 | 1793.00 |
| 26 Feb | 718 | J Cowan | 170.00 | 17.00 | 187.00 |
| 28 Feb | B/S | Bank Fees | 40.00 | | 40.00 |

Remember, Interest Revenue is exempted from GST.

Cash Receipts Journal of

| Date | Ref | Particulars | Purchase | Accounts Payable | Sundry Expense | GST Paid | Details | Bank |
|------|-----|-------------|----------|------------------|----------------|----------|---------|------|
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Practice

Practice activity 5

Using the information below, prepare the Cash Payments Journal for Clean Easy wll.

Summary of cheques issued and bank statement information received.

| Date | Ch No | Supplier/Accounts Payable | Total Paid |
|--------|-------|---------------------------|------------|
| 8 Mar | 256 | Purchases | 990.00 |
| 9 Mar | 257 | J Carey (Acc Pay) | 660.00 |
| 12 Mar | 258 | Rent | 1100.00 |
| 17 Mar | 259 | M Ibrihim (Acc Pay) | 1155.00 |
| 17 Mar | 260 | Cartage | 55.00 |
| 22 Mar | 261 | Stationery | 88.00 |
| 25 Mar | 262 | J Mansoura (Acc Pay) | 539.00 |
| 28 Mar | 263 | Purchases | 385.00 |
| 31 Mar | B/S | EFTPOS fees | 110.00 |

Cash Receipts Journal of

| Date | Ref | Particulars | Purchases | Accounts Payable | Sundry Expense | GST Paid | Details | Bank |
|------|-----|-------------|-----------|------------------|----------------|----------|---------|------|
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Practice

Practice activity 6

Use the information from the documents below to prepare the Cash Payments Journal.

Qatar Luxury Furnishings

Cheque No 161

Date 4 March
To Soft Furnishings
for Settlement of A/c

Amount \$935.00

Qatar Luxury Furnishings

Cheque No 162

Date 8 March
To Cash
for Purchases

Amount \$440.00

Qatar Luxury Furnishings

Cheque No 163

Date 9 March
To Kitchen Distributors
for Settlement of A/c

Amount \$7 315.00

Qatar Luxury Furnishings

Cheque No 164

Date 19 March
To Cash
for Purchases

Amount \$550.00

Qatar Luxury Furnishings

Cheque No 165

Date 24 March
To DohaFurnDistributors
for Settlement of A/c

Amount \$7 700.00

Qatar Luxury Furnishings

Cheque No 166

Date 26 March
To DHL
for Freight

Amount \$1100.00

| Qatar Luxury Furnishings | | Qatar Luxury Furnishings | | Qatar Luxury Furnishings | |
|--------------------------|-------------|--------------------------|----------|--------------------------|-----------|
| Cheque No 167 | | Cheque No 168 | | Cheque No 169 | |
| Date | 26 March | Date | 28 March | Date | 30 March |
| To | QP Workshop | To | Cash | To | Cash |
| for | Repairs | for | Wages | for | Purchases |
| Amount | \$585.00 | Amount | \$500.00 | Amount | \$110.00 |

Other information:

The bank statement revealed that EFTPOS fees of \$45.00 had been deducted from our bank account on 31 March.

Cash Payments Journal of

| Date | Ref | Particulars | Purchases | Accounts Payable | Sundry Expense | GST Paid | Details | Bank |
|------|-----|-------------|-----------|------------------|----------------|----------|---------|------|
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Practice

Practice activity 7

From the following information about Abu Hamor Painting Service, write up the Cash Receipts and Cash Payments Journals for the month of January. The business is not registered for GST.

| | |
|---------------|--|
| Jan 1 | Purchased paint supplies from \$200 cash, cheque no 72. |
| Jan 4 | Received service fees in cash of \$1 000, receipt no 27. |
| Jan 5 | Received \$2 500 from B Armstrong in settlement of account, receipt no 28. |
| Jan 7 | Paid \$150 for office expenses, cheque no 73. |
| | Paid wages of \$500, cheque no 74. |
| Jan 9 | Received rent from tenant of \$500, receipt no 29. |
| Jan 12 | Performed services for \$1 500 cash, receipt no 30. |
| Jan 13 | Received \$10 Interest on investments, receipt no 31. |
| Jan 14 | Paid wages of \$500, cheque no 75. |

Cash Receipts Journal of

| Date | Ref | Particulars | Purchases | Accounts Payable | Sundry Expense | GST Paid | Details | Bank |
|------|-----|-------------|-----------|------------------|----------------|----------|---------|------|
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Cash Payments Journal of

| Date | Ref | Particulars | Purchases | Accounts Payable | Sundry Expense | GST Paid | Details | Bank |
|------|-----|-------------|-----------|------------------|----------------|----------|---------|------|
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Practice

Practice activity 8

From the following information about Fixit Smash Repairs, prepare the appropriate cash journals.

| | |
|--------------|------------|
| Cash at Bank | \$8 200 Dr |
| White & Sons | \$ 500 Dr |
| B Rudd | \$ 750 Dr |
| Capital | \$9 450 Cr |

FIXIT Smash Repairs

Receipt No 279

To **White & Sons**
for Settlement of account
1 October
Amount \$ 500.00

FIXIT Smash Repairs

Receipt No 280

To **B Rudd**
for Settlement of account
4 Oct
Amount \$ 750.00

FIXIT Smash Repairs

Receipt No 281

To **Cash**
for Services Performed
7 Oct
Amount \$ 2 200.00
(incl GST)

FIXIT Smash Repairs

Receipt No 282

To **Cash**
for Services Performed
12 Oct
Amount \$ 550.00
(incl GST)

FIXIT Smash Repairs

Cheque No 74

Date 1 Oct
To Cash
for Wages
Amount \$900.00

FIXIT Smash Repairs

Cheque No 75

Date 3 Oct
To Mannai Motors
for Supplies
Amount \$770.00
(incl GST)

FIXIT Smash Repairs

Cheque No 76

Date 8 Oct
To Cash
for Wages
Amount \$900.00

FIXIT Smash Repairs

Cheque No 77

Date 10 Oct
To Abu Hamor Garage
for Fuel
Amount \$55.00
(incl GST)

Cash Receipts Journal of

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Cash Payments Journal of

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Now that we have completed the cash journals, we need to learn how to prepare the credit journals. A credit transaction is one that is based on the concept of 'buy now, pay later'. Many business transactions are carried out a credit basis.

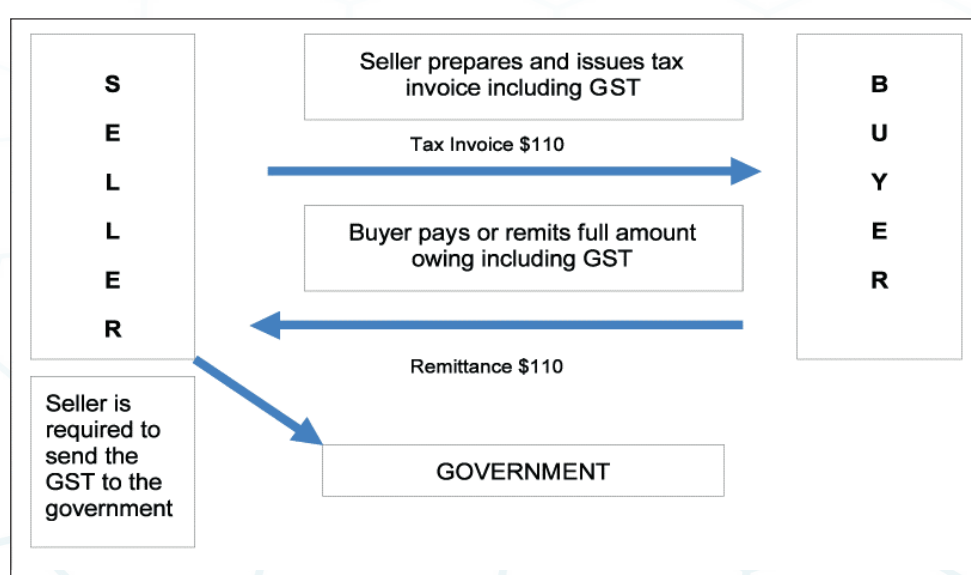
Credit transactions result in accounts receivable accounts (debtors), and account payable accounts (creditors).

Accounts receivable are those people or businesses that owe the business money as a result of a credit transaction. When we sell goods to customers or perform services for customers, we agree to terms of credit, ie they can pay us at a specified time, eg 7 days, 14 days, 30 days etc. We prepare an invoice when the transaction takes place so that we have a record of the business transaction. Information from these invoices will then be summarised in the sales journal.

The **Sales Journal** is a record of all of the credit sales or credit services performed by our business for a period of time, usually a month.

When the business transaction takes place, we prepare a tax invoice. The original copy of the tax invoice is issued to the customer and we retain the duplicate copy. The duplicate copy becomes the source document for the preparation of the Sales Journal.

GST is included on all tax invoices. The GST component is recorded separately in the Sales Journal.



We have already worked with the invoices that Ashraf prepares for Qatar Luxury Furnishings. A summary of the duplicate copies of invoices prepared for the month of October is shown below. Following is the Sales Journal.

| TAX INVOICE | |
|--------------------------|-------------|
| Qatar Luxury Furnishings | |
| 1 October 20XX | No 1028 |
| To: | J Al Ghanim |
| Amount: | \$10,000.00 |
| GST: | \$1,000.00 |
| Total: | \$11,000.00 |

| TAX INVOICE | |
|--------------------------|-------------|
| Qatar Luxury Furnishings | |
| 2 October 20XX | No 1029 |
| To: | H Al Thani |
| Amount: | \$12,450.00 |
| GST: | \$1,245.00 |
| Total: | \$13,695.00 |

| TAX INVOICE | |
|--------------------------|-------------|
| Qatar Luxury Furnishings | |
| 4 October 20XX | No 1030 |
| To: | Qatar Homes |
| Amount: | \$14,200.00 |
| GST: | \$1,420.00 |
| Total: | \$15,620.00 |

| TAX INVOICE | |
|--------------------------|-------------|
| Qatar Luxury Furnishings | |
| 5 October 20XX | No 1031 |
| To: | J Al Ghanim |
| Amount: | \$1,250.00 |
| GST: | \$125.00 |
| Total: | \$1,375.00 |

| Sales Journal of Qatar Luxury Furnishings | | | | | | |
|---|------------|-------------|-------|-----------|---------------|---------------------|
| Date | Invoice No | Particulars | Folio | Sales | GST Collected | Accounts Receivable |
| 1 Oct | 1028 | J Al Ghanim | | 10,000.00 | 1,000.00 | 11,000.00 |
| 2 Oct | 1029 | H Al Thani | | 12,450.00 | 1,245.00 | 13,695.00 |
| 4 Oct | 1030 | Qatar Homes | | 14,200.00 | 1,420.00 | 15,620.00 |
| 5 Oct | 1031 | J Al Ghanim | | 1,250.00 | 125.00 | 1,375.00 |
| | | | | 37,900.00 | 3,790.00 | 41,690.00 |
| | | | | Cr | Cr | Dr |

We have previously looked at the purpose of the adjustment note. When goods are returned to the supplier or the supplier agrees to give an allowance, an adjustment note must be prepared and issued by the supplier. The reason for this may be that the goods were damaged in transit or perhaps the goods invoiced are not what was originally ordered.

The adjustment note is the evidence of the business transaction and becomes the source document for the sales returns and allowances journal.

The Sales Returns and Allowances Journal is a record of all the credit returns and allowances and summarises the adjustment notes that have been issued during the month.

The following is a summary of the adjustment notes prepared and issued by Qatar Luxury Furnishings during the month of October, followed by the Sales Returns and Allowances Journal.

TAX ADJUSTMENT NOTE

Qatar Luxury Furnishings

5 October 20XX No 419
 To: Qatar Homes
 Amount: \$480.00
 GST: \$48.00
 Total: \$528.00

TAX ADJUSTMENT NOTE

Qatar Luxury Furnishings

6 October 20XX No 420
 To: H Al Thani
 Amount: \$1,200.00
 GST: \$120.00
 Total: \$1,320.00

Sales Returns and Allowances Journal of Qatar Luxury Furnishings

| Date | Adjustment No | Particulars | Folio | Sales Returns | GST Collected | Accounts Receivable |
|-------|---------------|-------------|-------|---------------|---------------|---------------------|
| 5 Oct | 419 | Qatar Homes | | 480.00 | 48.00 | 528.00 |
| 6 Oct | 420 | H Al Thani | | 1,200.00 | 120.00 | 1,320.00 |
| | | | | 1,680.00 | 168.00 | 1,848.00 |
| | | | | Dr | Dr | Cr |



Practice

Practice activity 9

Use the information below for Office Supplies wll to prepare the Sales Journal.

Summary of invoices issued

| Date | Inv No | Customer/Accounts Receivable | Amount | GST Collected | Total Owing |
|--------|--------|------------------------------|---------|---------------|-------------|
| 3 Feb | 9255 | P Austin | 1500.00 | 150.00 | 1650.00 |
| 6 Feb | A421 | M Aziz | 3550.00 | 355.00 | 3905.00 |
| 17 Feb | 9145 | M Hussain | 1000.00 | 100.00 | 1100.00 |
| 24 Feb | AB785 | P Austin | 470.00 | 47.00 | 517.00 |

| SALES JOURNAL OF | | | | | | |
|------------------|------------|-------------|-------|-------|---------------|---------------------|
| Date | Invoice No | Particulars | Folio | Sales | GST Collected | Accounts Receivable |
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Practice

Practice activity 10

Using the information below, prepare the Sales Journal for Qatar Cleaning Contractors. You will have to calculate the GST for this exercise.

Summary of invoices issued

| Date | Inv No | Customer/Accounts Receivable | Total Owing |
|--------|--------|------------------------------|-------------|
| 9 Mar | 2589 | Al Dafna Stationery | 880.00 |
| 12 Mar | 5896 | M Ibrhim | 1320.00 |
| 16 Mar | 5401 | Aziz Supermarket | 2530.00 |
| 28 Mar | N982 | Mansoura Motors | 1056.00 |

SALES JOURNAL OF

| Date | Inv No | Customer/Accounts Receivable | Total Owing |
|------|--------|------------------------------|-------------|
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Practice

Practice activity 11

Use the information below to prepare the Sales and Sales Returns and Allowances Journal.

Qatar Luxury Furnishings

TAX INVOICE

| | |
|--------|------------|
| To | S Ibrihim |
| 3 Feb | No 954 |
| Amount | \$2 120.00 |
| GST | \$ 212.00 |
| Total: | \$2 332.00 |

Qatar Luxury Furnishings

TAX INVOICE

| | |
|--------|----------------|
| To | Gulf Showrooms |
| 9 Feb | No 955 |
| Amount | \$ 810.00 |
| GST | \$ 81.00 |
| Total: | \$ 891.00 |

Qatar Luxury Furnishings

TAX INVOICE

| | |
|--------|------------------|
| To | Desert Furniture |
| 10 Feb | No 956 |
| Amount | \$ 650.00 |
| GST | \$ 65.00 |
| Total: | \$ 715.00 |

Qatar Luxury Furnishings

TAX INVOICE

| | |
|--------|------------|
| To | S Ibrihim |
| 24 Feb | No 957 |
| Amount | \$3 000.00 |
| GST | \$ 300.00 |
| Total: | \$3 300.00 |

Qatar Luxury Furnishings

TAX INVOICE

| | |
|--------|---------------|
| To | Global Design |
| 24 Feb | No 958 |
| Amount | |
| GST | |
| Total: | |

Qatar Luxury Furnishings

TAX INVOICE

| | |
|--------|------------------|
| To | Desert Furniture |
| 24 Feb | No 959 |
| Amount | |
| GST | |
| Total: | |

Qatar Luxury Furnishings

TAX ADJUSTMENT NOTE

| | |
|--------|-----------|
| To | S Ibrihim |
| 4 Feb | No 780 |
| Amount | \$ 300.00 |
| GST | \$ 30.00 |
| Total: | \$ 330.00 |

Qatar Luxury Furnishings

TAX ADJUSTMENT NOTE

| | |
|--------|----------------|
| To | Gulf Showrooms |
| 12 Feb | No 781 |
| Amount | \$ 100.00 |
| GST | \$ 10.00 |
| Total: | \$ 110.00 |

Qatar Luxury Furnishings

TAX ADJUSTMENT NOTE

| | |
|--------|---------------|
| To | Global Design |
| 26 Feb | No 782 |
| Amount | \$ 1050.00 |
| GST | \$ 105.00 |
| Total: | \$ 1155.00 |

Sales Journal of

Sales Returns And Allowances Journal of

Accounts payable are those people or businesses we owe money to as a result of a credit transaction. When we purchase goods from suppliers or have suppliers or vendors perform services for us on credit, they allow us a specified time to pay their account eg 7 days, 14 days, 30 days etc. We will receive an invoice when the transaction takes place and this is a record of the business transaction. Information from these invoices received will then be summarised in the Purchases Journal.

The **Purchases Journal** is a record of all of the credit purchases received by our business for a period of time, usually a month. It summarises all the invoices received.

The **Purchases Returns and Allowances Journal** is a record of all of the credit purchase returns and allowances received by our business and is a summary of the adjustment notes received during the month.

The following is a summary of tax invoices and adjustment notes received during the month of October, followed by the Purchases and Purchases Returns and Allowances Journal.



The adjustment note for damaged goods received is recorded in the Purchases Returns and Allowances Journal

Doha Furniture Distributors**TAX INVOICE**

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 1 October | No 95421 |
| Amount | \$6,650.00 |
| GST | \$665.00 |
| Total: | \$7,315.00 |

QFS wll**TAX INVOICE**

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 3 October | No 1287 |
| Amount | \$450.00 |
| GST | \$45.00 |
| Total: | \$495.00 |

Doha Furniture Distributors**TAX INVOICE**

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 4 October | No 95438 |
| Amount | \$4,210.00 |
| GST | \$421.00 |
| Total: | \$4,631.00 |

Qatar Kitchen Supplies**TAX INVOICE**

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 6 October | No 7284 |
| Amount | \$10,854.00 |
| GST | \$1,085.40 |
| Total: | \$11,939.00 |

Doha Furniture Distributors**TAX ADJUSTMENT NOTE**

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 1 October | No 315 |
| Amount | \$2,740.00 |
| GST | \$274.00 |
| Total: | \$3,014.00 |

QFS wll**TAX ADJUSTMENT NOTE**

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 5 October | No 963 |
| Amount | \$50.00 |
| GST | \$5.00 |
| Total: | \$55.00 |

Purchases Journal of Qatar Luxury Furnishings

| Date | Invoice No | Particulars | Folio | Purchases | GST Collected | Accounts Payable |
|-------|------------|-----------------------------|-------|-----------|---------------|------------------|
| 1 Oct | 95421 | Doha Furniture Distributors | | 6,650.00 | 665.00 | 7,315.00 |
| 3 Oct | 1287 | QFS wll | | 450.00 | 45.00 | 495.00 |
| 4 Oct | 95438 | Doha Furniture Distributors | | 4,210.00 | 421.00 | 4,631.00 |
| 6 Oct | 7284 | Qatar Kitchen Supplies | | 10,854.00 | 1,085.40 | 11,939.40 |
| | | | | 22,164.00 | 2,216.40 | 24,380.40 |
| | | | | Dr | Dr | Cr |

Purchases Returns and Allowances Journal of Qatar Luxury Furnishings

| Date | Adjust Note No | Particulars | Folio | Purchases Returns | GST paid | Accounts Payable |
|-------|----------------|-----------------------------|-------|-------------------|----------|------------------|
| 1 Oct | 315 | Doha Furniture Distributors | | 2,740.00 | 274.00 | 3,014.00 |
| 5 Oct | 963 | QFS wll | | 50.00 | 5.00 | 55.00 |
| 6 Oct | | | | 2,790.00 | 279.00 | 3,069.00 |
| | | | | Cr | Cr | Dr |



Practice

Practice activity 12

Using the information below for Office Decore, prepare the Purchases Journal.

Summary of invoices received

| Date | Inv No | Supplier/accounts payable | Amount | GST Paid | Total Owing |
|--------|--------|---------------------------|---------|----------|-------------|
| 1 Feb | 285 | M Al Bustan | 500.00 | 50.00 | 550.00 |
| 5 Feb | A368 | H Lawrence | 460.00 | 46.00 | 506.00 |
| 24 Feb | 9190 | M Al Bustan | 1000.00 | 100.00 | 1100.00 |
| 26 Feb | AB345 | J Cowan | 170.00 | 17.00 | 187.00 |

| PURCHASES JOURNAL OF | | | | | | |
|----------------------|------------|-------------|-------|-----------|----------|------------------|
| Date | Invoice No | Particulars | Folio | Purchases | GST Paid | Accounts Payable |
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Practice

Practice activity 13

Using the information below, prepare the Purchases Journal for Clean Easy wll. You will have to calculate the GST for this exercise.

Summary of invoices received

| Date | Inv No | Supplier/Accounts Payable | Total Owing |
|--------|--------|---------------------------|-------------|
| 3 Mar | 4040 | J Carey | 660.00 |
| 7 Mar | 2946 | M Ibrihim | 1155.00 |
| 14 Mar | 0573 | T Aziz | 803.00 |
| 25 Mar | N562 | J Mansoura | 539.00 |

Purchases Journal of

| Date | Inv No | Supplier/Accounts Payable | Total Owing |
|------|--------|---------------------------|-------------|
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Practice

Practice activity 14

Use the information below to prepare the Purchases and Purchases Returns and Allowances Journal.

Doha Furniture Distributors

TAX INVOICE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 1 Feb | No 954 |
| Amount | \$7000.00 |
| GST | \$ 700.00 |
| Total: | \$7 700.00 |

Soft Furnishings

TAX INVOICE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 4 Feb | No 421 |
| Amount | \$ 850.00 |
| GST | \$ 85.00 |
| Total: | \$ 935.00 |

Kitchen Distributors

TAX INVOICE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 10 Feb | No 547 |
| Amount | \$6 650.00 |
| GST | \$ 665.00 |
| Total: | \$7 315.00 |

Soft Furnishings

TAX INVOICE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 22 Feb | No 978 |
| Amount | \$3 400.00 |
| GST | \$ 340.00 |
| Total: | \$3 740.00 |

| Gulf Furniture wll | |
|---------------------------|--------------------------|
| TAX INVOICE | |
| To | Qatar Luxury Furnishings |
| 24 Feb | No 2182 |
| Amount | \$8 200.00 |
| GST | \$ 820.00 |
| Total: | \$ 9020.00 |

| Doha Furniture Distributors | |
|------------------------------------|--------------------------|
| TAX INVOICE | |
| To | Qatar Luxury Furnishings |
| 28 Feb | No 984 |
| Amount | \$4 500.00 |
| GST | \$ 450.00 |
| Total: | \$4 950.00 |

| Doha Furniture Distributors | |
|------------------------------------|--------------------------|
| TAX ADJUSTMENT NOTE | |
| To | Qatar Luxury Furnishings |
| 2 Feb | No 386 |
| Amount | \$ 240.00 |
| GST | \$ 24.00 |
| Total: | \$ 264.00 |

| Soft Furnishings | |
|----------------------------|--------------------------|
| TAX ADJUSTMENT NOTE | |
| To | Qatar Luxury Furnishings |
| 6 Feb | No 744 |
| Amount | \$ 850.00 |
| GST | \$ 85.00 |
| Total: | \$ 935.00 |

| Gulf Furniture wll | |
|----------------------------|--------------------------|
| TAX ADJUSTMENT NOTE | |
| To | Qatar Luxury Furnishings |
| 26 Feb | No 5747 |
| Amount | \$ 1000.00 |
| GST | \$ 100.00 |
| Total: | \$ 1100.00 |



Purchases Journal of

| Date | Particulars | Debit | Debit | Debit | Debit | Debit |
|------|-------------|-------|-------|-------|-------|-------|
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Purchases Returns Journal of

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Introduction to accounting and double entry

You have now learnt how to prepare and process a variety of business documents. These documents involved both cash and credit transactions. We then grouped similar transactions together to prepare the journals.

The journals are a summary of the source documents that have been received or prepared to provide evidence of the business transaction.

Summary of journals

| | |
|---|---|
| Purchases Journal | Records the credit purchase of goods (inventory items purchased for resale) |
| Purchases Returns and Allowances Journal | Records the return or allowances to credit purchases |
| Sales Journal | Records the credit sale of inventory |
| Sales Returns and Allowances Journal | Records the return or allowances to credit sales |
| Cash Receipts Journal | Records all transactions involving the receipt of cash |
| Cash Payments Journal | Records all transactions involving the payment of cash |
| General Journal | Records all transactions that cannot be recorded in one of the above specialised journals |

There are special transactions that cannot be recorded in the above journals. We use the **General Journal** for this purpose. Following are some examples of when we would use the General Journal:

- ▶ When the owner contributes assets other than cash into the business
- ▶ Withdrawal of inventory or other assets by the owner
- ▶ Purchase of assets other than inventory, on credit
- ▶ Write off bad debts
- ▶ Contra entries
- ▶ Correction of error

Following on the next page are the General Journal entries that would be prepared to record the above transactions.

| GENERAL JOURNAL | | | | | |
|-----------------|-------------|--|-------|-----------|-----------|
| Date | Document No | Particulars | Folio | Debit | Credit |
| 1 Oct | | Vehicle | | 10,500.00 | |
| | | Furniture | | 6,000.00 | |
| | | Equipment | | 2,800.00 | |
| | | Capital | | | 19,300.00 |
| | | (Owner introduced assets into the business) | | | |
| 2 Oct | | Drawings | | 1,500.00 | |
| | | Purchases | | | 1,500.00 |
| | | (Owner withdrew inventory for personal use) | | | |
| 3 Oct | | Computer | | 4,150.00 | |
| | | GST Paid | | 415.00 | |
| | | Computer Supplier | | | 4,565.00 |
| | | (Bought computer on credit) | | | |
| 4 Oct | | Bad Debts | | 250.00 | |
| | | GST Collected | | 25.00 | |
| | | Accounts Receivable | | | 275.00 |
| | | (Wrote off account receivable as a bad debt) | | | |
| 5 Oct | | Accounts Payable | | 1,000.00 | |
| | | Accounts Receivable | | | 1,000.00 |
| | | (Contra entry) | | | |
| 6 Oct | | Motor Vehicle Expenses | | 250.00 | |
| | | Motor Vehicle | | | 250.00 |
| | | (Correction of error) | | | |



Practice

Practice activity 15

Use copies of the invoices issued for Qatar Sports Centre to prepare the Sales Journal.

TAX INVOICE

Qatar Sports Centre

| | |
|--------|-------------|
| 1 Nov | No 1028 |
| To | J Al Nasser |
| Amount | \$8,800.00 |
| GST | \$880.00 |
| Total: | \$9,680.00 |

TAX INVOICE

Qatar Sports Centre

| | |
|--------|--------------|
| 12 Nov | No 1029 |
| To | B Al Quaradi |
| Amount | \$12,450.00 |
| GST | \$1,245.00 |
| Total: | \$13,695.00 |

TAX INVOICE

Qatar Sports Centre

| | |
|--------|------------------|
| 18 Nov | No 1030 |
| To | Qatar Foundation |
| Amount | \$1,600.00 |
| GST | \$160.00 |
| Total: | \$1,760.00 |

TAX INVOICE

Qatar Sports Centre

| | |
|--------|------------|
| 25 Nov | No 1031 |
| To | J Al Jaber |
| Amount | \$1,250.00 |
| GST | \$125.00 |
| Total: | \$1,375.00 |

Sales Journal of Qatar Sports Centre

| Date | Invoice No | Particulars | Folio | Sales | GST collected | Accounts Receivable |
|------|------------|-------------|-------|-------|---------------|---------------------|
| | | | | | | |
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Practice

Practice activity 16

Use copies of the invoices and adjustment notes issued by Carnivaland to prepare the Sales and Sales Returns and Allowances Journal.

TAX INVOICE

Carnivaland

| | |
|--------|-------------|
| 2 Sept | No 3145 |
| To | J Bright |
| Amount | \$18,800.00 |
| GST | \$1,880.00 |
| Total: | \$20,680.00 |

TAX INVOICE

Carnivaland

| | |
|--------|-------------|
| 9 Sept | No 3146 |
| To | B Zainer |
| Amount | \$15,500.00 |
| GST | \$1,550.00 |
| Total: | \$17,050.00 |

TAX INVOICE

Carnivaland

| | |
|---------|-------------|
| 15 Sept | No 3147 |
| To | Doha School |
| Amount | \$1,600.00 |
| GST | \$160.00 |
| Total: | \$1,760.00 |

TAX INVOICE

Carnivaland

| | |
|---------|------------|
| 27 Sept | No 3148 |
| To | S Lui |
| Amount | \$4250.00 |
| GST | \$425.00 |
| Total: | \$4,675.00 |

TAX INVOICE

Carnivaland

12 Sept No 914
To B Zainer
Amount \$350.00
GST \$ 35.00
Total: \$385.00

TAX INVOICE

Carnivaland

29 Sept No 915
To S Lui
Amount \$850.00
GST \$ 85.00
Total: \$935.00

Sales Journal of Carnivaland

| Date | Invoice No | Particulars | Folio | Sales | GST collected | Accounts Receivable |
|------|------------|-------------|-------|-------|---------------|---------------------|
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Sales Returns and Allowances Journal of Carnivaland

| Date | Invoice No | Particulars | Folio | Sales Returns | GST collected | Accounts Receivable |
|------|------------|-------------|-------|---------------|---------------|---------------------|
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Practice

Practice activity 17

Use the invoices received by Qatar Holdings to prepare the Purchases and Purchases Returns and Allowances Journal.

Doha Distributors

TAX INVOICE

| | | |
|-----------|----------------|------------|
| To | Qatar Holdings | |
| 3 October | | No 921 |
| Amount | | \$3,200.00 |
| GST | | \$ 320.00 |
| Total: | | \$3,520.00 |

QFS wll

TAX INVOICE

| | | |
|-----------|----------------|------------|
| To | Qatar Holdings | |
| 9 October | | No 187 |
| Amount | | \$4,810.00 |
| GST | | \$ 481.00 |
| Total: | | \$5,291.00 |

Doha Fruit Centre

TAX INVOICE

| | | |
|------------|----------------|------------|
| To | Qatar Holdings | |
| 13 October | | No 9438 |
| Amount | | \$4,210.00 |
| GST | | \$ 421.00 |
| Total: | | \$4,631.00 |

Qatar Central

TAX INVOICE

| | | |
|------------|----------------|----------|
| To | Qatar Holdings | |
| 23 October | | No 55884 |
| Amount | | \$854.00 |
| GST | | \$ 85.40 |
| Total: | | \$939.40 |

Doha Distributors

TAX ADJUSTMENT NOTE

| | | |
|-----------|----------------|------------|
| To | Qatar Holdings | |
| 8 October | No 315 | |
| Amount | | \$1,420.00 |
| GST | | \$ 142.00 |
| Total: | | \$1,562.00 |

QFS wll

TAX ADJUSTMENT NOTE

| | | |
|------------|----------------|----------|
| To | Qatar Holdings | |
| 12 October | No 963 | |
| Amount | | \$150.00 |
| GST | | \$ 15.00 |
| Total: | | \$165.00 |

Purchases Journal of Doha Distributors

| Date | Invoice No | Particulars | Folio | Purchases | GST collected | Accounts Payable |
|------|------------|-------------|-------|-----------|---------------|------------------|
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Purchases Returns and Allowances Journal of Doha Distributors

| Date | Invoice No | Particulars | Folio | Purchases Returns | GST collected | Accounts Payable |
|------|------------|-------------|-------|-------------------|---------------|------------------|
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Practice

Practice activity 18

Abdullah Al Dosary has commenced business operations as a plant nursery called Doha Plant Nursery. Prepare the General Journal entries for the following transactions for Doha Plant Nursery.

| | |
|-------------------|---|
| January 1 | Abdullah contributed a Vehicle \$26,000, Inventories \$35,000 and Cash of \$20,000. |
| January 4 | Bought Office Furniture on credit from BizFurn wll for \$2,850. |
| January 11 | Wrote off an account receivable – J Hudson – for \$565. |
| January 26 | The Cleaning account has been charged \$234 in error. This should have been charged to the Repairs account. |
| January 29 | The owner withdrew Furniture worth \$150 for his own personal use. |

GENERAL JOURNAL

| Date | Document No | Particulars | Folio | Debit | Credit |
|------|-------------|-------------|-------|-------|--------|
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Practice

Practice activity 19

You are working as the Assistant to the Accountant for Yamin Trading. You are required to prepare the Purchases, Purchases Returns and Allowances, Sales, Sales Returns and Allowances, Cash Receipts and Cash Payments Journals for the month of September.

Summary of invoices issued

TAX INVOICE

Yamin Trading

| | |
|--------|-------------|
| 2 Sept | No 8712 |
| To | J Gamal |
| Amount | \$12,200.00 |
| GST | \$1,220.00 |
| Total: | \$13,420.00 |

TAX INVOICE

Yamin Trading

| | |
|---------|-------------|
| 14 Sept | No 8713 |
| To | P Ibrihim |
| Amount | \$15,500.00 |
| GST | \$1,550.00 |
| Total: | \$17,050.00 |

TAX INVOICE

Yamin Trading

| | |
|---------|------------|
| 18 Sept | No 8714 |
| To | J Ahmed |
| Amount | \$3,950.00 |
| GST | \$395.00 |
| Total: | \$4,345.00 |

TAX INVOICE

Yamin Trading

| | |
|---------|------------|
| 24 Sept | No 8715 |
| To | P Ibrihim |
| Amount | \$8,160.00 |
| GST | \$816.00 |
| Total: | \$8,976.00 |

Summary of adjustment notes issued

TAX ADJUSTMENT NOTE

Yamin Trading

| | |
|---------|------------|
| 15 Sept | No 8714 |
| To | J Ahmed |
| Amount | \$3,950.00 |
| GST | \$395.00 |
| Total: | \$4,345.00 |

TAX ADJUSTMENT NOTE

Yamin Trading

| | |
|---------|------------|
| 20 Sept | No 1216 |
| To | J Ahmed |
| Amount | \$1,200.00 |
| GST | \$ 120.00 |
| Total: | \$1,320.00 |

Summary of invoices and adjustment notes received

Doha Service Centre

TAX INVOICE

| | | |
|--------|---------------|------------|
| To | Yamin Trading | |
| 3 Sept | No | 4872 |
| Amount | | \$3,200.00 |
| GST | | \$ 320.00 |
| Total: | | \$3,520.00 |

QFS wll

TAX INVOICE

| | | |
|--------|---------------|------------|
| To | Yamin Trading | |
| 9 Sept | No | 1158 |
| Amount | | \$6,950.00 |
| GST | | \$ 695.00 |
| Total: | | \$7,645.00 |

Doha Engineering

TAX INVOICE

| | | |
|---------|---------------|------------|
| To | Yamin Trading | |
| 13 Sept | No | 2187 |
| Amount | | \$6,950.00 |
| GST | | \$ 695.00 |
| Total: | | \$7,645.00 |

Qatar Central Distributors

TAX INVOICE

| | | |
|------------|---------------|----------|
| To | Yamin Trading | |
| 23 October | No | 5284 |
| Amount | | \$854.00 |
| GST | | \$ 85.40 |
| Total: | | \$939.40 |

QBS wll

TAX ADJUSTMENT NOTE

| | | |
|---------|---------------|----------|
| To | Yamin Trading | |
| 10 Sept | No | 228 |
| Amount | | \$855.00 |
| GST | | \$ 85.50 |
| Total: | | \$940.50 |

Doha Engineering

TAX ADJUSTMENT NOTE

| | | |
|---------|---------------|----------|
| To | Yamin Trading | |
| 15 Sept | No | 845 |
| Amount | | \$288.00 |
| GST | | \$ 28.80 |
| Total: | | \$316.80 |

Summary of cash received

| Yamin Trading | Receipt |
|-------------------|-------------------|
| 15 Sept | No 475 |
| Received from | J Gamal |
| For | Settlement of a/c |
| Amount (incl GST) | \$1,650.00 |
| GST | \$150.00 |

| Yamin Trading | Receipt |
|-------------------|-------------------|
| 29 Sept | No 476 |
| Received from | J Ahmed |
| For | Settlement of a/c |
| Amount (incl GST) | \$2,200.00 |
| GST | \$200.00 |

| Yamin Trading Cash Register Summary | |
|--|----------|
| 1 Sept | |
| Repairs | \$0 |
| Maintenance | \$0 |
| Engineering | \$250.00 |
| Sales | \$175.00 |
| Other | \$0 |
| Sub Total | \$425.00 |
| GST | \$42.50 |
| Total | \$467.50 |

| Yamin Trading Cash Register Summary | |
|--|------------|
| 4 Sept | |
| Repairs | \$800.00 |
| Maintenance | \$600.00 |
| Engineering | \$0 |
| Sales | \$0 |
| Other | \$0 |
| Sub Total | \$1,400.00 |
| GST | \$140.00 |
| Total | \$1,540.00 |

| Yamin Trading Cash Register Summary | |
|--|------------|
| 9 Sept | |
| Repairs | \$0 |
| Maintenance | \$0 |
| Engineering | \$200.00 |
| Sales | \$855.00 |
| Other | \$0 |
| Sub Total | \$1,055.00 |
| GST | \$105.50 |
| Total | \$1,160.50 |

Yamin Trading**Cash Register Summary**

| | |
|-------------|---------|
| 15 Sept | |
| Repairs | \$0 |
| Maintenance | \$0 |
| Engineering | \$0 |
| | |
| Sales | \$0 |
| Other | \$55.00 |
| | |
| Sub Total | \$55.00 |
| GST | \$5.50 |
| Total | \$60.50 |

Yamin Trading**Cash Register Summary**

| | |
|-----------|------------|
| 27 Sept | |
| Repairs | \$0 |
| Maint | \$0 |
| Engineer | \$415.00 |
| | |
| Sales | \$280.00 |
| Other | \$395.00 |
| | |
| Sub Total | \$1,090.00 |
| GST | \$109.00 |
| Total | \$1,199.00 |

EFTPOS Summary**5 Sept**

| | |
|---------|-------------|
| Repairs | \$2,212.50 |
| Maint | \$11,850.00 |
| GST | \$1,406.25 |
| Total | \$15,468.75 |

EFTPOS Summary**16 Sept**

| | |
|-------|------------|
| Maint | 205.50 |
| Other | \$955.00 |
| GST | \$116.05 |
| Total | \$1,276.55 |

Summary of cash paid

| Yamin Trading - Cheque Butt | |
|-----------------------------|------------------|
| 12 Sept | No 3912 |
| Paid to | Doha Fabrication |
| For | Purchases |
| Amount | \$5,800.00 |
| GST | \$ 580.00 |
| Total: | \$6,380.00 |

| Yamin Trading - Cheque Butt | |
|-----------------------------|----------------|
| 13 Sept | No 3913 |
| Paid to | Al Amari Trust |
| For | Rent |
| Amount | \$6,500.00 |
| GST | \$ 650.00 |
| Total: | \$7,150.00 |

| Yamin Trading - Cheque Butt | |
|-----------------------------|--------------------|
| 23 Sept | No 3914 |
| Paid to | Qatar Events |
| For | Purchasing/freight |
| Amount | \$6,500.00/350.00 |
| GST | \$ 685.00 |
| Total: | \$7,535.00 |

| Yamin Trading - Cheque Butt | |
|-----------------------------|------------|
| 25 Sept | No 3915 |
| Paid to | QTT wll |
| For | Purchases |
| Amount | \$8,250.00 |
| GST | \$ 825.00 |
| Total: | \$9,075.00 |

| Yamin Trading - EFT Summary | |
|-----------------------------|----------------|
| Date | 4 Sept |
| Paid to | Kahramma |
| For | Government fee |
| Amount | \$545.00 |
| GST | Exempt |
| Total: | \$545.00 |

| Yamin Trading - EFT Summary | |
|-----------------------------|------------|
| Date | 7 Sept |
| Paid to | Cash |
| For | Wages |
| Amount | \$1,750.00 |
| GST | Exempt |
| Total: | \$1,750.00 |

The next step in the accounting process is to post the journal to the ledger.

Before we do this we need to review the **principles of double entry**. Revisit the work you completed in your **Introduction to Accounting** in Year 10.



Practice

Practice activity 20

Complete the table below

| Type of account | Nature of account | Increase | Decrease |
|-----------------|-------------------|----------|----------|
| Revenues | | | |
| Expenses | | | |
| Assets | | | |
| Liabilities | | | |
| Owner's Equity | | | |

Mohamed Al Atalya establishes his business as an Insurance Consultant on 1 April. Below are his business transactions for the first month.

| | |
|-----------------|--|
| April 1 | Mohamed deposits \$100,000 into the business bank account |
| April 2 | Mohamed pays Rent of \$2,500 |
| April 5 | Office Equipment purchased for cash \$5,000 |
| April 7 | Furniture purchased on credit from Al Dafna Furniture for \$8,000. |
| April 14 | Paid Wages \$3,000 |
| April 16 | Received Service Fees for cash \$7,500 |
| April 18 | Completed Insurance Services on credit for Al Amadi Contracting for \$12,000 |
| April 22 | Paid Al Dafna Furniture \$3,000 |
| April 28 | Paid Wages \$3,000 |
| April 30 | Received \$6,000 from Al Amadi Contracting |

We now analyse these transactions so that we can identify the accounts involved and which accounts will be debit or credit.

Transaction analysis table

| Date | Name of account | Type of account | Increase or decrease | Debit | Credit |
|----------|----------------------|-----------------|----------------------|---------|---------|
| April 1 | Cash at Bank | Asset | Increase | 100,000 | |
| | Capital | Owner's Equity | Increase | | 100,000 |
| April 2 | Rent Expense | Expense | Increase | 2,500 | |
| | Cash at Bank | Asset | Decrease | | 2,500 |
| April 5 | Office Equipment | Asset | Increase | 5,000 | |
| | Cash at Bank | Asset | Decrease | | 5,000 |
| April 7 | Furniture | Asset | Increase | 8,000 | |
| | Al Dafna Furniture | Liability | Increase | | 8,000 |
| April 14 | Wages | Expense | Increase | 3,000 | |
| | Cash at Bank | Asset | Decrease | | 3,000 |
| April 16 | Cash at Bank | Asset | Increase | 7,500 | |
| | Service Fees | Revenue | Increase | | 7,500 |
| April 18 | Al Amadi Contracting | Asset | Increase | 12,000 | |
| | Service Fees | Revenue | Increase | | 12,000 |
| April 22 | Ad Dafna Furniture | Liability | Decrease | 3,000 | |
| | Cash at Bank | Asset | Decrease | | 3,000 |
| April 28 | Wages | Expense | Increase | 3,000 | |
| | Cash at Bank | Asset | Decrease | | 3,000 |
| April 30 | Cash at Bank | Asset | Increase | 6,000 | |
| | Al Amadi Contracting | Asset | Decrease | | 6,000 |

Review the Ledger and Trial Balance on the following pages. This has been prepared from the analysis table.

Ledger of Mohamed al Atalya, Insurance Consultant

| Date | Particulars | Debit | Credit | Balance | |
|-----------------------------|----------------------|---------|--------|---------|----|
| Service Fees | | | | | |
| 16 April | Cash at Bank | | 7,500 | 7,500 | Cr |
| 18 April | Al Amadi Contracting | | 12,000 | 19,500 | Cr |
| Rent | | | | | |
| 2 April | Cash at Bank | 2,500 | | 2,500 | Dr |
| Wages | | | | | |
| 14 April | Cash at Bank | 3,000 | | 3,000 | Dr |
| 28 April | Cash at Bank | 3,000 | | 6,000 | Dr |
| Cash at Bank | | | | | |
| 1 April | Capital | 100,000 | | 100,000 | Dr |
| 2 April | Rent | | 2,500 | 500 97 | Dr |
| 5 April | Office Equipment | | 5,000 | 92,500 | Dr |
| 14 April | Wages | | 3,000 | 89,500 | Dr |
| 16 April | Service Fees | 7,500 | | 97,000 | Dr |
| 22 April | Al Dafna Furniture | | 3,000 | 94,000 | Dr |
| 28 April | Wages | | 3,000 | 91,000 | Dr |
| 30 April | Al Amadi Contracting | 6,000 | | 97,000 | Dr |
| Al Amadi Contracting | | | | | |
| 18 April | Service Fees | 12,000 | | 12,000 | Dr |
| 30 April | Cash at Bank | | 6,000 | 6,000 | Dr |

| Date | Particulars | Debit | Credit | Balance | |
|---------------------------|--------------------|-------|---------|---------|----|
| Office Equipment | | | | | |
| 5 April | Cash at Bank | 5,000 | | 5,000 | Dr |
| Furniture | | | | | |
| 7 April | Al Dafna Furniture | 8,000 | | 8,000 | Dr |
| Al Dafna Furniture | | | | | |
| 7 April | Furniture | | 8,000 | 8,000 | Cr |
| 22 April | Cash at Bank | 3,000 | | 5,000 | Cr |
| Capital | | | | | |
| 1 April | Cash at Bank | | 100,000 | 100,000 | Cr |

Trial Balance of Mohamed Al Atalya

As at 30 April 20 ____

| Account name | Debit | Credit |
|----------------------|-----------|-----------|
| Service Fees | | 19,500 |
| Rent | 2,500 | |
| Wages | 6,000 | |
| Cash at Bank | 97,000 | |
| Al Amadi Contracting | 6,000 | |
| Office Equipment | 5,000 | |
| Furniture | 8,000 | |
| Al Dafna Furniture | | 5,000 |
| Capital | | 100,000 |
| | \$124,500 | \$124,500 |



Practice

Practice activity 21

Write the definitions for the following 5 types of accounts:

Assets

Liabilities

Owner's Equity

Revenue

Expenses



Practice

Practice activity 22

Complete the following table.

| Type of account | Nature of account | Increase | Decrease |
|-----------------|-------------------|----------|----------|
| Assets | | | |
| Liabilities | | | |
| Owner's Equity | | | |
| Revenue | | | |
| Expenses | | | |



Practice

Practice activity 23

State the Accounting Equation



Practice

Practice activity 24

Indicate whether each of the following statements is true or false by ticking the correct column.

| | True | False |
|--|--------------------------|--------------------------|
| Owner's equity is the amount of the owner's investment in the business. | <input type="checkbox"/> | <input type="checkbox"/> |
| The accounting equation is the relationship between the total assets, liabilities and owner's equity for the business. | <input type="checkbox"/> | <input type="checkbox"/> |
| The right-hand side of the ledger account is the debit side. | <input type="checkbox"/> | <input type="checkbox"/> |
| Asset accounts have a debit nature. | <input type="checkbox"/> | <input type="checkbox"/> |
| A trial balance is a list of ledger account and their balances prepared on a particular date. | <input type="checkbox"/> | <input type="checkbox"/> |
| Revenue accounts have a debit nature. | <input type="checkbox"/> | <input type="checkbox"/> |



Practice

Practice activity 25

For each of the transactions below, complete the details in the table on the next page. (Exclude GST for the purposes of this exercise).

- Feb.**
- 1** Owner invested \$10 000 cash into the business.
 - 4** Bought Furniture for cash \$3 000.
 - 5** Bought Vehicle on credit for \$25 000 from Al Mannai Motors.
 - 9** Paid wages \$1 000.
 - 15** Sold goods for cash \$850.
 - 17** Paid Rent \$2 000.
 - 22** Paid Al Mannai Motors \$15 000.
 - 26** Sold goods on credit to M Jaywant for \$1 750.
 - 28** Bought goods for cash \$1 800.
 - 30** Bought goods on credit from Al Meera for \$450.

| Date | Accounts involved | Type of account | Nature of account | Increase or decrease | Dr or Cr | Amount |
|------|-------------------|-----------------|-------------------|----------------------|----------|--------|
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Practice

Practice activity 26

Using the table in Activity 5 to post the transactions to the ledger accounts below.

| Date | Particulars | Debit | Credit | Balance | |
|------------------------------|-------------|-------|--------|---------|--|
| Sales - R1 | | | | | |
| | | | | | |
| | | | | | |
| Purchases E1 | | | | | |
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| Wages - E2 | | | | | |
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| Rent - E3 | | | | | |
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| Cash at Bank - A1 | | | | | |
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| M Jaywant - A2 | | | | | |
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| Furniture - A3 | | | | | |
| | | | | | |
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| Vehicle - A4 | | | | | |
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| Al Meera - L1 | | | | | |
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| Al Mannai Motors - L2 | | | | | |
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| Capital - OE 1 | | | | | |
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Practice

Practice activity 27

Prepare a transaction analysis for the following transactions of Qatar Plumbing, post to the ledger and prepare a trial balance as at 30 June 20XX. (Exclude GST for the purposes of this exercise)

June 10 Performed services for a local resident for \$1000 cash.

June 12 Paid registration on vehicle, \$150.

June 15 Performed services on account (credit) - \$1 200 for Simons wll

June 17 Performed services for cash \$5 500

June 18 Performed services for building contractor Al Jazi for \$3 700.

(Qatar Plumbing send them an account at the end of each month)

June 20 Purchased Equipment (asset) for \$4 000 cash.

| Date | Particulars | Debit | Credit | Balance | |
|------|-------------|-------|--------|---------|--|
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Trial Balance of

As at

| Account Name | Debit | Credit |
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Post journals to ledger

Post journals to ledger accurately in accordance with organisational input standards

While the use of a transaction table is a good way to learn how to prepare ledgers, it is not practical from a business point of view. Business organisations can perform hundreds of business transactions per month. This is why we summarise transactions into specialised journals.

Let's review the procedures to record the Purchases Journal. You will recall that the source document for this transaction is the original of the GST Invoice received from the supplier. The invoice lists the goods purchased and how much they cost. If applicable, GST will be included on the invoice.

Review the four invoices below. These have all been received by Qatar Luxury Furnishings from different suppliers.

Doha Furniture Distributors

TAX INVOICE

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 1 October | No 95421 |
| Amount | \$6,650.00 |
| GST | \$665.00 |
| Total: | \$7,315.00 |

QFS wll

TAX INVOICE

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 3 October | No 1287 |
| Amount | \$450.00 |
| GST | \$45.00 |
| Total: | \$495.00 |

Doha Furniture Distributors

Tax Invoice

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 4 October | No 95438 |
| Amount | \$4,210.00 |
| GST | \$421.00 |
| Total: | \$4,631.00 |

Qatar Kitchen Supplies

Tax Invoice

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 6 October | No 7284 |
| Amount | \$10,854.00 |
| GST | \$1,085.40 |
| Total: | \$11,939.40 |

The above invoices are entered into the Purchases Journal. The journal shows the date of the transaction, the name of the supplier, the amount of the purchases, the GST and the total amount owing to the supplier or accounts payable. Note the posting instructions at the bottom of the last three columns.

| Purchases Journal of Qatar Luxury Furnishings | | | | | | |
|---|------------|-----------------------------|-------|------------------|-----------------|------------------|
| Date | Invoice No | Particulars | Folio | Purchases | GST Paid | Accounts Payable |
| 1 Oct | 95421 | Doha Furniture Distributors | | 6,650.00 | 665.00 | 7,315.00 |
| 3 Oct | 1287 | QFS wll | | 450.00 | 45.00 | 495.00 |
| 4 Oct | 95438 | Doha Furniture Distributors | | 4,210.00 | 421.00 | 4,631.00 |
| 6 Oct | 7284 | Qatar Kitchen Supplies | | 10,854.00 | 1,085.40 | 11,939.40 |
| | | | | <u>22,164.00</u> | <u>2,216.40</u> | <u>24,380.40</u> |
| | | | | Dr | Dr | Cr |

The next step in the accounting process is to post this journal to the ledger.

Ledger of Qatar Luxury Furnishings

| Date | Particulars | Debit | Credit | Balance | |
|--|-------------------|-----------|-----------|-----------|----|
| Purchases – E1 | | | | | |
| 6 October | Accounts Payable | 22,164.00 | | 22,164.00 | Dr |
| GST Paid – A1 | | | | | |
| 6 October | Accounts Payable | 2,216.40 | | 2,216.40 | Dr |
| Doha Furniture Distributor – L1 | | | | | |
| 1 October | Purchases and GST | | 7,315.00 | 7,315.00 | Cr |
| 4 October | Purchases and GST | | 4,631.00 | 11,946.00 | Cr |
| QFS wll – L2 | | | | | |
| 3 October | Purchases and GST | | 495.00 | 495.00 | Cr |
| Qatar Kitchen Supplies – L3 | | | | | |
| 6 October | Purchases and GST | | 11,939.40 | 11,939.40 | Cr |

Let's now look at the Purchases Returns and Allowances transactions.

Qatar Luxury Furnishings has received the following Adjustment Notes.

| Doha Furniture Distributors | | |
|------------------------------------|--------------------------|------------|
| Tax Adjustment Note | | |
| To | Qatar Luxury Furnishings | |
| 1 October | No | 351 |
| Amount | | \$2,740.00 |
| GST | | \$274.00 |
| Total: | | \$3,014.00 |

| QFS wll | | |
|----------------------------|--------------------------|---------|
| Tax Adjustment Note | | |
| To | Qatar Luxury Furnishings | |
| 4 October | No | 963 |
| Amount | | \$50.00 |
| GST | | \$5.00 |
| Total: | | \$55.00 |

These will be recorded in the Purchases Returns and Allowances Journal as follows:

| Purchases Returns and Allowances Journal of Qatar Luxury Furnishings | | | | | | |
|---|-----------------------|-----------------------------|--------------|--------------------------|-----------------|-------------------------|
| Date | Adjust Note no | Particulars | Folio | Purchases Returns | GST Paid | Accounts Payable |
| 1 Oct | 315 | Doha Furniture Distributors | | 2,740.00 | 274.00 | 3,014.00 |
| 4 Oct | 963 | QFS wll | | 50.00 | 5.00 | 55.00 |
| | | | | <u>2,790.00</u> | <u>279.00</u> | <u>3,069.00</u> |
| | | | | Cr | Cr | Dr |

When the Purchases Returns and Allowances Journal is posted to the ledger, the ledger will appear as follows:

Ledger of Qatar Luxury Furnishings

| Date | Particulars | Debit | Credit | Balance | |
|--|---------------------------|-----------|-----------|-----------|----|
| Purchases – E1 | | | | | |
| 6 October | Accounts Payable | 22,164.00 | | 22,164.00 | Dr |
| Purchases Returns and Allowances – E2 | | | | | |
| 6 October | Accounts Payable | | 2,790.00 | 2,790.00 | Cr |
| GST Paid – A1 | | | | | |
| 6 October | Accounts Payable | 2,216.40 | | 2,216.40 | Dr |
| 6 October | Accounts Payable | | 279.00 | 1,937.40 | Dr |
| Doha Furniture Distributor – L1 | | | | | |
| 1 October | Purchases and GST | | 7,315.00 | 7,315.00 | Cr |
| 1 October | Purchases Returns and GST | 3,014.00 | | 4,301.00 | Cr |
| 4 October | Purchases and GST | | 4,631.00 | 8,932.00 | Cr |
| QFS wll – L2 | | | | | |
| 3 October | Purchases and GST | | 495.00 | 495.00 | Cr |
| 4 October | Purchases Returns and GST | 55.00 | | 440.00 | Cr |
| Qatar Kitchen Supplies – L3 | | | | | |
| 6 October | Purchases and GST | | 11,939.40 | 11,939.40 | Cr |



Practice

Practice activity 28

Using the information below for Office Decore, prepare the Purchases Journal and post to the Ledger.

Summary of invoices received

| Date | Inv No | Supplier/accounts payable | Amount | GST Paid | Total Owing |
|--------|--------|---------------------------|---------|----------|-------------|
| 1 Feb | 285 | M Al Bustan | 500.00 | 50.00 | 550.00 |
| 5 Feb | A368 | H Lawrence | 460.00 | 46.00 | 506.00 |
| 24 Feb | 9190 | M Al Bustan | 1000.00 | 100.00 | 1100.00 |
| 26 Feb | AB345 | J Cowan | 170.00 | 17.00 | 187.00 |

| PURCHASES JOURNAL OF | | | | | | |
|----------------------|------------|-------------|-------|-----------|----------|------------------|
| Date | Invoice No | Particulars | Folio | Purchases | GST Paid | Accounts Payable |
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
|------|-------------|-------|--------|---------|--|
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Practice

Practice activity 29

Using the information below, prepare the Purchases Journal for Clean Easy wll and post to the Ledger. You will have to calculate the GST for this exercise.

Summary of invoices received

| Date | Inv No | Supplier/accounts payable | Total Owing |
|--------|--------|---------------------------|-------------|
| 3 Mar | 4040 | J Carey | 660.00 |
| 7 Mar | 2946 | M Ibrihim | 1155.00 |
| 14 Mar | 0573 | T Aziz | 803.00 |
| 25 Mar | N562 | J Mansoura | 539.00 |

Purchases Journal of

| Date | Inv No | Supplier/accounts payable | Total Owing |
|------|--------|---------------------------|-------------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
|------|-------------|-------|--------|---------|--|
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Practice

Practice activity 30

Use the information below to prepare the Purchases and Purchases Returns and Allowances Journal, post to the Ledger.

Doha Furniture Distributors

TAX INVOICE

| | | |
|--------|--------------------------|------------|
| To | Qatar Luxury Furnishings | |
| 1 Feb | No 954 | |
| Amount | | \$7000.00 |
| GST | | \$ 700.00 |
| Total: | | \$7 700.00 |

Soft Furnishings

TAX INVOICE

| | | |
|--------|--------------------------|----------|
| To | Qatar Luxury Furnishings | |
| 4 Feb | No 421 | |
| Amount | | \$850.00 |
| GST | | \$ 85.00 |
| Total: | | \$935.00 |

Kitchen Distributors

TAX INVOICE

| | | |
|--------|--------------------------|------------|
| To | Qatar Luxury Furnishings | |
| 10 Feb | No 547 | |
| Amount | | \$6 650.00 |
| GST | | \$ 665.00 |
| Total: | | \$7 315.00 |

Doha Furniture Distributors

TAX INVOICE

| | | |
|--------|--------------------------|------------|
| To | Qatar Luxury Furnishings | |
| 22 Feb | No 978 | |
| Amount | | \$3 400.00 |
| GST | | \$ 340.00 |
| Total: | | \$3 740.00 |

Gulf Furniture wll

TAX INVOICE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 24 Feb | No 2182 |
| Amount | \$8 200.00 |
| GST | \$ 820.00 |
| Total: | \$ 9020.00 |

Doha Furniture Distributors

TAX INVOICE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 28 Feb | No 984 |
| Amount | \$4 500.00 |
| GST | \$ 450.00 |
| Total: | \$4 950.00 |

Doha Furniture Distributors

TAX ADJUSTMENT NOTE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 2 Feb | No 386 |
| Amount | \$ 240.00 |
| GST | \$ 24.00 |
| Total: | \$ 264.00 |

Gulf Furniture wll

TAX ADJUSTMENT NOTE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 6 Feb | No 744 |
| Amount | \$ 850.00 |
| GST | \$ 85.00 |
| Total: | \$ 935.00 |

Gulf Furniture wll

TAX ADJUSTMENT NOTE

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 26 Feb | No 5747 |
| Amount | \$1000.00 |
| GST | \$ 100.00 |
| Total: | \$1100.00 |

Purchases Journal of

Purchases Returns Journal of

Ledger of

| Date | Particulars | Debit | Credit | Balance | |
|------|-------------|-------|--------|---------|--|
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Let's review the procedures to record the sales journal. The source document for this transaction is the copy of the GST Invoice issued to the customer. The invoice lists the goods sold and how much is owing. If applicable, GST will be included on the invoice.

The following documents have been issued by Qatar luxury Furnishings and the Sales and Sales Returns and Allowances Journal prepared.

| Tax Invoice | |
|-------------|--------------------------|
| From | Qatar Luxury Furnishings |
| 1 October | No 1028 |
| To | J Al Ghanim |
| Amount | \$10,000.00 |
| GST | \$1,000.00 |
| Total: | \$11,000.00 |

| Tax Invoice | |
|-------------|--------------------------|
| From | Qatar Luxury Furnishings |
| 2 October | No 1029 |
| To | H Al Thani |
| Amount | \$12,450.00 |
| GST | \$1,245.00 |
| Total: | \$13,695.00 |

| Tax Invoice | |
|-------------|--------------------------|
| From | Qatar Luxury Furnishings |
| 4 October | No 1030 |
| To | Qatar Homes |
| Amount | \$14,200.00 |
| GST | \$1,420.00 |
| Total: | \$15,620.00 |

| Tax Invoice | |
|-------------|--------------------------|
| From | Qatar Luxury Furnishings |
| 5 October | No 1031 |
| To | J Al Ghanim |
| Amount | \$1,250.00 |
| GST | \$125.00 |
| Total: | \$1,375.00 |

Tax Adjustment Note

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 5 October | No 419 |
| To | Qatar Homes |
| Amount | \$480.00 |
| GST | \$48.00 |
| Total: | \$528.00 |

Tax Adjustment Note

| | |
|-----------|--------------------------|
| To | Qatar Luxury Furnishings |
| 6 October | No 420 |
| To | H Al Thani |
| Amount | \$1,200.00 |
| GST | \$120.00 |
| Total: | \$1,320.00 |

| Sales Journal of Qatar Luxury Furnishings | | | | | | |
|---|------------|-------------|-------|------------------|-----------------|---------------------|
| Date | Invoice No | Particulars | Folio | Sales | GST Collected | Accounts Receivable |
| 1 Oct | 1028 | J Al Ghanim | | 10,000.00 | 1,000.00 | 11,000.00 |
| 2 Oct | 1029 | H Al Thani | | 12,450.00 | 1,245.00 | 13,695.00 |
| 4 Oct | 1030 | Qatar Homes | | 14,200.00 | 1,420.00 | 15,620.00 |
| 5 Oct | 1031 | J Al Ghanim | | 1,250.00 | 125.00 | 1,375.00 |
| | | | | <u>37,900.00</u> | <u>3,790.00</u> | <u>41,690.00</u> |
| | | | | Cr | Cr | Dr |

| Sales Returns and Allowances Journal of Qatar Luxury Furnishings | | | | | | |
|--|-----------|-------------|-------|-------------------|---------------|---------------------|
| Date | Adjust no | Particulars | Folio | Sales Ret and All | GST Collected | Accounts Receivable |
| 5 Oct | 419 | Qatar Homes | | 480.00 | 48.00 | 528.00 |
| 6 Oct | 420 | H Al Thani | | 1,200.00 | 120.00 | 1,320.00 |
| | | | | <u>1,680.00</u> | <u>168.00</u> | <u>1,848.00</u> |
| | | | | Dr | Dr | Cr |

Ledger of Qatar Luxury Furnishings

| Date | Particulars | Debit | Credit | Balance | |
|--|----------------------|-----------|-----------|-----------|----|
| Sales – R1 | | | | | |
| 6 October | Accounts Receivable | | 37,900.00 | 37,900.00 | Cr |
| Sales Returns and allowances – R2 | | | | | |
| 6 October | Accounts Receivable | 1,680.00 | | 1,680.00 | Dr |
| J Al Ghanim – A1 | | | | | |
| 1 October | Sales and GST | 11,000.00 | | 11,000.00 | Dr |
| 5 October | Sales and GST | 1,375.00 | | 12,375.00 | Dr |
| H Al Thani – A2 | | | | | |
| 2 October | Sales and GST | 13,695.00 | | 13,695.00 | Dr |
| 6 October | Sales Return and GST | | 1,320.00 | 12,375.00 | Dr |
| Qatar Homes – A3 | | | | | |
| 4 October | Sales and GST | 15,620.00 | | 15,620.00 | Dr |
| 5 October | Sales Return and GST | | 528.00 | 15,092.00 | Dr |
| GST Collected – L1 | | | | | |
| 6 October | Accounts Receivable | | 3,790.00 | 3,790.00 | Cr |
| 6 October | Accounts Receivable | 168.00 | | 3,622.00 | Cr |



Practice

Practice activity 31

Using the information below for Office Supplies wll, prepare the Sales Journal and post to the ledger.

Summary of invoices issued

| Date | Inv No | Customer/Accounts Receivable | Amount | GST Collected | Total Owning |
|--------|--------|------------------------------|---------|---------------|--------------|
| 3 Feb | 9255 | P Austin | 1500.00 | 150.00 | 1650.00 |
| 6 Feb | A421 | M Aziz | 3550.00 | 355.00 | 3905.00 |
| 17 Feb | 9145 | M Hussain | 1000.00 | 100.00 | 1100.00 |
| 24 Feb | AB785 | P Austin | 470.00 | 47.00 | 517.00 |

| SALES JOURNAL OF | | | | | | |
|------------------|------------|-------------|-------|-------|---------------|---------------------|
| Date | Invoice No | Particulars | Folio | Sales | GST Collected | Accounts Receivable |
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Practice

Practice activity 32

Using the information below, prepare the Sales Journal for Qatar Cleaning Contractors, post to the Ledger. You will have to calculate the GST for this exercise.

Summary of invoices issued

| Date | Inv No | Customer/Accounts Receivable | Total Owing |
|--------|--------|------------------------------|-------------|
| 9 Mar | 2589 | Al Dafna Stationery | 880.00 |
| 12 Mar | 5896 | M Ibrihim | 1320.00 |
| 16 Mar | 5401 | Aziz Supermarket | 2530.00 |
| 28 Mar | N982 | Mansoura Motors | 1056.00 |

Sales Journal of

| Date | Inv No | Customer/Accounts Receivable | Total Owing |
|------|--------|------------------------------|-------------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
|------|-------------|-------|--------|---------|--|
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Practice

Practice activity 33

Use the information below to prepare the Sales and Sales Returns and Allowances Journal, Journal, post to the Ledger.

| Qatar Luxury Furnishings | | |
|--------------------------|-----------|------------|
| TAX INVOICE | | |
| To | S Ibrihim | |
| 3 Feb | | No 954 |
| Amount | | \$2 120.00 |
| GST | | \$ 212.00 |
| Total: | | \$2 332.00 |

| Qatar Luxury Furnishings | | |
|--------------------------|----------------|-----------|
| TAX INVOICE | | |
| To | Gulf Showrooms | |
| 9 Feb | | No 955 |
| Amount | | \$ 810.00 |
| GST | | \$ 81.00 |
| Total: | | \$ 891.00 |

| Qatar Luxury Furnishings | | |
|--------------------------|------------------|-----------|
| TAX INVOICE | | |
| To | Desert Furniture | |
| 10 Feb | | No 956 |
| Amount | | \$ 650.00 |
| GST | | \$ 65.00 |
| Total: | | \$ 715.00 |

| Qatar Luxury Furnishings | | |
|--------------------------|-----------|------------|
| TAX INVOICE | | |
| To | S Ibrihim | |
| 24 Feb | | No 957 |
| Amount | | \$3 000.00 |
| GST | | \$ 300.00 |
| Total: | | \$3 300.00 |

| | | |
|---------------------------------|---------------|------------|
| Qatar Luxury Furnishings | | |
| TAX INVOICE | | |
| To | Global Design | |
| 24 Feb | No | 958 |
| Amount | | \$5 800.00 |
| GST | | \$ 580.00 |
| Total: | | |

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|---------------------------------|------------------|------------|
| Qatar Luxury Furnishings | | |
| TAX INVOICE | | |
| To | Desert Furniture | |
| 27 Feb | No | 957 |
| Amount | | \$2 150.00 |
| GST | | |
| Total: | | |

| | | |
|---------------------------------|-----------|-----------|
| Qatar Luxury Furnishings | | |
| TAX ADJUSTMENT NOTE | | |
| To | S Ibrihim | |
| 4 Feb | No | 780 |
| Amount | | \$ 300.00 |
| GST | | \$ 30.00 |
| Total: | | \$ 330.00 |

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|---------------------------------|---------------|-----------|
| Qatar Luxury Furnishings | | |
| TAX ADJUSTMENT NOTE | | |
| To | Gulf Showroom | |
| 12 Feb | No | 781 |
| Amount | | \$ 100.00 |
| GST | | \$ 10.00 |
| Total: | | \$ 110.00 |

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|---------------------------------|---------------|------------|
| Qatar Luxury Furnishings | | |
| TAX ADJUSTMENT NOTE | | |
| To | Global Design | |
| 26 Feb | No | 782 |
| Amount | | \$ 1050.00 |
| GST | | \$ 105.00 |
| Total: | | \$ 1155.00 |

Sales Journal of

| Date | Particulars | Invoice No. | Quantity | Rate | Amount | |
|------|-------------|-------------|----------|------|--------|--|
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Sales Returns And Allowances Journal of

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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Purchases Returns Journal of

Sales Journal of

| Date | Particulars | Invoice No. | Quantity | Rate | Amount | |
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Sales Returns Journal of

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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Practice

Practice activity 34

From the following transactions of Locks & Keys Security, prepare the appropriate journals and post to the Ledger.

| | |
|--------------------|---|
| December 1 | Sold steel grill door to G McKenzie for \$990, tax invoice no 28 |
| December 2 | Sold goods to S Mason for \$660, tax invoice no 29 |
| | Purchased assorted locks from B & R Locks work \$495, tax invoice no 4 |
| December 4 | Returned goods to B & R Locks valued at \$165, Adjustment Note no 126 |
| December 5 | S Mason returned goods worth \$220 that were purchased from us on 2 December, Adjustment Note 911 |
| December 9 | Sold window locks to The Bookstore for \$1650, tax invoice 30 |
| December 10 | Purchased security doors worth \$825 from Coastal Security tax invoice 89 |
| December 11 | We returned goods worth \$165 to Coastal Security Adjustment Note 25 |

Purchases Journal of

| Date | Particulars | Quantity | Rate | Amount | | |
|------|-------------|----------|------|--------|--|--|
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Purchases Returns Journal of

| Date | Particulars | Quantity | Rate | Amount | | |
|------|-------------|----------|------|--------|--|--|
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Sales Journal of

| Date | Particulars | Invoice No. | Invoice Date | Invoice Amount | Discount | Net Amount |
|------|-------------|-------------|--------------|----------------|----------|------------|
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Sales Returns Journal of

| Date | Particulars | Invoice No. | Invoice Date | Invoice Amount | Discount | Net Amount |
|------|-------------|-------------|--------------|----------------|----------|------------|
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Practice

Practice activity 35

The office accountant of Qatar Luxury Furnishings has provided you with the following Invoices and Adjustment Notes and has asked you to prepare the appropriate journals and post to the Ledger.

Copies of Invoices Issued

| Qatar Luxury Furnishings | | |
|--------------------------|--------|------------|
| TAX INVOICE | | |
| To | M Aziz | |
| 5 Feb | | No 105 |
| Amount | | \$8 020.00 |
| GST | | \$ 802.00 |
| Total: | | \$8 822.00 |

| Qatar Luxury Furnishings | | |
|--------------------------|--------|------------|
| TAX INVOICE | | |
| To | S Jazi | |
| 9 Feb | | No 106 |
| Amount | | \$2 410.00 |
| GST | | \$ 241.00 |
| Total: | | \$2 651.00 |

| Qatar Luxury Furnishings | | |
|--------------------------|------------------|-----------|
| TAX INVOICE | | |
| To | Jarir Publishing | |
| 11 Feb | | No 107 |
| Amount | | \$ 480.00 |
| GST | | \$ 48.00 |
| Total: | | \$ 528.00 |

| Qatar Luxury Furnishings | | |
|--------------------------|-----------|------------|
| TAX INVOICE | | |
| To | A Hussain | |
| 17 Feb | | No 108 |
| Amount | | \$6 000.00 |
| GST | | \$ 600.00 |
| Total: | | \$6 600.00 |

Qatar Luxury Furnishings

TAX INVOICE

| | |
|--------|------------------------|
| To | Al Emadi Constructions |
| 23 Feb | No 109 |
| Amount | \$1 120.00 |
| GST | \$ 112.00 |
| Total: | \$1 232.00 |

Qatar Luxury Furnishings

TAX INVOICE

| | |
|--------|---------------------|
| To | Hallmark Stationery |
| 25 Feb | No 110 |
| Amount | \$4 120.00 |
| GST | \$ 412.00 |
| Total: | \$4 532.00 |

Copies of Adjustment Notes Issued

Qatar Luxury Furnishings

TAX ADJUSTMENT NOTE

| | |
|--------|-----------|
| To | S Jazi |
| 12 Feb | No 801 |
| Amount | \$ 410.00 |
| GST | \$ 41.00 |
| Total: | \$ 451.00 |

Qatar Luxury Furnishings

TAX ADJUSTMENT NOTE

| | |
|--------|------------------|
| To | Jarir Publishing |
| 12 Feb | No 802 |
| Amount | \$ 480.00 |
| GST | \$ 48.00 |
| Total: | \$ 528.00 |

Qatar Luxury Furnishings

TAX ADJUSTMENT NOTE

| | |
|--------|-------------------------|
| To | All Emadi Constructions |
| 26 Feb | No 803 |
| Amount | \$ 250.00 |
| GST | \$ 25.00 |
| Total: | \$ 275.00 |

Copies of Invoices Received

Wholesale Furniture Distributors**TAX INVOICE**

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 5 Feb | No 954 |
| Amount | \$12 000.00 |
| GST | \$ 1 200.00 |
| Total: | \$13 200.00 |

Arabian Nights Furniture**TAX INVOICE**

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 7 Feb | No 7215 |
| Amount | \$5 400.00 |
| GST | \$ 540.00 |
| Total: | \$5 940.00 |

Desert Distributors**TAX INVOICE**

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 10 Feb | No 8217 |
| Amount | \$8 250.00 |
| GST | \$ 825.00 |
| Total: | \$9 075.00 |

Chair Wholesaler**TAX INVOICE**

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 12 Feb | No 71292 |
| Amount | \$11 000.00 |
| GST | \$ 1100.00 |
| Total: | \$12 100.00 |

The Outdoor Furniture Man**TAX INVOICE**

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 19 Feb | No B458 |
| Amount | \$ 9 150.00 |
| GST | \$ 915.00 |
| Total: | \$10 065.00 |

Wholesale Furniture Distributors**TAX INVOICE**

| | |
|--------|--------------------------|
| To | Qatar Luxury Furnishings |
| 26 Feb | No 250 |
| Amount | \$4 000.00 |
| GST | \$ 400.00 |
| Total: | \$4 400.00 |

Copies of Credit Notes Received

Chair Wholesaler

TAX ADJUSTMENT NOTE

Qatar Luxury Furnishings

| | |
|--------|-------------|
| 14 Feb | No 458 |
| Amount | \$ 1 000.00 |
| GST | \$ 100.00 |
| Total: | \$ 1 100.00 |

Arabian Nights Furniture

TAX ADJUSTMENT NOTE

Qatar Luxury Furnishings

| | |
|--------|-------------|
| 16 Feb | No 148 |
| Amount | \$ 2 400.00 |
| GST | \$ 240.00 |
| Total: | \$ 2 640.00 |

The Outdoor Furniture Man

TAX ADJUSTMENT NOTE

Qatar Luxury Furnishings

| | |
|--------|-----------|
| 21 Feb | No 784 |
| Amount | \$ 650.00 |
| GST | \$ 65.00 |
| Total: | \$ 715.00 |

Purchases Journal of

| Date | Particulars | Invoice No. | Invoice Date | Invoice Amount | Discount | Net Amount |
|------|-------------|-------------|--------------|----------------|----------|------------|
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Purchases Returns Journal of

| Date | Particulars | Invoice No. | Invoice Date | Invoice Amount | Discount | Net Amount |
|------|-------------|-------------|--------------|----------------|----------|------------|
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Sales Journal of

| Date | Invoice No. | Particulars | Quantity | Unit Price | Total | Balance |
|------|-------------|-------------|----------|------------|-------|---------|
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Sales Returns Journal of

| Date | Invoice No. | Particulars | Quantity | Unit Price | Total | Balance |
|------|-------------|-------------|----------|------------|-------|---------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
|------|-------------|-------|--------|---------|--|
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Practice

Practice activity 36

a What journal is prepared from each of the documents below

| | |
|-----------------------------------|--|
| Invoices Received | |
| Copies of Adjustment Notes Issued | |
| Adjustment Notes Received | |
| Copies of Invoices Issued | |

b Complete the blanks numbered 1 – 10 in the journal below.

| Sales Journal of Qatar Stationery | | | | | | |
|-----------------------------------|------|-------------|-------|-----------------|---------------|----------|
| Date | 1) | Particulars | Folio | Sales | GST Collected | 2) |
| 11 Oct | 1015 | B Al Thani | | 600.00 | 60.00 | 660.00 |
| 18 Oct | 1016 | M Aziz | | 500.00 | 50.00 | 550.00 |
| 26 Oct | 3) | B Al Thani | | 1,200.00 | 4) | 1,320.00 |
| 28 Oct | 1018 | M Al Ghanim | | 1,250.00 | 5) | 6) |
| | | | | <u>3,550.00</u> | 7) | 8) |
| | | | | Cr | 9) | 10) |

c Complete the blanks numbered 1 – 10 in the journal below.

Ledger of Qatar Stationery

| Date | Particulars | Debit | Credit | Balance | |
|--|---------------------------|-----------|----------|-----------|-----|
| Purchases – E1 | | | | | |
| 6 October | 1) | 12,000.00 | | 12,000.00 | 2) |
| Purchases Returns and Allowances – E2 | | | | | |
| 6 October | Accounts Payable | | 3) | 240.00 | Cr |
| GST Paid – A1 | | | | | |
| 6 October | Accounts Payable | 1,200.00 | | 1,200.00 | Dr |
| 6 October | Accounts Payable | | 24.00 | 4) | 5) |
| Doha Stationery Distributor – L1 | | | | | |
| 1 October | Purchases and GST | | 5,500.00 | 5,500.00 | Cr |
| 1 October | Purchases Returns and GST | 220.00 | | 6) | Cr |
| 4 October | Purchases and GST | | 3,300.00 | 7) | Cr |
| QFS wll – L2 | | | | | |
| 3 October | Purchases and GST | | 3,300.00 | 3,300.00 | Cr |
| 4 October | 8) | 44.00 | | 9) | Cr |
| Qatar Bookstore – L3 | | | | | |
| 6 October | Purchases and GST | | 1,100.00 | 1,100.00 | 10) |

d Prepare a Trial Balance for the completed ledger in the activity above.

Trial Balance of

As at

| Account Name | Debit | Credit |
|--------------|-------|--------|
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The Purchases, Purchases Returns, Sales and Sales Returns Journals all record credit transactions. However, many business transactions are cash transactions. When a cash transaction takes place it must be recorded in either the Cash Receipts Journal or the Cash Payments Journal.

Examples of cash receipts will be cash sales, service fees for cash, receipts of cash from accounts receivable, interest received etc.

The source documents for cash receipts will be handwritten receipts, computer generated totals of cash sales dockets from the cash register, and the bank statement etc.

Examples of cash payments will be cash purchases, wages, rent, electricity, interest paid, payment to accounts payable, etc.

The source documents for cash payments will be cheque butts and bank statements etc.

The example of the cash receipts journal below is a simple one and assumes an analysis of sales is not required.

Cash Receipts Journal of City Pharmacy

| Date | Reference | Particulars | Cash Sales | Accounts Receivable | Sundry Receipts |
|---------|-----------|-------------|---------------|---------------------|-----------------|
| March 1 | Rec 455 | T Rasic | | 1,500.00 | |
| March 4 | CRS | Cash Sales | 500.00 | | |
| March 7 | Rec 456 | H Atalya | | 400.00 | |
| March 7 | CRS | Cash Sales | 220.00 | | |
| March 7 | B/S | Interest | | | 225.00 |
| | | | <u>720.00</u> | <u>1,900.00</u> | <u>225.00</u> |
| | | | | Cr | Cr |

See the posting instructions on the bottom line of the journal. This indicates where the figures will be posted to the ledger.

Because it is a Cash Receipts Journal, the Bank Account will be increasing. Therefore, it will be debit. All the other columns will be credit.

Sales are increasing, therefore they are credit.

Accounts Receivables is decreasing (Accounts Receivable is paying us, reducing their account). GST is not recorded in the receipt from an Account Receivable because it has already been recorded in the original credit sales transaction.

Sundry receipts will be either other revenue accounts or could be decreasing asset accounts eg the sale of assets for cash.

GST Collected is a liability account, increasing and therefore credit.

The Cash Receipts Journal is now posted to the ledger.

Ledger of City Pharmacy

| Date | Particulars | Debit | Credit | Balance | |
|--------------------------|-----------------|----------|----------|----------|----|
| Sales | | | | | |
| March 7 | Cash at Bank | | 720.00 | 720.00 | Cr |
| Interest Received | | | | | |
| March 7 | Cash at Bank | | 225.00 | 225.00 | Cr |
| Cash at Bank | | | | | |
| March 7 | Sundry Receipts | 2,917.00 | | 2,917.00 | Dr |
| T Rasic | | | | | |
| March 1 | Cash at Bank | | 1,500.00 | 1,500.00 | Cr |
| H Atalya | | | | | |
| March 7 | Cash at Bank | | 400.00 | 400.00 | Cr |
| GST Collected | | | | | |
| March 7 | Sundry Receipts | | 72.00 | 72.00 | Cr |

The example of the Cash Payments Journal below is also a simple one and assumes a comprehensive analysis of payments or expenses is not required.

Cash Payments Journal of City Pharmacy

| Date | Reference | Particulars | Cash Sales | Accounts Receivable | Sundry Receipts | GST Collected |
|---------|-----------|-------------|---------------|---------------------|-----------------|---------------|
| March 1 | Rec 455 | T Rasic | | 1,500.00 | | |
| March 4 | CRS | Cash Sales | 500.00 | | | |
| March 7 | Rec 456 | H Atalya | | 400.00 | | |
| March 7 | CRS | Cash Sales | 220.00 | | | |
| March 7 | B/S | Interest | | | 225.00 | |
| | | | <u>720.00</u> | <u>1,900.00</u> | <u>225.00</u> | |
| | | | Cr | Cr | Cr | |

See the posting instructions on the bottom line of the journal. This indicates where the figures will be posted to the ledger.

Because it is a Cash Payments Journal, the Bank Account will be decreasing. Therefore, it will be credit. All the other columns will be debit.

Purchases are increasing, therefore they are debit.

Accounts Payable is decreasing (we are paying the Account Payable and reducing what we owe them), therefore debit.

Sundry Payments will be either other expense accounts or could be increasing asset accounts eg the purchase of assets for cash.

GST paid is an asset account, increasing and therefore debit.

Wages and Bank Charges are exempted from GST. GST is not recorded in the payment to an Account Payable because it has already been recorded in the original credit purchase transaction.

The Cash Payments Journal is now posted to the Ledger.

Ledger of City Pharmacy

| Date | Particulars | Debit | Credit | Balance | |
|---------------------|-----------------|----------|----------|----------|----|
| Purchases | | | | | |
| March 7 | Cash at Bank | 250.00 | | 250.00 | Dr |
| Wages | | | | | |
| March 6 | Cash at Bank | 1,100.00 | | 1,100.00 | Dr |
| Rent | | | | | |
| March 7 | Cash at Bank | 600.00 | | 600.00 | Dr |
| Cleaning | | | | | |
| March 7 | Cash at Bank | 35.00 | | 35.00 | Dr |
| Bank Fees | | | | | |
| March 7 | Cash at Bank | 25.00 | | 25.00 | Dr |
| Cash at Bank | | | | | |
| March 7 | Sundry Payments | | 3,298.50 | 3,298.50 | Cr |
| GST Paid | | | | | |
| March 7 | Cash at Bank | 88.50 | | 88.50 | Dr |
| M Sawadi | | | | | |
| March 1 | Cash at Bank | 1,200.00 | | 1,200.00 | Dr |



Practice

Practice activity 37

Complete the blanks in the Cash Receipts and Cash Payments Journals below.

Cash Receipts Journal of The Centre

| Date | Reference | Particulars | Cash Sales | Accounts 1) | Sundry Receipts | GST 2) |
|---------|-----------|-------------|---------------|-----------------|--------------------|--------------|
| April 1 | Rec 522 | P Thompson | | 1,250.00 | | |
| April 4 | CRS | Cash Sales | 200.00 | | | 20.00 |
| April 6 | Rec 532 | M Jazzi | | 1000.00 | | |
| April 6 | CRC | Cash Sales | 400.00 | | | 40.00 |
| April 7 | B/S | Interest | | | 7) | |
| | | | <u>600.00</u> | <u>2,250.00</u> | 8) | <u>60.00</u> |
| | | | Cr | Cr | Cr | Cr |

Cash Payments Journal of The Centre

| Date | Reference | Particulars | Cash Sales | Accounts 1) | Sundry Receipts | GST 2) |
|---------|-----------|-------------|---------------|-----------------|--------------------|--------------|
| April 1 | Rec 522 | P Thompson | | 1,250.00 | | |
| April 4 | CRS | Cash Sales | 200.00 | | | 20.00 |
| April 6 | Rec 532 | M Jazzi | | 1000.00 | | |
| April 6 | CRC | Cash Sales | 400.00 | | | 40.00 |
| April 7 | B/S | Interest | | | 7) | |
| | | | <u>600.00</u> | <u>2,250.00</u> | 8) | <u>60.00</u> |
| | | | Cr | Cr | Cr | Cr |



Practice

Practice activity 38

Using the information below for Office Supplies wll, prepare the Cash Receipts Journal and post to the Ledger.

Summary of Receipts and Cash Register Summaries (CRS)

| Date | Reference | Customer/Accounts Receivable | Amount | GST Collected | Total Received |
|--------|-----------|------------------------------|---------|---------------|----------------|
| 5 Feb | 925 | P Austin | 1650.00 | | 1650.00 |
| 8 Feb | CRS | Cash Sales | 380.00 | 38.00 | 418.00 |
| 19 Feb | 926 | M Hussain | 1100.00 | | 1100.00 |
| 22 Feb | CRS | Cash Sales | 500.00 | 50.00 | 550.00 |

Cash Receipts Journal of

| Date | Ref | Particulars | Cash Sales | Accounts Receivable | Sundry Receipts | GST Collected | Details | Bank |
|------|-----|-------------|------------|---------------------|-----------------|---------------|---------|------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Banking



Practice

Practice activity 39

Using the information below, prepare the Cash Receipts Journal for Qatar Cleaning Contractors and post to the ledger. You will have to calculate the GST for this exercise.

Summary of receipts issued, cash register summaries and bank statement information.

| Date | Reference | Customer/Accounts Receivable | Total Received |
|--------|-----------|------------------------------|----------------|
| 12 Mar | 1154 | Al Dafna Stationery | 880.00 |
| 12 Mar | CRS | Cash sales | 660.00 |
| 20 Mar | 1155 | Aziz Supermarket | 2530.00 |
| 26 Mar | CRS | Cash Sales | 1320.00 |
| 31 Mar | B/S | Bank Interest Received | 17.50 |

Remember, Interest Revenue is exempted from GST.

Cash Receipts Journal of

| Date | Ref | Particulars | Cash Sales | Accounts Receivable | Sundry Receipts | GST Collected | Details | Bank |
|------|-----|-------------|------------|---------------------|-----------------|---------------|---------|------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Practice

Practice activity 40

Use the information from the documents below to prepare the Cash Receipts Journal and post to the Ledger.

Qatar Luxury Furnishings

Receipt No 258

| | | |
|---------|-----------|------------|
| To | S Ibrihim | |
| 2 March | | |
| Amount | | \$ 6000.00 |
| GST | | \$ 600.00 |
| Total: | | \$ 6600.00 |

Qatar Luxury Furnishings

Receipt No 259

| | | |
|----------|----------------|------------|
| To | Gulf Showrooms | |
| 12 March | | |
| Amount | | \$ 2100.00 |
| GST | | \$ 210.00 |
| Total: | | \$ 2310.00 |

Qatar Luxury Furnishings

Receipt No 260

| | | |
|----------|------------------|-----------|
| To | Desert Furniture | |
| 23 March | | |
| Amount | | \$ 850.00 |
| GST | | \$ 85.00 |
| Total: | | \$ 935.00 |

Qatar Luxury Furnishings

Receipt No 261

| | | |
|----------|-----------|------------|
| To | S Ibrihim | |
| 27 March | | |
| Amount | | \$ 2110.00 |
| GST | | \$ 211.00 |
| Total: | | \$ 2321.00 |

Qatar Luxury Furnishings

Cash Register Summary

| | | |
|----------|--|-------------|
| 14 March | | |
| Amount | | \$12 500.00 |
| GST | | \$ 1 250.00 |
| Total: | | \$13 750.00 |

Qatar Luxury Furnishings

Cash Register Summary

| | | |
|----------|--|-------------|
| 27 March | | |
| Amount | | \$ 3 450.00 |
| GST | | \$ 345.00 |
| Total: | | \$ 3795.00 |

Cash Receipts Journal of

| Date | Ref | Particulars | Cash Sales | Accounts Receivable | Sundry Receipts | GST Collected | Details | Bank |
|------|-----|-------------|------------|---------------------|-----------------|---------------|---------|------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Practice

Practice activity 41

Using the information below for Office Decore, prepare the Cash Payments and post to the Ledger.

Summary of cheques issued and bank statement information.

| Date | Cheque No | Supplier/Accounts Payable | Amount | GST Paid | Total Paid |
|--------|-----------|---------------------------|---------|----------|------------|
| 3 Feb | 714 | M Al Bustan | 500.00 | 50.00 | 550.00 |
| 9 Feb | 715 | H Lawrence | 460.00 | 46.00 | 506.00 |
| 12 Feb | 716 | Wages | 1000.00 | | 1000.00 |
| 18 Feb | 717 | Rent | 1500.00 | 150.00 | |
| | | Electricity | 130.00 | 13.00 | 1793.00 |
| 26 Feb | 718 | J Cowan | 170.00 | 17.00 | 187.00 |
| 28 Feb | B/S | Bank Fees | 40.00 | | 40.00 |

Remember, Bank Fees are exempted from GST.

Cash Payments Journal of

| Date | Ref | Particulars | Purchases | Accounts Payable | Sundry Expenses | GST Paid | Details | Bank |
|------|-----|-------------|-----------|------------------|-----------------|----------|---------|------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Practice

Practice activity 42

Using the information below, prepare the Cash Payments Journal for Clean Easy will and post to the ledger. You will have to calculate the GST for this exercise.

Summary of cheques issued and bank statement information received.

| Date | Ch No | Supplier/Accounts Payable | Total Paid |
|--------|-------|---------------------------|------------|
| 8 Mar | 256 | Purchases | 990.00 |
| 9 Mar | 257 | J Carey (Acc Pay) | 660.00 |
| 12 Mar | 258 | Rent | 1100.00 |
| 17 Mar | 259 | M Ibrihim (Acc Pay) | 1155.00 |
| 17 Mar | 260 | Cartage | 55.00 |
| 22 Mar | 261 | Stationery | 88.00 |
| 25 Mar | 262 | J Mansoura (Acc Pay) | 539.00 |
| 28 Mar | 263 | Purchases | 385.00 |
| 31 Mar | B/S | EFTPOS fees | 110.00 |

Cash Payments Journal of

| Date | Ref | Particulars | Purchases | Accounts Payable | Sundry Expenses | GST Paid | Details | Bank |
|------|-----|-------------|-----------|------------------|-----------------|----------|---------|------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Practice

Practice activity 43

Using the information below, prepare the Cash Payments Journal for Clean Easy wll and post to the ledger. You will have to calculate the GST for this exercise.

Qatar Luxury Furnishings

Cheque No 161
Date 4 March
To Soft Furnishings
For Settlement of A/c

Amount \$935.00

Qatar Luxury Furnishings

Cheque No 162
Date 8 March
To Cash
For Purchases

Amount \$440.00

Qatar Luxury Furnishings

Cheque No 163
Date 9 March
To Kitchen Distributors
For Settlement of A/c

Amount \$7 315.00

Qatar Luxury Furnishings

Cheque No 164
Date 19 March
To Cash
For Purchases

Amount \$550.00

Qatar Luxury Furnishings

Cheque No 165
Date 24 March
To Doha Furn Distributors
For Settlement of A/c

Amount \$7 700.00

Qatar Luxury Furnishings

Cheque No 166
Date 26 March
To DHL
For Freight

Amount \$1100.00

Qatar Luxury Furnishings

Cheque No 167
Date 26 March
To QP Workshop
For Repairs

Amount \$585.00

Qatar Luxury Furnishings

Cheque No 168
Date 28 March
To Cash
For Wages

Amount \$500.00

Qatar Luxury Furnishings

Cheque No 169
Date 30 March
To Cash
For Purchases

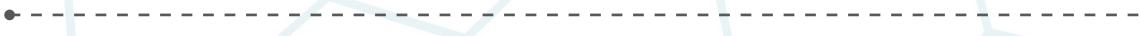
Amount \$110.00

Other information:

The bank statement revealed that EFTPOS fees of \$45.00 had been deducted from our bank account on 31 March.

Cash Payments Journal of

| Date | Ref | Particulars | Purchases | Accounts Payable | Sundry Expenses | GST Paid | Details | Bank |
|------|-----|-------------|-----------|------------------|-----------------|----------|---------|------|
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LEDGER OF

| Date | Particulars | Debit | Credit | Balance | |
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Practice

Practice activity 44

From the following information about Abu Hamor Painting Service, write up the Cash Receipts and Cash Payments Journals for the month of January and post to the Ledger. The ledger has opening balances for some accounts. The business is not registered for GST.

| | |
|---------------|--|
| Jan 1 | Purchased paint supplies from \$200 cash, cheque no 72. |
| Jan 4 | Received service fees in cash of \$1 000, receipt no 27. |
| Jan 5 | Received \$2 500 from B Armstrong in settlement of account, receipt no 28. |
| Jan 7 | Paid \$150 for office expenses, cheque no 73. |
| | Paid wages of \$500, cheque no 74. |
| Jan 9 | Received rent from tenant of \$500, receipt no 29. |
| Jan 12 | Performed services for \$1 500 cash, receipt no 30. |
| Jan 13 | Received \$10 Interest on investments, receipt no 31. |
| Jan 14 | Paid wages of \$500, cheque no 75. |

Cash Receipts Journal of

| Date | Ref | Particulars | Service Fees | Accounts Receivable | Sundry Receipts | GST Collected | Details | Bank |
|------|-----|-------------|--------------|---------------------|-----------------|---------------|---------|------|
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Cash Payments Journal of

| Date | Ref | Particulars | Purchases | Accounts Payable | Sundry Expenses | GST Paid | Details | Bank |
|------|-----|-------------|-----------|------------------|-----------------|----------|---------|------|
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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
|-------------------------|-------------|-------|--------|---------|----|
| Service Fees | | | | | |
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| Rent Revenue | | | | | |
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| Interest Revenue | | | | | |
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| Supplies Expense | | | | | |
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| Office Expenses | | | | | |
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| Wages | | | | | |
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| Cash at Bank | | | | | |
| Jan 1 | Balance | | | 10 000 | Dr |
| | | | | | |
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| | | | | | |
| B Armstrong | | | | | |
| Jan 1 | Balance | | | 2 500 | Dr |
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| Capital | | | | | |
| Jan 1 | Balance | | | 12 500 | Cr |
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Practice

Practice activity 45

From the following information about Fixit Smash Repairs, prepare the appropriate journals and post to the Ledger. The business is registered for GST and has the following opening balances in the Ledger.

| | |
|--------------|------------|
| Cash at Bank | \$8 200 Dr |
| White & Sons | \$ 500 Dr |
| B Rudd | \$ 750 Dr |
| Capital | \$9 450 Cr |

FIXIT Smash Repairs

Receipt No 279

To **White & Sons**
for Settlement of account
1 October
Amount \$ 500.00

FIXIT Smash Repairs

Receipt No 280

To **B Rudd**
for Settlement of account
4 Oct
Amount \$ 750.00

FIXIT Smash Repairs

Receipt No 281

To **Cash**
for Services Performed
7 Oct
Amount \$ 2 200.00
(incl GST)

FIXIT Smash Repairs

Receipt No 282

To **Cash**
for Services Performed
12 Oct
Amount \$ 550.00
(incl GST)

Cash Receipts Journal of

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Cash Payments Journal of

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LEDGER OF

| Date | Particulars | Debit | Credit | Balance | |
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Practice

Practice activity 46

From the following information about Al Saad Sports Store, write up the appropriate journals, post to the Ledger and prepare a Trial Balance. The business is registered for GST. The relevant opening Account balances at 1 August are as follows:

| | |
|---------------|-------------|
| Cash at Bank | \$30 000 Dr |
| R Ibrihim | 200 Dr |
| G Booth | 200 Dr |
| G Aziz | 800 Dr |
| GST Paid | 2 750 Dr |
| T Ahmed | 170 Cr |
| C Aboul | 105 Cr |
| GST Collected | 5 200 Cr |
| Capital | 28 475 Cr |

| | |
|---------------|---|
| Aug 1 | Paid T Ahmed \$159, cheque no 101. |
| | Adjustment note no 16 showing a \$11 adjustment received from T Ahmed. |
| Aug 12 | Received \$200 from R Ibrihim, receipt no 29. |
| | Cash sales of \$165. |
| Aug 13 | Purchased hockey sticks for cash \$110, cheque no 102. |
| | Sold goods for \$220 cash. |
| Aug 24 | Paid \$110 for electricity and \$495 for rent, cheque no 103. |
| Aug 25 | Bought a new vehicle for \$17 600 cash, cheque no 104. |
| Aug 26 | Cash sales of \$880. |
| | Purchased sports shoes for \$242 cash, cheque no 105 |
| | Adjustment note no 52 issued to G Booth for \$22. |
| Aug 27 | G Booth settled his account in full (after consideration of adjustment) note) |
| | Cash sales of \$825. |
| | Paid C Aboul amount owing cheque no 106. |
| Aug 30 | Cash purchase of tennis racquets for \$220, cheque no 107. |

Sales Returns Journal of

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Cash Receipts Journal of

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Cash Payments Journal of

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Trial Balance of

As at

| Account Name | Debit | Credit |
|--------------|-------|--------|
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Practice

Practice activity 47

From the following documents for Gulf Traders, owner T Fahad, prepare the appropriate journals, post to the Ledger and take out a Trial Balance. The business is a continuing one and the balances in the ledger accounts as at 1 July were as follows:

| | |
|----------------------------|-------------|
| Cash at Bank | \$20 000 Dr |
| <i>Accounts Receivable</i> | |
| N Abdullah | 11 800 Dr |
| I Faisal | 460 Dr |
| Inventories | 8 000 Dr |
| Furniture | 16 000 Dr |
| <i>Accounts Payable</i> | |
| M Burney | 1 500 Cr |
| W Hussain | 1 000 Cr |
| Capital | 53 760 Cr |

| | | |
|---------------------|------------|-------------|
| Gulf Traders | | |
| TAX INVOICE | | |
| To | N Abdullah | |
| 2 Jul | | No 200 |
| TOTAL | | \$ 3 190.00 |
| (Incl GST) | | |

| | | |
|---------------------|----------|-------------|
| Gulf Traders | | |
| TAX INVOICE | | |
| To | I Faisal | |
| 10 Jul | | No 201 |
| TOTAL | | \$ 1 749.00 |
| (Incl GST) | | |

| | | |
|---------------------|------------|------------|
| Gulf Traders | | |
| TAX INVOICE | | |
| To | N Abdullah | |
| 28 Jul | | No 202 |
| TOTAL | | \$1 980.00 |
| (Incl GST) | | |

| | | |
|---------------------|----------|-------------|
| Gulf Traders | | |
| TAX INVOICE | | |
| To | P Clarke | |
| 31 Jul | | No 203 |
| TOTAL | | \$ 7 700.00 |
| (Incl GST) | | |

Gulf Traders**TAX ADJUSTMENT NOTE**

| | | |
|------------|------------|-----------|
| To | N Abdullah | |
| 9 Jul | | No 10 |
| TOTAL | | \$ 968.00 |
| (Incl GST) | | |

Gulf Traders**TAX ADJUSTMENT NOTE**

| | | |
|------------|----------|-----------|
| To | I Faisal | |
| 29 Jul | | No 11 |
| TOTAL | | \$ 330.00 |
| (Incl GST) | | |

M BURNEY**TAX INVOICE**

| | | |
|------------|--------------|-------------|
| To | GULF TRADERS | |
| 4 Jul | | No 405 |
| TOTAL | | \$ 2 200.00 |
| (Incl GST) | | |

W HUSSAIN**TAX INVOICE**

| | | |
|------------|--------------|-------------|
| To | GULF TRADERS | |
| 15 Jul | | No 60 |
| TOTAL | | \$ 1 892.00 |
| (Incl GST) | | |

W HUSSAIN**TAX INVOICE**

| | | |
|------------|--------------|-------------|
| To | GULF TRADERS | |
| 24 Jul | | No 460 |
| TOTAL | | \$ 1 474.00 |
| (Incl GST) | | |

D PHILLIPS**TAX INVOICE**

| | | |
|------------|--------------|-----------|
| To | GULF TRADERS | |
| 31 Jul | | No 98 |
| TOTAL | | \$ 440.00 |
| (Incl GST) | | |

W HUSSAIN**TAX ADJUSTMENT NOTE**

| | | |
|------------|--------------|-----------|
| To | GULF TRADERS | |
| 9 Jul | | No 21 |
| TOTAL | | \$ 220.00 |
| (Incl GST) | | |

M BURNEY**TAX ADJUSTMENT NOTE**

| | | |
|------------|--------------|-------------|
| To | GULF TRADERS | |
| 9 Jul | | No 40 |
| TOTAL | | \$ 2 200.00 |
| (Incl GST) | | |

| GULF TRADERS | |
|----------------------|--------------------|
| Receipt No 87 | |
| To | N Abdullah |
| For | Payment of account |
| 1 Jul | |
| Amount | \$11 800.00 |

| GULF TRADERS | |
|----------------------|-------------------|
| Receipt No 88 | |
| To | Qatar Real Estate |
| For | Rent |
| 4 Jul | |
| Amount | \$2 200.00 |

| GULF TRADERS | |
|----------------------|-----------|
| Receipt No 89 | |
| To | QNB |
| For | Interest |
| 10 Jul | |
| Amount | \$ 500.00 |

| GULF TRADERS | |
|----------------------|--------------------|
| Receipt No 90 | |
| To | I Faisal |
| For | Payment of account |
| 15 Jul | |
| Amount | \$1 600.00 |

| GULF TRADERS | |
|----------------------|--------------------|
| Receipt No 91 | |
| To | N Abdullah |
| For | Payment of account |
| 31 Jul | |
| Amount | \$2 820.00 |

| GULF TRADERS | |
|----------------------|-------------------|
| Receipt No 92 | |
| To | Qatar Real Estate |
| For | Rent |
| 31 Jul | |
| Amount | \$2 200.00 |

| GULF TRADERS | |
|------------------------------|-------------|
| Cash Register Summary | |
| (incl GST) | |
| 1 Jul | \$12 980.00 |

| GULF TRADERS | |
|------------------------------|------------|
| Cash Register Summary | |
| (incl GST) | |
| 10 Jul | \$9,900.00 |

| GULF TRADERS | |
|------------------------------|------------|
| Cash Register Summary | |
| (incl GST) | |
| 31 Jul | \$5 060.00 |

GULF TRADERS

Cheque No 941

Date 2 Jul
To M Burney
For Payment of Account
Amount \$1 200

GULF TRADERS

Cheque No 942

Date 3 Jul
To Cash
For Wages
Amount \$2 800

GULF TRADERS

Cheque No 943

Date 10 Jul
To Cash
For Wages
Amount \$2 800

GULF TRADERS

Cheque No 944

Date 15 Jul
To Kahraama
For Electricity
Amount \$1 672

GULF TRADERS

Cheque No 945

Date 17 Jul
To Cash
For Wages
Amount \$2 800

GULF TRADERS

Cheque No 946

Date 23 Jul
To Al Meera
For Sundry Expenses
Amount \$ 550

GULF TRADERS

Cheque No 947

Date 24 Jul
To Cash
For Wages \$ 2800
Drawings \$1 000
Amount \$3 800

GULF TRADERS

Cheque No 948

Date 31 Jul
To Cash
For Wages
Amount \$2 800

GULF TRADERS

Cheque No 949

Date 31 Jul
To Cash
For Purchases
Amount \$5 500

Purchases Journal of

Purchases Returns Journal of

Sales Journal of

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Sales Returns Journal of

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Cash Receipts Journal of

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Ledger of

| Date | Particulars | Debit | Credit | Balance | |
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Trial Balance of

As at

| Account Name | Debit | Credit |
|--------------|-------|--------|
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Practice

Practice activity 48

Write the appropriate journal next to the transactions below.

| | |
|---|--|
| Records purchases of goods on credit | |
| Records adjustments made to goods purchased on credit | |
| Records sales of goods on credit | |
| Records the adjustment made to goods sold on credit | |
| Records the receipt of cash | |
| Records the payment of cash | |

The activity above summarises the six types of transactions we have been working with so far. However, there are many transactions that do not fit neatly into one of these journals. For example, the purchase of an asset on credit. Although it is a credit purchase, it cannot be recorded in the Purchases Journal because it is not the purchase of goods for resale. The correction of errors is also another common transaction that we have to record and it does not fit into one of the journals above.

The General Journal accommodates all other business transactions that do not fit into one of the six specialised journals.

Following are examples of common General Journal transactions. See how the General Journal entries are posted to the Ledger.

Opening entry

The opening entry will be recorded at the beginning of the life of the business. It will record the Assets and Liabilities that the owner introduces into the business.

Example

M Haidar commences business as Haidar Camping Supplies on 1 January. He introduces the following Assets into the business.

| | |
|-------------|----------|
| Equipment | \$15,000 |
| Vehicle | \$22,500 |
| Inventories | \$12,000 |

General Journal of Haidar Camping Supplies

| Date | Particulars | Debit | Credit |
|--|-------------|-----------|-----------|
| January 1 | Equipment | 15,000.00 | |
| | Vehicle | 22,500.00 | |
| | Inventories | 12,000.00 | |
| | Capital | | 49,500.00 |
| (Owner commenced business and introduced assets) | | | |

Ledger of Haidar Camping Supplies

| Date | Particulars | Debit | Credit | Balance | |
|--------------------|-----------------|-----------|-----------|-----------|----|
| Equipment | | | | | |
| January 1 | Capital | 15,000.00 | | 15,000.00 | Dr |
| Vehicle | | | | | |
| January 1 | Capital | 22,500.00 | | 22,500.00 | Dr |
| Inventories | | | | | |
| January 1 | Capital | 12,000.00 | | 12,000.00 | Dr |
| Capital | | | | | |
| January 1 | Sundry Accounts | | 49,500.00 | 49,500.00 | Cr |

Purchase of an Asset on credit

As mentioned previously, when an Asset is purchased on credit, it will be recorded in the General Journal. If the Assets are purchased for cash, they will of course be recorded in the Cash Payments Journal.

Example

Haidar Camping Supplies purchased Shop Fittings on credit from Qatar Shop Fitters for \$19,800.00 on 3 January. Tax Invoice A627 was issued.

General Journal of Haidar Camping Supplies

| Date | Particulars | Debit | Credit |
|---|--------------------|-----------|-----------|
| January 3 | Shop Fittings | 18,000.00 | |
| | GST Paid | 1,800.00 | |
| | Qatar Shop Fitters | | 19,800.00 |
| (Invoice A627 received for Shop Fittings on credit) | | | |

Ledger of Haidar Camping Supplies

| Date | Particulars | Debit | Credit | Balance | |
|---------------------------|-----------------------|-----------|-----------|-----------|----|
| Shop Fittings | | | | | |
| January 3 | Qatar Shop Fitters | 18,000.00 | | 18,000.00 | Dr |
| GST Paid | | | | | |
| January 3 | Qatar Shop Fitters | 1,800.00 | | 1,800.00 | Dr |
| Qatar Shop Fitters | | | | | |
| January 3 | Shop Fittings and GST | | 19,800.00 | 19,800.00 | Cr |

Sale of an Asset on credit

If an Asset is sold on credit, it will also be recorded in the General Journal.

Example

Haidar Camping Supplies sold a vehicle on credit to Qatar Insurance wll for \$16,500.00 on January 6. Tax invoice 344 was issued.

General Journal of Haidar Camping Supplies

| Date | Particulars | Debit | Credit |
|---|---------------------|-----------|-----------|
| January 6 | Qatar Insurance wll | 16,500.00 | |
| | Vehicle | | 15,000.00 |
| | GST Collected | | 1,500.00 |
| (Sold vehicle on credit and issued tax invoice 344) | | | |

Ledger of Haidar Camping Supplies

| Date | Particulars | Debit | Credit | Balance | |
|----------------------------|-----------------------|-----------|-----------|-----------|----|
| Vehicle | | | | | |
| January 6 | Qatar Insurance wll | | 15,000.00 | 15,000.00 | Cr |
| Qatar Insurance wll | | | | | |
| January 6 | Shop Fittings and GST | 16,500.00 | | 16,500.00 | Dr |
| GST Collected | | | | | |
| January 6 | Qatar insurance wll | | 1,500.00 | 1,500.00 | Cr |

Bad Debts

When it is discovered that an Account Receivable is unable to pay his account, we will write it off as a Bad Debt. We do this only when we are notified that the Receivable is unable to pay. It is better to remove the debt from our books than continue reporting it as an Account Receivable.

Example

M Jackson has owed our business \$1,870.00 for over six months. We have just been notified that he is declared bankrupt and unable to pay his debts. On January 12 we decide to write off his account as a Bad Debt.

General Journal of Haidar Camping Supplies

| Date | Particulars | Debit | Credit |
|---|---------------|----------|----------|
| January 12 | Bad debts | 1,700.00 | |
| | GST collected | 170.00 | |
| | M Jackson | | 1,870.00 |
| (Wrote off Jackson's account as a bad debt) | | | |

Ledger of Haidar Camping Supplies

| Date | Particulars | Debit | Credit | Balance | |
|----------------------|-----------------------------|----------|----------|----------|----|
| Bad Debts | | | | | |
| January 12 | M Jackson | 1,700.00 | | 1,700.00 | Dr |
| M Jackson | | | | | |
| January 12 | Bad Debts and GST Collected | | 1,870.00 | 1,870.00 | Cr |
| GST Collected | | | | | |
| January 6 | M Jackson | 170.00 | | 170.00 | Dr |

Correction of errors

Occasionally, errors may be made in the records. It is preferable that these are corrected by way of a General Journal entry.

You will always have to identify the accounts involved, and determine whether the accounts are to be increased or decreased.

Example

M Haidar has discovered that when he recorded his Rent Expense last month he also included his Electricity Account of \$300.00. The GST was recorded correctly. Show the General Journal entry to correct this error on 15 January.

General Journal of Haidar Camping Supplies

| Date | Particulars | Debit | Credit |
|--|-------------|--------|--------|
| January 15 | Electricity | 300.00 | |
| | Rent | | 300.00 |
| (Correction of error – electricity incorrectly recorded as rent) | | | |

Ledger of Haidar Camping Supplies

| Date | Particulars | Debit | Credit | Balance | |
|--------------------|-------------|--------|--------|---------|----|
| Rent | | | | | |
| January 15 | Electricity | | 300.00 | 300.00 | Cr |
| Electricity | | | | | |
| January 15 | Rent | 300.00 | | 300.00 | Dr |



Practice

Practice activity 49

Prepare the General Journal entries for each of the transactions below and post each to the ledger.

| | |
|--------------|---|
| 1 May | Mohamed Ashqar commenced business as Al Gharrafa Bookshop with the following Assets. Bank \$12,300, Account Receivable – A Thompson \$110, Computer \$5,150, Vehicle \$32,000. |
| 2 May | Al Gharrafa Bookshop purchased a cash register for \$1,100, (including GST) Inv 447. |
| 3 May | We are notified that A Thompson has been declared bankrupt. It was decided to write off Thompson's account as a Bad Debt. |
| 5 May | The Repairs Account was charged \$100 incorrectly instead of Freight. |

General Journal of Al Gharrafa Bookshop

| Date | Account Name | Debit | Credit |
|------|--------------|-------|--------|
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Practice

Practice activity 50

From the transactions of Metro Sports Store, prepare the necessary journals, post to the Ledger and take out a Trial Balance at 30 April. The business is registered for GST. The Ledger of Metro Sports Store shows the following opening balances at 1 April:

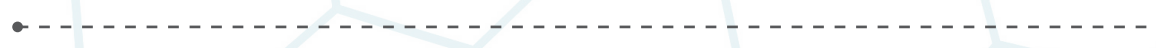
| | |
|---------------------|-----------|
| Cash in Hand | 200 Dr |
| Cash at Bank | 800 Dr |
| Accounts Receivable | |
| T Blake | 100 Dr |
| L Gibson | 220 Dr |
| Inventories | 6 900 Dr |
| Vehicle | 6 000 Dr |
| Equipment | 10 000 Dr |
| Buildings | 82 000 Dr |
| Land | 82 000 Dr |
| Accounts Payable | |
| Fast Footwear | 1 000 Cr |
| G Wall | 200 C |
| Loan – QIB | 4 000 Cr |
| Capital | ? |

| | |
|-----------------|---|
| April 2 | Sold tennis racquets to T Blake for \$440 cash, receipt no 48. |
| | Purchased running shoes from Fast Footwear for \$660, tax invoice 251 |
| | Paid \$1000 off the bank loan, cheque no 271. |
| | Cash sales of \$2 200. |
| April 3 | Owner withdrew cash (Drawings) of \$800, cheque 272. |
| April 4 | Sold vehicle on credit to Ahmed's Autos for \$6 600. |
| | Purchased basket balls from G Wall for \$440, tax invoice 163. |
| | Cash sales \$330. |
| April 5 | T Blake settled his account in full, receipt no 49. |
| | Paid Fast Footwear \$500, cheque 273. |
| | Sold set of golf clubs to L Gibson for \$1 100, tax invoice 10. |
| April 7 | Purchased footballs from G Wall for \$220, tax invoice no 75. |
| April 8 | Returned goods to the value of \$110 to G Wall, adjustment note 81. |
| April 10 | Cash sales \$2 200. |
| | Paid \$100 interest on loan cheque no 274. |
| April 17 | Received an allowance for damaged goods from G Wall of \$11 adjustment note no 26. |
| April 19 | L Gibson returned inventories to the value of \$22, adjustment note no. 97. |
| April 20 | Cash sales of \$176. |
| | Received \$200 from L Gibson, receipt no 50. |
| April 23 | Bought Land for \$66 000 incl GST from Sun & Sand Properties, repayable over 12 months. |
| April 25 | Sold rowing machine to T Blake for \$660, tax invoice no 11. |
| April 26 | Fast Footwear charged us \$20 interest on our overdue account. |
| April 27 | Purchased inventories for \$220 cash from T Mason 039. |
| | Paid Quick News for Stationery \$110 and Advertising \$605 with cheque no 275. |

Purchases Journal of

Purchases Returns Journal of

Sales Journal of



Sales Returns Journal of

| | | | | | | |
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Cash Receipts Journal of

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Cash Payments Journal of

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Extract a Trial Balance and interim reports

Processing of special transactions

Special transactions refer to those transactions that do not occur frequently eg purchase and sale of Non-Current Assets such as Vehicles, Equipment etc and writing off Bad Debts.

We have already seen how to record the General Journal entries for these transactions and post them to the ledger.

Some other special transactions include the following:

1 Introduction of additional Capital

When the owner introduces non-cash assets to commence a business a general journal entry is prepared to record this 'opening entry'. However, at various times throughout the life of the business, the owner may wish to introduce additional capital. This would be recorded in the cash receipts journal as follows:

Cash Receipts Journal (extract)

| Date | Reference | Particulars | Cash sales | Accounts receivable | Sundry receivable | GST collected | Details | Bank |
|-----------|-----------|-------------|------------|---------------------|-------------------|---------------|---------|-----------|
| January 1 | Rec 569 | Capital | | | 10,000.00 | | | 10,000.00 |

In this example, the owner has introduced an additional \$10,000.00 cash into the business.

2 Withdrawal of cash by the owner

When the owner decides to withdraw cash from the business, an entry is recorded in the Cash Payments Journal as follows:

Cash payments journal (extract)

| Date | Reference | Particulars | Cash sales | Accounts receivable | Sundry receivable | GST collected | Details | Bank |
|-----------|-----------|-------------|------------|---------------------|-------------------|---------------|---------|----------|
| January 3 | Ch 226 | Drawings | | | 5,000.00 | | | 5,000.00 |

A new account called Drawings is introduced to keep a separate record of the cash withdrawn by the owner.

3 Administration Fees payable and receivable on overdue accounts

When one business has established a credit account with another business, a simple contract will be agreed to by both parties outlining the terms and conditions of this credit agreement. Unless specified in this agreement, businesses cannot charge Interest on overdue accounts. However, where an account is overdue, the vendor can pass on any additional costs incurred in receiving payment from the debtor. Therefore, an Administration Fee is sometimes charged.

While Interest does not attract GST, Administration Fees and Charges will be subject to GST.

The General Journal entries below show how these charges will be recorded.

General Journal (extract)

| Date | Particulars | Debit | Credit |
|---|-------------------------------|-------|--------|
| January 3 | M Sawadi (Account Receivable) | 11.00 | |
| | Administration Fee Receivable | | 10.00 |
| | GST Collected | | 1.00 |
| (Charged Sawadi Admin Fees on overdue account) | | | |
| January 4 | Administration Fee Payable | 10.00 | |
| | GST Paid | 1.00 | |
| | Qatar Sport | | 11.00 |
| (Qatar Sport charged us Admin Fees on our overdue account) | | | |



Practice

Practice activity 51

From the following transactions of Rasgas Explorations, prepare the General Journal and post to the Ledger.

Extract of Account balances at 1 November:

| | |
|----------|-------------|
| Land | \$40 000 Dr |
| J Gerard | 110 Dr |
| S Clegg | 150 Dr |

| | |
|---------------|---|
| 1 Nov | Wrote off the \$110 balance of Gerard's account as a bad debt. |
| 12 Nov | Charged Clegg \$15 interest on his overdue account. (S Clegg November 1 balance \$150). |
| 13 Nov | Bought a vehicle on credit from Qatar 4WD Centre for \$29700 incl GST. |
| 24 Nov | Sold Land (\$40 000) on credit to Desert Properties for \$44 000 incl GST. |
| 30 Nov | Incorrectly charged Wages \$150 instead of Cleaning. |



Accounting process – completion of cash and credit Journals, posting to the Ledger, Trial Balance and other interim Reports

The accounting process begins with the processing of source documents such as invoices, receipts etc.

From there, specialised Journals are prepared to summarise similar types of business transactions eg credit purchases, cash receipts etc.

These journals are then posted to the Ledger so we can easily analyse the history of a particular account eg Cash at Bank, Accounts Receivable, Sales etc.

A Trial Balance is then prepared so that we can check that double entry has occurred correctly in our Ledger accounts. It does not guarantee 100% accuracy.

A Profit and Loss Statement is prepared to show the net profit or net loss for the relevant accounting period.

A Balance Sheet is prepared to show the business Assets and Liabilities as at a particular point in time.

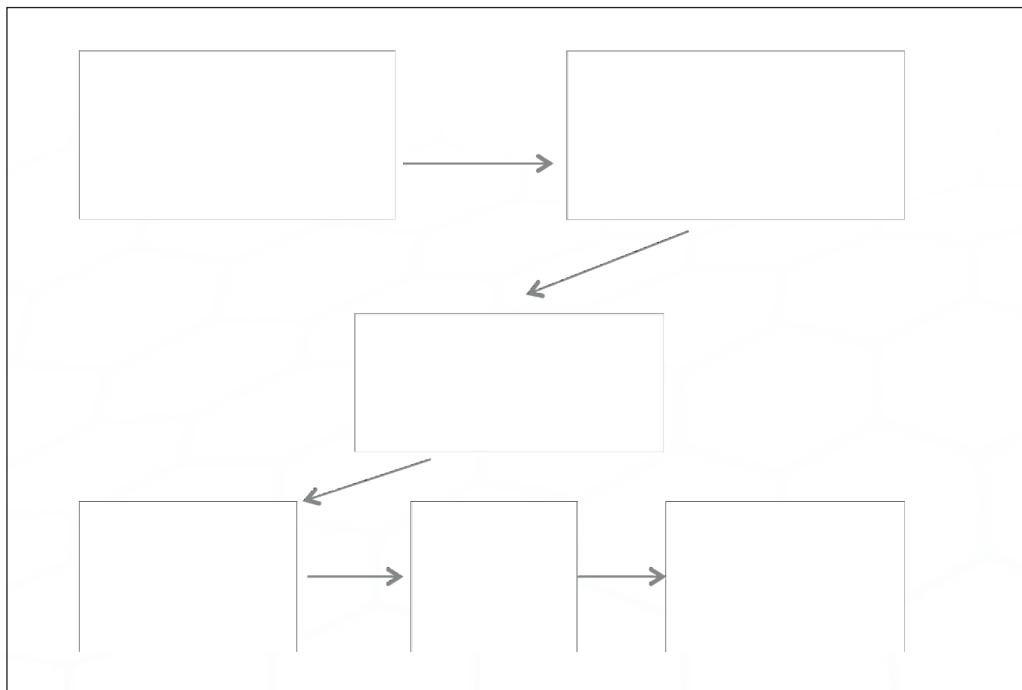


Practice

Practice activity 52

In the spaces below, write in the stages of the accounting process.

Accounting process



You should be familiar with the accounting process to the Trial Balance stage. As mentioned previously, the Trial Balance is a check of the double entry process in the Ledger. However, it does not give any indication of profitability. We have to prepare a Profit and Loss Statement to determine this figure.

To prepare a Profit and Loss Statement we deduct all the expenses from all the revenues. This statement can be prepared at any time and will show the profit for a period of time. These are prepared at least monthly to give business owners and managers information about the profitability of their business. The final Profit and Loss Statement for the financial year will include accruals and prepayments. We do not have to worry about these for the purposes of interim statements that may be prepared weekly or monthly.

The example below shows a simple Profit and Loss Statement for a service industry. During the month of May, the business has recorded a Net Profit of QR37,235.

Example

Profit and Loss Statement for Badawi Financial Services for the month ended 30 May 20 ____

| Service Fees | QR | QR |
|----------------------------|------------------|---------------------|
| Accounting Fees | 47,500.00 | |
| Professional advice | 38,550.00 | 86,050.00 |
| Less Expenses | | |
| Wages | 18,500.00 | |
| Rent | 22,750.00 | |
| Advertising | 1,220.00 | |
| Electricity | 2,780.00 | |
| Stationery | 3,565.00 | 48,815.00 |
| Net Profit | | QR 37,235.00 |

The figures for the Profit and Loss Statement will come from the Trial Balance. Only Revenue and Expense account figures are used in the calculation of the net profit.

The balance sheet is another interim statement that can be prepared. The Balance Sheet is prepared as at a particular point in time and is valid at that point in time only. The Assets, Liabilities and Owner's Equity figures from the Trial Balance are used to prepare this report. Any profit or loss from the Profit and Loss Statement appears in the Owner's Equity section and either increases or decreases the owner's Capital figures. See the example below.

Balance Sheet for Badawi Financial Services as at 30 May 20 ____

| Assets | QR | QR |
|-----------------------|------------|-------------------|
| Cash at Bank | 84,600.00 | |
| Accounts Receivable | 125,845.00 | |
| GST Paid | 17,250.00 | |
| Vehicle | 53,000.00 | |
| Office Furniture | 35,875.00 | |
| Office Equipment | 27,400.00 | <u>343,970.00</u> |
| Represented by: | | |
| Liabilities | | |
| Accounts Payable | 24,220.00 | |
| GST Collected | 850.00 | |
| Loan – HSBC | 55,000.00 | 80,070.00 |
| Owner's Equity | | |
| Stationery | 3,565.00 | 48,815.00 |
| Add Net Profit | 37,235.00 | <u>263,900.00</u> |
| | | <u>343,970.00</u> |

The figures for the Balance Sheet also come from the Trial Balance. The Asset, Liability and Owner's Equity figures are used to prepare the Balance Sheet.

Review the following example. A Trial Balance is provided and the Profit and Loss Statement and Balance Sheet have been prepared using these figures.

Example

Trial balance of Mohamed Al Atalya as at 30 April 20 ____

| Account Name | Debit | Credit |
|------------------------------|---------------------|---------------------|
| Service Fees | | 19,500.00 |
| Administration Fees Received | | 1,250.00 |
| Rent Expense | 2,500.00 | |
| Freight | 1,860.00 | |
| Wages | 6,000.00 | |
| Cash at Bank | 97,000.00 | |
| Al Amadi Contracting | 6,000.00 | |
| GST Paid | 845.00 | |
| Office Equipment | 5,000.00 | |
| Furniture | 8,000.00 | |
| Al Dafna Furniture | | 5,000.00 |
| GST Collected | | 1,455.00 |
| Capital | | 100,000.00 |
| | \$127,205.00 | \$127,205.00 |

Profit and Loss Statement for Mohamed Al Atalya for the period ended 30 April 20 ____

| Service Fees | \$ | \$ |
|----------------------|-----------|--------------------|
| Accounting Fees | 19,500.00 | |
| Administration Fees | 1,250.00 | 20,750.00 |
| Less Expenses | | |
| Rent | 2,500.00 | |
| Freight | 1,860.00 | |
| Wages | 6,000.00 | 10,360.00 |
| | | \$10,390.00 |

Balance Sheet for Mohamed Al Atalya as At 30 April 20 ____

| Assets | \$ | \$ |
|-----------------------|------------|-------------------|
| Cash at Bank | 97,000.00 | |
| Al Amadi Contracting | 6,000.00 | |
| GST Paid | 845.00 | |
| Office Equipment | 5,000.00 | |
| Office Furniture | 8,000.00 | <u>116,845.00</u> |
| Represented by: | | |
| Liabilities | | |
| Al Dafna Furniture | 5,000.00 | |
| GST Collected | 1,455.00 | 6,455.00 |
| Owner's Equity | | |
| Capital | 100,000.00 | |
| Add Net Profit | 10,390.00 | <u>110,390.00</u> |
| | | <u>116,845.00</u> |

Correction of errors

From time to time errors will occur in the process of recording business transactions. To correct an error, you should cross out the incorrect entry, write the correct entry above and initial. Your initial allows auditors or other people using the records to determine who made the correction.

If the error is not discovered until after the journals have been posted to the Ledger, a General Journal entry will be required to correct the error. We have already prepared these entries.

If you are using a computerised accounting system, it should be set up so that you have to prepare journal entries to correct errors. Some systems allow the user to go back and change original journal entries when mistakes are discovered. However, this is not an appropriate way to correct the error.



Practice

Practice activity 53

Using the Trial Balance below, prepare a Profit and Loss Statement for the period ended 30 June and a Balance Sheet as at 30 June.

AAA Finance Group

Trial Balance

As at 30 June 20

| | | |
|---------------------|----------|----------|
| Service Fees | | 19 800 |
| Administration Fees | | 300 |
| Commission Revenue | | 5 250 |
| Supplies Expense | 9 820 | |
| Insurance | 1 500 | |
| Rent Expense | 1 800 | |
| Sundry Expenses | 300 | |
| Wages | 1 950 | |
| Cash at Bank | 39 045 | |
| Corniche Coffee | 2 805 | |
| Dune Cruising wll | 1 485 | |
| GST Paid | 1 627 | |
| Furniture | 3 000 | |
| Marine Suppliers | | 5 522 |
| GST Collected | | 2 460 |
| Capital | | 30 000 |
| | \$63 332 | \$63 332 |



Practice

Practice activity 54

Using the Trial Balance below, prepare a Profit and Loss Statement for the period ended 30 November and a Balance Sheet as at 31 December.

Northern City Finance

Trial Balance

As at 31 December 20

| | | |
|---------------------|-----------|-----------|
| Service Fees | | 2 310 |
| Administration Fees | | 162 |
| Supplies Expense | 940 | |
| Electricity | 100 | |
| Stationery | 400 | |
| Sundry Expenses | 100 | |
| Wages | 230 | |
| Cash in Hand | 100 | |
| Cash at Bank | 805 | |
| G Hall | 660 | |
| Desert Racing Club | 713 | |
| M Saed | 219 | |
| GST Paid | 768 | |
| Inventories | 3 390 | |
| Furniture | 15 000 | |
| Equipment | 2 000 | |
| Buildings | 48 000 | |
| Land | 40 000 | |
| Al Jazeera Bookshop | | 2 458 |
| Star Traders | | 2 200 |
| GST Collected | | 438 |
| Capital | | 105 923 |
| Drawings | 66 | |
| | \$113 491 | \$113 491 |



Accounting
Student Activities
Semester 2

Activity 1

The following selected taxed transactions were completed by Nasser Al-Malki Company:

| Date | Transaction |
|----------|---|
| Sept. 16 | Sold merchandise on account to Al-Rayan Company, sales invoice no. ,1032 5,980\$. |
| Sept. 20 | Sold merchandise on account to Doha Company, sales invoice no. 1033, \$10,950. |
| Sept. 25 | Sold merchandise on account to Stars Company, sales invoice no. 1034, \$950. |
| Sept. 27 | Doha Company returned \$980 of merchandise relating to sales invoice no. 1033. Nasser Al-Malki Company issued credit memo no. 131. |

Record the transactions above into the Sales Journal of Nasser Al-Malki Company.

| Sales journal of Nasser Al-Malki Company | | | | | | |
|--|------------|-------------|-------|----------|------------------|------------------------|
| Date | Invoice No | Particulars | Folio | Sales Cr | GST Collected Cr | Accounts Receivable Dr |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | | | | | | |

| Sales returns and allowances journal of Nasser Al-Malki Company | | | | | | |
|---|----------------|-------------|-------|------------------------|------------------|------------------------|
| Date | Adjust note no | Particulars | Folio | Sales Ret. & Allow. Dr | GST Collected Dr | Accounts Receivable Cr |
| | | | | | | |
| | | | | | | |
| Total | | | | | | |

Post the journals above into the ledger.

| Sales - (General Ledger) | | | | | |
|--------------------------|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |

| GST Collected - (General Ledger) | | | | | |
|----------------------------------|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |
| | | | | | |

| Sales returns and allowances - (General Ledger) | | | | | |
|---|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |

| Al-Rayan Company - (Subsidiary Ledger) | | | | | |
|--|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |

| Doha Company - (Subsidiary Ledger) | | | | | |
|------------------------------------|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |
| | | | | | |

| Stars Company - (Subsidiary Ledger) | | | | | |
|-------------------------------------|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |

| Accounts Receivable - (General Ledger) | | | | | |
|--|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |

Activity 2

The following selected transactions **BEFOR GST** were completed by Fahad Al-Kawari Company W.L.L (transactions amounts **DOESN'T INCLUDE GST**):

| Date | Transaction |
|---------|---|
| Aug. 5 | Bought merchandise on account for \$9,150 from Turkish Supplies Co. invoice no. 0198, terms 2/10, n/30. |
| Aug. 11 | Bought supplies on account from Nichols Trading company, invoice no. 3520, \$10,750, terms 5/7, n/30. |
| Aug. 15 | Received credit memo no. 170 from Turkish Supplies Company, \$550, for merchandise returned. |
| Aug. 20 | Bought merchandise on account from Viva America Company, invoice no. 1580, \$8,980, terms 1/10, n/30. |
| Aug. 25 | Received credit memo no. 350 from Nichols Trading Company, \$125 for returns on supplies purchased August 11. |

Record the above transactions into Purchases Journal.

| Purchases journal of Fahad Al-Kawari Company W.L.L | | | | | | |
|--|------------|-------------|-------|--------------|-------------|---------------------|
| Date | Invoice No | Particulars | Folio | Purchases Dr | GST paid Dr | Accounts payable Cr |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total | | | | | | |

Record the above transactions in the Purchases Returns and Allowances Journal:

| Purchases returns and allowances journal of Fahad Al-Kawari Company W.L.L | | | | | | |
|---|----------------|-------------|-------|--------------|-------------|---------------------|
| Date | Adjust note no | Particulars | Folio | Purchases Cr | GST paid Cr | Accounts payable Dr |
| | | | | | | |
| | | | | | | |
| Total | | | | | | |

| General Journal | | | |
|-----------------|-------------|-------|--------|
| Date | Particulars | Debit | Credit |
| | | | |
| | | | |
| | | | |
| | | | |

Post the journals above into the ledger.

| Purchases - (General Ledger) | | | | | |
|------------------------------|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |

| Purchases returns and allowances - (General Ledger) | | | | | |
|---|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |

| GST Paid - (General Ledger) | | | | | |
|-----------------------------|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |
| | | | | | |
| | | | | | |

| Turkish Supplies Company - (Subsidiary Ledger) | | | | | |
|--|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |
| | | | | | |

| Nichols Trading company - (Subsidiary Ledger) | | | | | |
|---|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |
| | | | | | |

| Viva America Company - (Subsidiary Ledger) | | | | | |
|--|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |
| | | | | | |

| Supplies - (General Ledger) | | | | | |
|-----------------------------|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |
| | | | | | |

| Accounts Payable - (General Ledger) | | | | | |
|-------------------------------------|-------------|-------|--------|---------|-------|
| Date | Particulars | Debit | Credit | Balance | Dr/Cr |
| | | | | | |
| | | | | | |

Activity 3

What journal is prepared for each of the transactions below?

| | |
|---------------------------------|---------------|
| Sale of products on account | Recorded in → |
| Providing services on account | Recorded in → |
| Receipt of cash from any source | Recorded in → |
| Purchase of items on account | Recorded in → |
| Payment of cash for any purpose | Recorded in → |

Activity 4

The major sources of cash receipt in a business are as follows:

- 1-
- 2-
- 3-
- 4-
- 5-
- 6-
- 7-

Activity 5

June selected transactions were completed by Khalid Al-Sewadi Company W.L.L Wholesale Supply. Sales and Purchases transactions include (GST).

| Date | Transaction |
|---------|--|
| June 1 | Owner invested \$200,000 with cash, receipt no. 001 |
| June 3 | Purchase Merchandise on Credit for \$35,000 from Al-Mari Trading Co., terms 3/15, n/30, invoice no. 128. |
| June 5 | Cash sale of \$11,000, sales receipt no. 002, less a 2% percent trade discount. |
| June 8 | Credit sale of \$20,000 to Salem Enterprises W.L.L, terms 5/10, n/30 invoice no. 090. |
| June 15 | Purchased equipment on account for \$65,000 cheque no. 034. |
| June 18 | Issue debit memo no 0014, for \$3,000 to Salem Enterprises W.L.L for merchandised returned. |
| June 19 | Credit sale of \$4,500 to Rashid Traders Co., invoice no. 0091. |
| June 20 | Received credit memo no. 234 of \$2,000 for merchandised we returned to Al-Mari Trading Co. for the invoice no. 128 |
| June 23 | Purchased cash merchandised from Al-Mari Trading Co for \$15,000, less a 2% percent trade discount. cheque no. 0010. |
| June 25 | Purchase Merchandise on Credit for \$13,500 from Al-Mari Trading Co., terms 5/7, n/30, invoice no. 181 |
| June 29 | Paid the due amount to Al-Mari Trading Co., settlement for due balance. cheque number 0289 |
| June 30 | Received a cheque number 00983 from Salem Enterprises W.L.L, for settlement invoice number 0210. |
| June 30 | Paid office rent for June month for \$5,000, receipt no. 0011. |

Required:

- 1 Prepare Special Journal and General Journal.
- 2 Determine debit and credit account/s in each journal.

Cash receipts journal of Khalid Al-Sewadi Company W.L.L Wholesale

| Date | Reference | Particulars | Sales | Accounts receivable | Other receipts | GST collected | Bank/Cash |
|--------------|-----------|-------------|----------------|---------------------------------|----------------------------|---------------------------|--------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |

Cash payments journal of Khalid Al-Sewadi Company W.L.L Wholesale

| Date | Reference | Particulars | Purchases | Accounts Payable | Other Payments | GST collected | Bank/Cash |
|--------------|-----------|-------------|--------------------|------------------------------|----------------------------|---------------------------|--------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |

Purchases journal of of Khalid Al-Sewadi Company W.L.L Wholesale

| Date | Reference | Particulars | Purchases | GST paid | Accounts payable |
|--------------|-----------|-------------|--------------------|-------------------|------------------------------|
| | | | | | |
| | | | | | |
| Total | | | | | |

Purchases Returns & Allowances journal of of Khalid Al-Sewadi Company W.L.L Wholesale

| Date | Reference | Particulars | Purchases Returns | GST paid | Accounts payable |
|------|-----------|-------------|-------------------------------|-------------------|------------------------------|
| | | | | | |
| | | | | | |

| Sales journal of of Khalid Al-Sewadi Company W.L.L Wholesale | | | | | |
|--|-----------|-------------|----------------|---------------------------|---------------------------------|
| Date | Reference | Particulars | Sales | GST Collected | Accounts Receivable |
| | | | | | |
| | | | | | |
| Total | | | | | |

| Sales Returns & Allowances of Khalid Al-Sewadi Company W.L.L Wholesale | | | | | |
|--|-----------|-------------|---------------------------|---------------------------|---------------------------------|
| Date | Reference | Particulars | Sales Returns | GST Collected | Accounts Receivable |
| | | | | | |
| Total | | | | | |

| General Journal of Khalid Al-Sewadi Company W.L.L Wholesale | | | | |
|---|-----------|-------------|-------|--------|
| Date | Reference | Particulars | Debit | Credit |
| | | | | |
| | | | | |

Activity 6

Choose the correct answer:

- 1** Each of the following is a subsidiary ledger except the:
 - a** Accounts receivable ledger.
 - b** Accounts payable ledger.
 - c** Customers' ledger.
 - d** General ledger.

- 2** Credit purchases of equipment or supplies other than merchandise are recorded in the:
 - a** Cash payments journal.
 - b** Cash receipts journal.
 - c** General journal.
 - d** Purchases journal.

- 3** Credit Sales of equipment or supplies other than merchandise are recorded in the:
 - a** Cash payments journal.
 - b** Cash receipts journal.
 - c** General journal.
 - d** Purchases journal.

- 4** Credit purchases of merchandise are recorded in the:
 - a** Cash payments journal.
 - b** Cash receipts journal.
 - c** General journal.
 - d** Purchases journal.

5 Credit sales of merchandise are recorded in the:

- a** Cash payments journal.
- b** Cash receipts journal.
- c** General journal.
- d** Sales journal.

6 Sales return and Allowances Journal will Record:

- a** Credit sale.
- b** Return of credit sales return of goods.
- c** Credit Purchases.
- d** Return of credit purchases.

7 Purchase return and Allowances Journal will Record:

- a** Credit sale.
- b** Return of credit sales return of goods.
- c** Credit Purchases.
- d** Return of credit purchases.

8 Account Payable are:

- a** Suppliers that company owe them money.
- b** Suppliers who owes company (business) money to.
- c** People who Own the company.
- d** All the above.

9 Account receivables are:

- a** Customers that our company owe them money.
- b** Customers who owes company (business) money to.
- c** People who Own the company.
- d** All the above.

Activity 7

Indicate the journal in which each of the following transactions should be recorded by Nasser Al-Hajri Company during December 2021:

| Transaction | Type of Journal | Dr | Cr |
|--|-----------------|----|----|
| 1- Issued Check No. 610 for December rent. | | | |
| 2- Issued sales Invoice for merchandise on account to New Stars Co. | | | |
| 3- Received check from New Stars Co in payment of due balance. | | | |
| 4- Purchased a vehicle on account from A.A.A. Abdulghani & Bros Co. - Toyota and Lexus. | | | |
| 5- Purchased office equipment on account from Doha Trading Co. | | | |
| 6- Issued Invoice of merchandise. | | | |
| 7. Issued Check for salaries expense. | | | |
| 8. Received check from Al-Deera Co. in payment of due balance. | | | |
| 9- Purchased office supplies on account from. Abdulla & Bros Co. | | | |
| 10- Received credit memo/note for returned of merchandise purchased damaged in shipment. | | | |
| 11- Issued credit memo/note for returned of merchandise sold damaged. | | | |
| 12- Sold merchandise on account to Saleh Co. | | | |
| 13- Purchased merchandise on account from Fast Link Co. | | | |
| 14- Purchased vehicle on account from Al-Khour Trading Co. | | | |

| Transaction | Type of Journal | Dr | Cr |
|--|-----------------|----|----|
| 15- Issue credit note to a customer for the return of damaged goods. | | | |
| 16- Received collection from customer within the 3% discount period. | | | |
| 17- Purchased merchandise for cash. | | | |
| 18- Paid a creditor within the 3% discount period. | | | |
| 19- Received cheque from Viva Qatar Co. for payment the due balance. | | | |
| 20- Paid freight on merchandise purchased. | | | |
| 21- Received cash refund from supplier for merchandise returned. | | | |
| 22- Received credit memo from Al-Slam Co. for merchandise damaged in shipment. | | | |
| 23- Payment for creditors on account. | | | |
| 24- Return of merchandise sold for credit. | | | |
| 25- Collection on account from customers. | | | |
| 26- Sale of land for cash. | | | |
| 27- Sale of land on credit to City Star Co. | | | |
| 28- Sale of merchandise for cash. | | | |
| 29- Payment of employee wages | | | |
| 30- Purchase of merchandise on account. | | | |
| 31- Received freight bill from Stars Shipping Co. | | | |



Bad & Doubtful Debts

If a firm finds that it is impossible to collect a debt, then that debt should be written off as a **bad debt**. This could happen if the debtor is suffering a loss in business or has gone bankrupt and cannot pay the debt. **A bad debt is therefore an expense of the firm.**

Bad debt definition:

A debt which the debtor will not be able to pay.

Activity 1

Rashid Al-Mari Trading Company sold QAR 50,000 of good to Al-Shamal Enterprises on 5 January 2015, but he became bankrupt. On 16 February 2015, we sold QAR 240,000 of goods to Al-Rayan Enterprises He managed to pay QAR 200,000 on 17 May 2015, but it became obvious that he would never be able to pay the final QAR 40,000.

When we draw up the final accounts to 31 December 2015, we decided to write these off as bad debts.

Required:

- 1 Prepare journal entry and ledger for the customer Al-Shamal.
- 2 Prepare journal entry and ledger for the customer Al-Rayan.

| For Al-Shamal Enterprises | | |
|---------------------------|-------|--------|
| Account | Debit | Credit |
| | | |
| | | |

| For Al-Rayan Enterprises | | |
|--------------------------|-------|--------|
| Account | Debit | Credit |
| | | |
| | | |

Activity 2

Tamim Al-Kaabi Co. use the percentage-of-sales basis in 2018 to record bad debts expense. It estimates that 2% of net credit sales will become uncollectible. Sales are \$800,000 for 2018, sales returns, and allowances are \$45,000.

Required:

Prepare the journal entry to record bad debts expense in 2018.

| Account | Debit | Credit |
|---------|-------|--------|
| | | |
| | | |

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Activity 3

Blue Star Co. uses the percentage-of-receivables basis to record bad debts expense. It estimates that 1% of accounts receivable will become uncollectible. A/R are \$450,000 at the end of the year.

Prepare the adjusting journal entry to record bad debt expense for the year.

| Account | Debit | Credit |
|---------|-------|--------|
| | | |
| | | |

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Accounting Errors and Correction

Complete Reversal of Entries

Activity 4

Complete reversal of entries errors occurs when the correct amount is posted to the correct accounts, but the debits and credits have been reversed. For example, if a cash sale is made for \$10,000 and posted incorrectly as follows:

| Account | Debit | Credit |
|---------|--------|--------|
| Sales | 10,000 | |
| Cash | | 10,000 |

Step 1

The original entry must be reversed as follows:

| Account | Debit | Credit |
|---------|-------|--------|
| | | |
| | | |

Step 2

The correct entry must be made as follows:

| Account | Debit | Credit |
|---------|-------|--------|
| | | |
| | | |

Activity 5

The following trial balance of Fahd Al-Kawari Est. December 31, 2018, prepare income statement, owners' equity statement and balance sheet in the presented tables below.

| Fahd Al-Kawari Est. | | |
|-------------------------------------|------------------|------------------|
| <i>Trial balance as of 31, 2018</i> | | |
| Account Name | Debit | Credit |
| Cash | 18,000 | |
| Notes Receivable | 98,300 | |
| Accounts Receivable | 57,800 | |
| Inventory | 39,100 | |
| Land | 50,000 | |
| Building | 185,000 | |
| Equipment | 381,700 | |
| Accumulated Depreciation | | 110,000 |
| Accounts Payable | | 33,600 |
| Long-term loan | | 244,600 |
| Unearned Revenue | | 189,600 |
| Notes Payable | | 18,000 |
| Capital | | 500,000 |
| Patent | 174,600 | |
| Withdrawals | 7,000 | |
| Service Revenue | | 280,000 |
| Salaries Expense | 143,000 | |
| Advertising Expense | 14,000 | |
| Insurance Expense | 23,300 | |
| Utilities Expense | 21,000 | |
| Miscellaneous Expense | 45,000 | |
| Interest Expense | 8,000 | |
| Goodwill | 110,000 | |
| Totals | 1,375,800 | 1,375,800 |

Fahd Al-Kawari Est.

Balance Sheet

As of 31-12-2018

| Assets | | Liabilities & Owner's Equity | |
|--------|--|------------------------------|--|
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Activity 6

The following trial balance of Doha Trading Est. December 31, 2020, prepare income statement, owners' equity statement and balance sheet in the presented tables below.

| Doha Trading Est. | | |
|---------------------------------------|----------------|----------------|
| <i>Trail Balance as of 31-12-2020</i> | | |
| Account | Debit | Credit |
| Cash | 116,500 | |
| Accounts receivable | 17,600 | |
| Office Supplies | 3,000 | |
| Inventory | 13,050 | |
| Equipment | 75,000 | |
| Accumulated depreciation | | 12,000 |
| Accounts payable | | 9,450 |
| Salary payable | | 6,600 |
| Unearned revenue | | 14,000 |
| Capital | | 265,350 |
| Revenue | | 32,000 |
| Goodwill | 125,500 | |
| Long-term loan | | 155,000 |
| Withdrawals | 1,950 | |
| Depreciation expense | 5,000 | |
| Salary expense | 16,000 | |
| Land | 97,500 | |
| Insurance expense | 18,300 | |
| Rent Expense | 5,000 | |
| Total | 494,400 | 494,400 |

Doha Trading Est.

Income Statement for the year ended 31-12-2020

| | Sub | Total |
|--|-----|-------|
| | | |
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Doha Trading Est.

Changes in Owner's Equity Statement as of 31-12-2020

| Description | Amount |
|-------------|--------|
| | |
| | |
| | |
| | |
| | |
| | |
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Doha Trading Est.

Balance Sheet

As of 31-12-2018

| Assets | | Liabilities & Owner's Equity | |
|--------|--|------------------------------|--|
| | | | |
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Activity 7

The following selected balances of Viva Qatar Est. on December 31, 2020. Required, prepare balance sheet in the table below.

| Account | Balance |
|--------------------------|-----------|
| Cash | 70,500 |
| Buildings | 880,250 |
| Franchises | 648,055 |
| Rent payable | 76,123 |
| Equipment | 491,593 |
| Notes Receivable | 48,975 |
| Furniture | 321,340 |
| Goodwill | 907,450 |
| Short-term loan | 1,005,100 |
| Machinery | 775,303 |
| Accumulated Depreciation | 410,222 |
| Capital | 6,141,437 |
| Patent | 444,000 |
| Copy Rights | 801,800 |
| Accounts Receivable | 347,110 |
| Accounts Payable | 97,225 |
| Long-term loan | 995,690 |
| Unearned Revenue | 418,050 |
| Notes Payable | 100,140 |
| Inventory | 502,155 |
| Office Supplies | 65,485 |
| Vehicles | 715,495 |
| Trademark | 558,926 |
| Withdrawals | 37,200 |
| Land | 1,750,000 |
| Salaries payable | 129,500 |
| Pre-paid Rent | 78,450 |
| Long-term Notes Payable | 70,600 |

Viva Qatar Est.

Balance Sheet

As of 31-12-2018

| Assets | | Liabilities & Owner's Equity | |
|--------|--|------------------------------|--|
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Activity 8

Choose the correct answer:

- 1** The first item listed under current liabilities is usually:
 - a** accounts payable.
 - b** notes payable.
 - c** salaries payable.
 - d** taxes payable.

- 2** Complete reversal of entries errors occurs when the:
 - a** Entry missed from accounting records.
 - b** Correct accounts, wrong amounts
 - c** Correct amount and account, entries reversed.
 - d** none of the above.

- 3** Office Equipment is classified in the balance sheet as:
 - a** a current asset.
 - b** a non-current asset.
 - c** an intangible asset.
 - d** all the above is true.

- 4** "Mr. Fahad Al-Mari used his own cash to pay for his business monthly rental, what are the correct accounting transactions?
 - a** debit - Cash, Credit – Rent Expense
 - b** debit - Rental, Credit - Cash
 - c** debit - Rental, Credit - Bank
 - d** none of the above.

5 All the following are owners' equity accounts except

- a** Net profit for the year.
- b** Capital.
- c** Notes receivable.
- d** Retained Earnings.

6 On a classified balance sheet, current assets are listed:

- a** in alphabetical order.
- b** with the largest amounts first.
- c** in the order of liquidity.
- d** all the above is true.

7 A current asset is:

- a** the last asset purchased by a business.
- b** an asset which is currently being used to produce a product.
- c** usually found in the income statement.
- d** an asset a company expects to convert to cash within one year.

8 Which of the following is a commonly used base to create the provision for doubtful debts?

- a** Total purchases
- b** Total credit sales
- c** Total current assets
- d** Total current liabilities

- 9** An asset that can be used in the business or held for a longer period, usually more than a year.
- a** non-current Asset
 - b** current Asset
 - c** Current Liability
 - d** long Term Liability
- 10** What is the purpose of making a provision for depreciation in the accounts?
- a** To charge the cost of fixed assets against profits
 - b** To show the current market value of fixed asset
 - c** To make cash available to replace fixed assets.
 - d** To make a provision for repairs
- 11** What is the one asset that can NEVER be depreciated?
- a** Furniture
 - b** Land
 - c** Machinery
 - d** Land Improvements
- 12** The first item listed under current liabilities is usually
- a** accounts payable.
 - b** notes payable.
 - c** salaries payable.
 - d** taxes payable.

13 Office Equipment is classified in the balance sheet as

- a** a current asset.
- b** a non-current asset.
- c** an intangible asset.
- d** all the above is true.

14 A current asset is

- a** the last asset purchased by a business.
- b** currently being used to produce a product or service.
- c** usually found as a separate classification in the income statement.
- d** a company expects to convert to cash or use up within one year.

15 Liabilities are generally classified on a balance sheet as

- a** small liabilities and large liabilities.
- b** present liabilities and future liabilities.
- c** tangible liabilities and intangible liabilities.
- d** current liabilities and long-term liabilities.

16 On a classified balance sheet, current assets are listed

- a** in alphabetical order.
- b** with the largest dollar amounts first.
- c** in the order of liquidity.
- d** in the order of acquisition.

17 Current liabilities are

- a** obligations that the company is to pay within the current year.
- b** listed in the balance sheet in order of their expected maturity.
- c** listed in the balance sheet, starting with accounts payable.
- d** should not include long-term debt that is expected to be paid within the next year.

18 “Mr. Ali Al-Kawari purchased equipment for his business for cash”. Based on the transaction, what are the correct account transactions?

- a** Debit - Cash, Credit - Equipment
- b** Debit - GST, Credit - Cash
- c** Debit - Equipment, Credit – Accounts Payable
- d** None of the above.

تصميم وإخراج

الشبل
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