

Prime Entry Books, Control Accounts and Trial Balance

AAT Level I
FAC - Financial Accounting

Sandeepa Jayasekera

MBA (PIM-SJP), B.Sc. (Acct.) Hons. Gold Medal Winner, ACA, ACCA (UK), SAT, CIMA (UK) Passed
Finalist, CA and CIMA Prize Winner



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AAT 01 – Financial Accounting

Chapter 03

Prime Entry Books, Control Accounts and Trial Balance

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Let's Recap the Accounting Process



Accounting Process

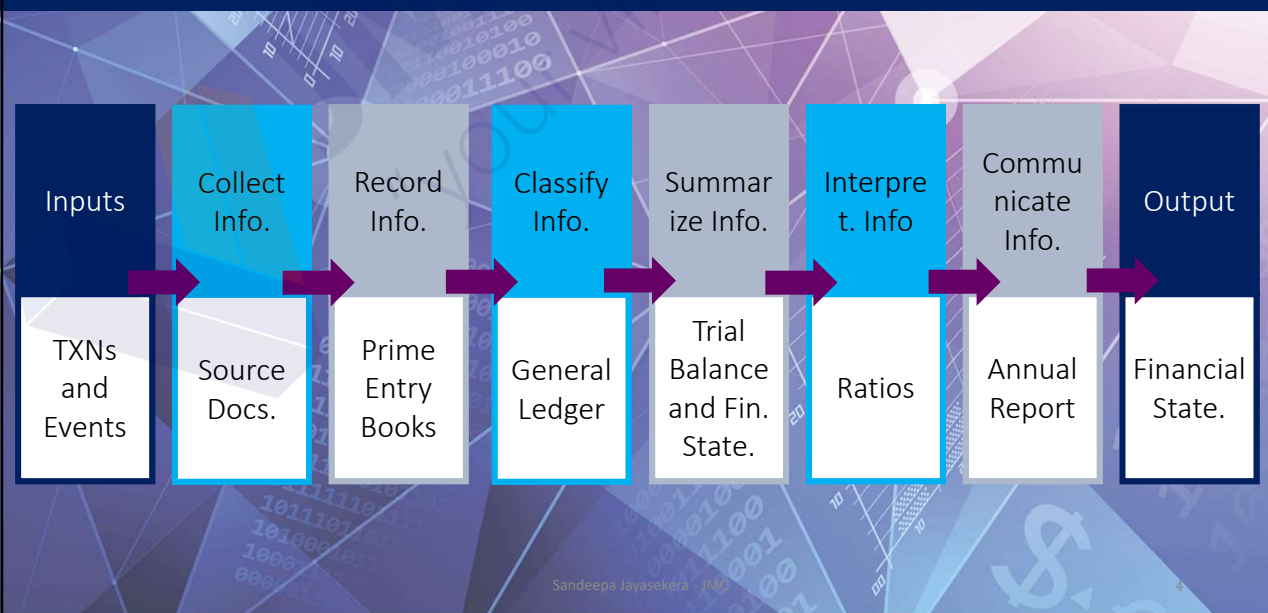


Accounting Process includes a collection of interrelated functions for the purpose of generating Financial Information

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Accounting Process



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Source Documents



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What is a Source Document?

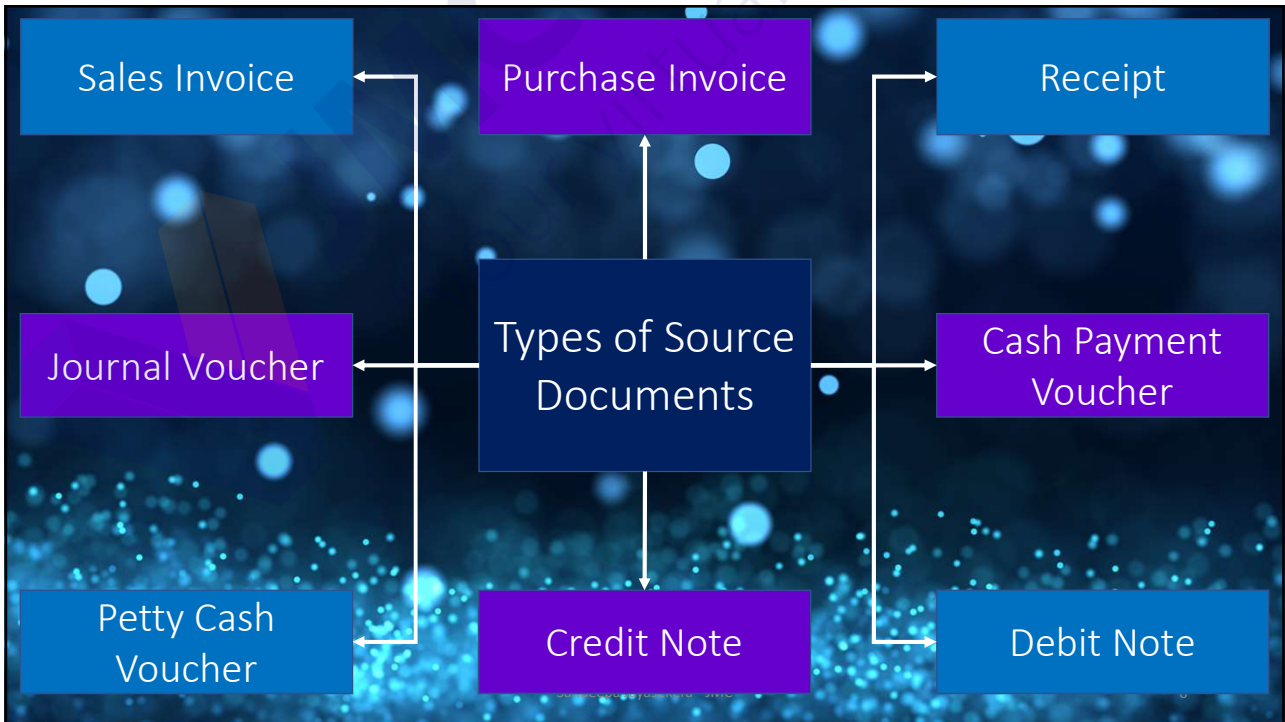
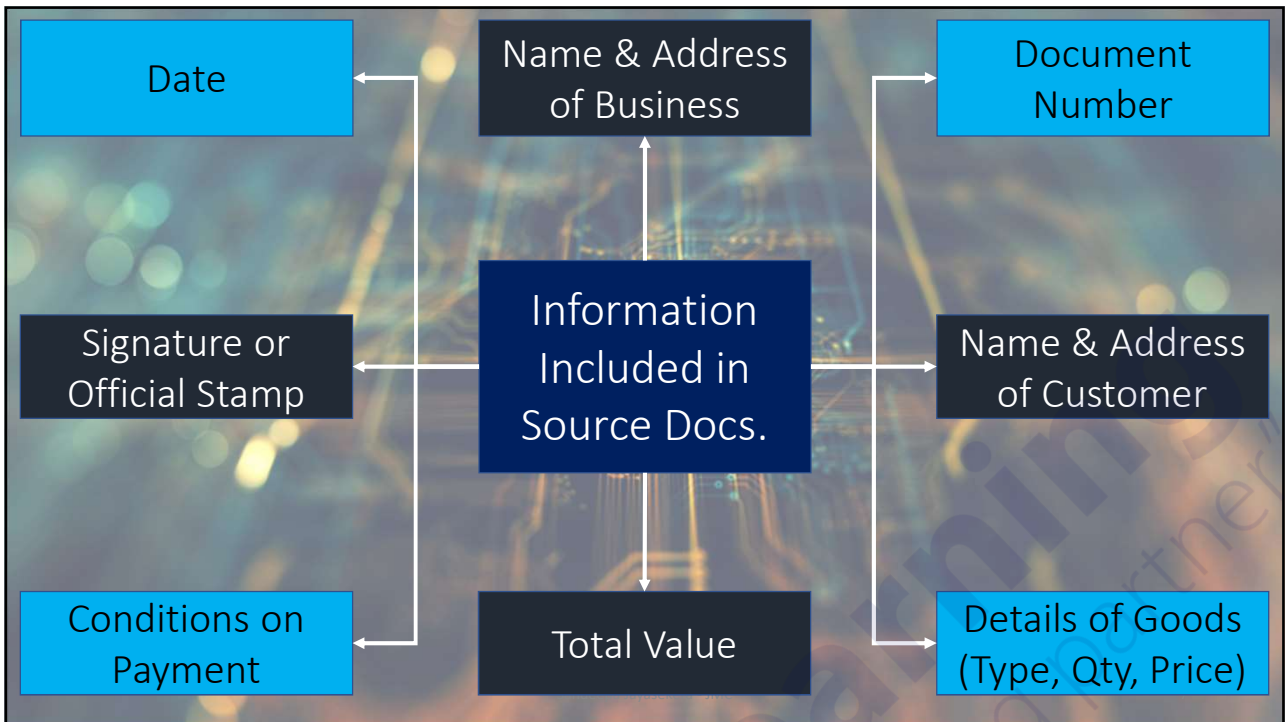
Source document is the document used to collect all the information relevant to a transaction and event as and when it occurs.

- Source document is the written **evidence** to confirm that the transaction has occurred.
- It's the **supporting document** to record transactions in the prime entry books.
- It assists in **validating** the transaction.

Evidence

Supporting Doc.

Validation



2022 January Q1.16

1.16 State two (02) types of source documents used in business entity.

02 Marks

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Source Document	Transactions	Issued By	Issued To	Prime Entry Books

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Source Document	Transactions	Issued By	Issued To	Prime Entry Books
Sales Invoice	Credit Sales	Seller	Buyer	Sales Journal
Purchase Invoice	Credit Purchases	Seller	Buyer	Purchase Journal
Cash Receipt	Cash Receipts	Business (Acc. or cashier)	Party from who cash received	Cash Receipts Journal
Cash Payment Voucher	Cash Payments	Business (Accountant)	Party to who cash paid	Cash Payment Journal
Credit Note	Sales Returns	Buyer	Business (Accountant)	Sales Return Journal
Debit Note	Purchase Returns	Business (Accountant)	Supplier	Purchase Return Journal
Petty Cash Voucher	Petty Cash Expenses	Petty Cashier	Various Suppliers	Petty Cash Payment Journal
Journal Voucher	Transactions other than above	Business (Accountant)	Various Parties	General Journal



Cash Receipt (Bill or Memo)

A document issued to the paying party providing confirmation on receiving cash or cheques with a signature of an authorized officer

KOMSEKY (Pvt) LTD.

Tel : 0112 335 194 No: 65/3,
 Fax : 0112 473 833 Sir Chittampalam A. Gardiner Mawatha,
 E-mail : komseky@gmail.com 143 Colombo - 2

Date 2022.02.23


Received with thanks from JMC Jayasekera Management Centre Ltd

of _____

a sum of Rupees Twenty Six Thousand only

and cents Rs. 36,000/- on account of Annual Petaya 7.5% Charges and Petaya Fees 2021

Rs. 36000/- Cash



All Cheques Subject to Realization,

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Cash Payment Voucher

Source document used to record various types of cash and cheque payments are called cash payment voucher.

2 PAYMENT VOUCHER

COMPANY NAME ABC
 No 12, Jalan Petaling Maju, 40000 Shah Alam Selangor
 Phone: 013456789 E-Mail: abc@gmail.com

Payee Name Ali Maju Sdn Bhd PV No PV0001
 SSM No / IC No SA002345A Due Date 30/10/2021
 Bank Name CIMB Payment Method Online Transfers
 Account No 86039488787

No	Payment Details	Amount (RM)
1	Bayaran Invoice Payroll V2 + Slip Gaji	150.00
2	Rekod Jualan Excel	80.00
Total (RM)		230.00

Remarks _____

Prepared By Lisa Approved By Anis Received By _____
 30/10/2021 30/10/2021 30/10/2021

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Invoice

Relates to Sales or Purchase Order

Buyer
Receives an
Invoice



Supplier
Issues an
Invoice

Credit Sale & Purchase

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Invoice

Invoice is the document issued by seller to a buyer for a credit sale transaction. Seller considers this as a sales invoice and buyer considers this as a purchase invoice.

ITEM CODE	DESCRIPTION	BATCH NO.	QTY.	RATE	VALUE
PTPTSTU0008	NIPPOLAC SUPER TURPENTINE 2LT	1101565717	4	880.00	3,520.00
				Gross Value	3,520.00
				Less: Discount (25.00%)	880.00
				Subtotal	2,640.00
				Grand Total	2,640.00

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2018 January Q1.12

List three (03) important matters that should be included in a Sales Invoice.

2019 January Q1.12

State three (03) important matters included in a sales invoice.

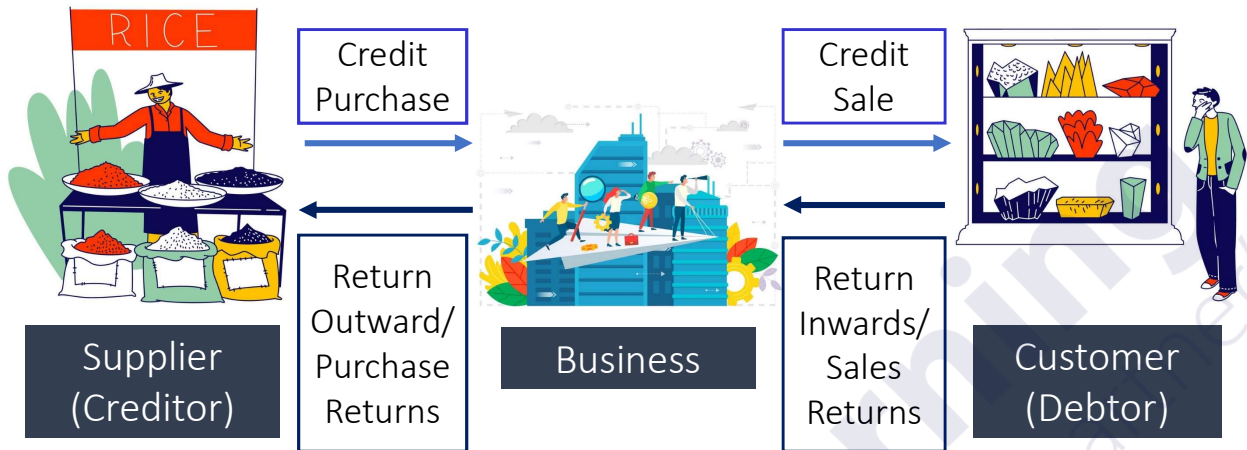
2022 January Q1.2

“Saman Traders sold Rs.85,000/- worth of goods on credit terms to ABC Ltd.” The correct source document issued by Saman Traders to record the above transaction is:

- (1) Purchase Invoice.
- (2) Payment Voucher.
- (3) Sales Invoice.
- (4) Debit Note.

02 Marks

Sales and Purchase Returns



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Reasons for Return of Goods



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Debit Note

Debit note is the document issued for the purchase returns. When the items are returned back to the supplier by the business the Debit Note is sent to the supplier.

Z

Debit Note
Debit Note# CON-000004

Zyker India,
44 Annasalai,
Chennai 600002, India.
GSTIN: 33GSPTN037G1ZD
Phone: 9857352584
PAN: 32456789

Balance Due
₹103.00

Bill To
Ambil Depots,
10 Thokur Street, Chennai 600450
Tamil Nadu, India.
GSTIN: 33GSPKA037G1FE
Phone: 982209883
Circuit ID: 57888533GSPKA037G1FE

Debit Note Date: 05 Sep 2017
Terms: Due on receipt
Due Date: 05 Sep 2017
Reference Invoice#: FC105
Reference Invoice Date: 03 Aug 2017

Place Of Supply: Tamil Nadu (33)

#	Item & Description	Rate	COST	IGST	Amount
1	Item rate adjusted	100.00	1.50 1.5%	1.50 1.5%	100.00
Sub Total					100.00
CGST 1.5 (1.5%)					1.50
IGST 1.5 (1.5%)					1.50
Total					₹103.00
Balance Due					₹103.00

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2019 January Q1.3

A Debit Note is:

- (1) a document issued by the buyer to the seller, reducing the amount of goods returned due to some reasons.
- (2) a document issued by the seller to the buyer, deducting the amount the buyer owes to the seller under the terms of an earlier invoice.
- (3) a document which can be used as a proof for a monetary transaction occurred between two parties.
- (4) a document which is issued by a responsible person in the business to prove that the entity has received money.

02 Marks

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2021 July Q1.7

The source document which is used by a buyer to return the goods purchased on credit is:

- (1) Credit Note.
- (2) Purchase Invoice.
- (3) Purchase Order.
- (4) Debit Note.

02 Marks

2023 July Q1.9

Select the correct source document used by the buyer to return the goods purchased on credit to the supplier:

- (1) Debit Note.
- (2) Credit Note.
- (3) Purchase Order.
- (4) Journal Voucher.

02 Marks

Credit Note (Negative Invoice)

Credit note is issued for the sales returns. When the items are returned by the credit customers to reduce the debtor balance a Credit note is issued by the business as the source document.

[Your Logo] [Your Web Address]

CREDIT NOTE

[Customer Name]
[Customer Address 1]
[Customer Address 2]
[Customer Town]
[Customer City]
[Customer Postcode]

Date:
1st October 2012

Credit Note Number:
CN-0001

VAT Number:
GB12345678

[Your Company Name]
[Address 1]
[Address 2]
[City]
[Town]
[Postcode]

Description	Quantity	Price	Amount
Faulty Widgets on Invoice INV-0001	2	10.00	20.00
Service One - Partial Refund (Hours)	3	40.00	120.00
		Subtotal	140.00
		TOTAL	140.00

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2022 July Q1.7

Select the correct source document used by the seller for return of goods purchased by a buyer on credit:

- (1) Purchase Order.
- (2) Journal Voucher.
- (3) Debit Note.
- (4) Credit Note.

02 Marks

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2021 January Q1.15

State whether following statement is True or False

1.15 A credit note is an example for a source document of a business entity

02 Marks

Petty Cash Voucher

In order to manage small scale cash expenses business, keep a petty cash float. Petty cash voucher is prepared to include the information of petty cash expenses incurred by the business. This include information on type of petty cash expenses and reasons.

PETTY CASH VOUCHER		
NO:		
DATE:	AMOUNT	
REQUIRED FOR	£	P
TOTAL		
SIGNATURE:	PASSED BY:	
<small>Printed by Cherry Printers Tel: 01482 370670</small>		

Journal Voucher

Journal voucher is the source document used to record all the other transactions including depreciations, bad debts, fixed assets purchased on credit etc.

Global Building, PT Jl. Wijaya 1 No. 88 Kebayoran Baru Jakarta Selatan				Journal Voucher	
				Voucher No. : 1069 Date : 30 Jun 2008	
Account No.	Account Name	Debit	Credit	Memo	
1101-004	Bank EURO	6.800.000	0		
3300	Opening Balance Equity	0	6.800.000		
Say : Six million eight hundred thousand				Debits :	6.800.000
Description : Account opening balance 1101-004				Credits :	6.800.000
Prepared By	Reviewed By	Approved By			
Date:	Date:	Date:			

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2023 July Q1.12

State whether following statement is True or False

1.12 The source document which is used to record purchase of Property, Plant and Equipment on credit is purchase invoice.

02 Marks

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2024 January Q1.16

1.16 Identify the relevant source document used for the following transactions:

1. A purchase of a computer of Rs.200,000/- for office use on credit.
2. A sale of goods of Rs.600,000/- on credit to **ABC Ltd.**

02 Marks

2018 July Q1.14

Identify the relevant "Source Document" used to record each of the following transactions related to XYZ Traders:

- (a) Purchased stationery worth of Rs.15,000/- in cash.
- (b) Stocks of Rs.400,000/- purchased on credit were returned to supplier due to poor quality.
- (c) Sold Rs.20,000/- worth items to ABC Ltd. on credit basis.
- (d) Purchased a photocopier for Rs.400,000/- from PQRS Ltd. for office use on credit basis.

04 Marks

2020 January Q1.11

Identify the relevant “Source Document” used to record for each of the following transactions of ABC Traders:

- (a) Items of Rs.465,000/- purchased by a customer on credit basis were returned due to poor quality.
- (b) Purchased a lorry for Rs.2,500,000/- on credit basis for delivery of goods of the business.
- (c) Received Rs.25,000/- from a trade debtor.

03 Marks

2024 January Q1.16

1.16 Identify the relevant source document used for the following transactions:

1. A purchase of a computer of Rs.200,000/- for office use on credit.
2. A sale of goods of Rs.600,000/- on credit to **ABC Ltd.**

Other Source Documents

Other Source Documents			
Material Requisition Note	Purchase Requisition Note	Purchase Order	Goods Received Note
Document issued by the division which require the materials to the warehouse requesting to get the materials.	Warehouse division prepares this document including the details of materials required and send to the purchase division	Document send to a supplier by the purchase ordering the items. This include type, quantity, agreed price, required date and conditions	Document issued by warehouse to supplier, at the time of receiving items confirming that the goods were received. This is used to compare with purchase order to check whether purchased items have been received. This used as source document to record receipt of goods in stores ledger.

2020 January Q1.3

Perera who is a newly appointed storekeeper of Zeena Traders noticed that some stock items are not available in the stores. Which one of the following source document is used by Perera to make the request to purchase department for obtaining required stock items?

- (1) Purchase Order (PO).
- (2) Journal Voucher (JV).
- (3) Goods Received Note (GRN).
- (4) Material Requisition Note (MRN).

02 Marks

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2020 July Q1.8

The document which is used to record receipts of goods by stores is:

- (1) Purchase Order (PO).
- (2) Purchase Requisition Note (PRN).
- (3) Goods Received Note (GRN).
- (4) Material Requisition Note (MRN).

02 Marks

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2023 January Q1.8

Which one of the following source document is raised by the storekeeper to record the goods received from suppliers?

- (1) Sales Invoice.
- (2) Goods Received Note (GRN).
- (3) Purchase Order (PO).
- (4) Payment Voucher.

02 Marks

2024 January Q1.2

Select the correct source document, prepared by a purchaser incorporating details of goods required to buy such as type, quantity, agreed price, required date and other terms & conditions

- (1) Payment Voucher (PV).
- (2) Purchase Order (PO).
- (3) Good Received Note (GRN).
- (4) Material Requisition Note (MRN).

02 Marks

Prime Entry Books



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Prime Entry Books/Day Books/Journals



Source Document

Recorded



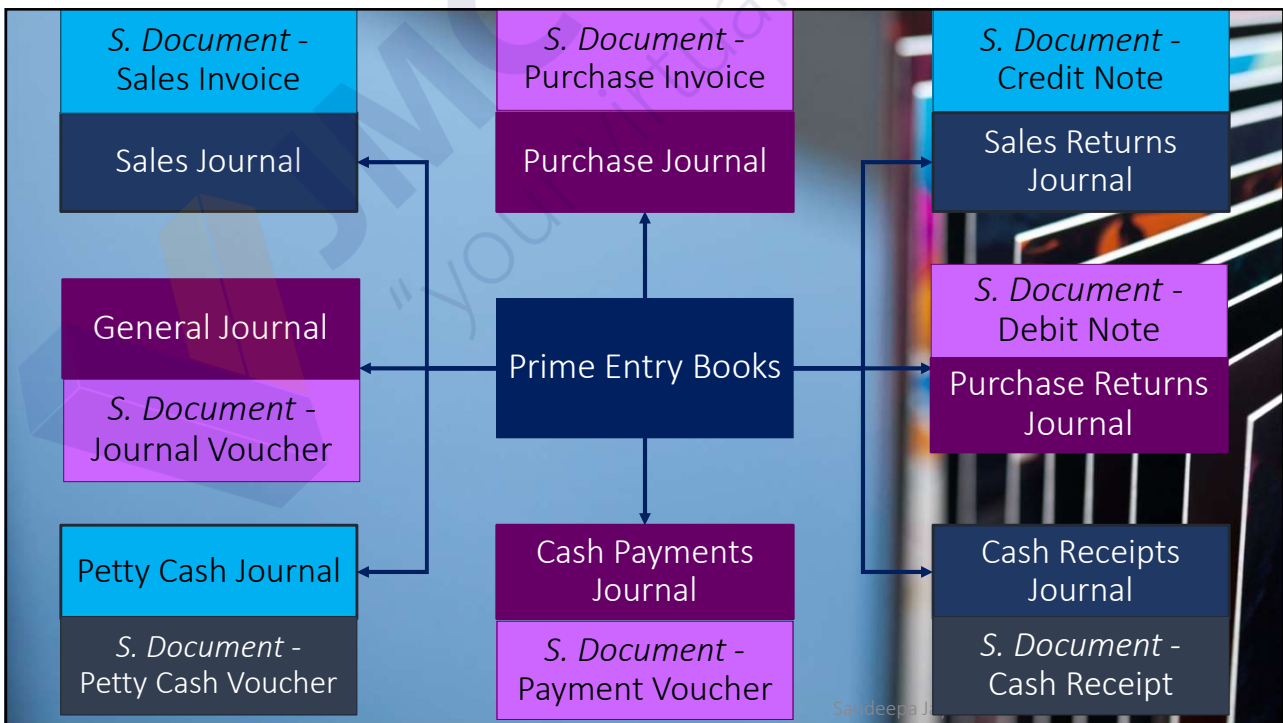
Prime Entry Books

What is a Prime Entry Book?

Prime entry books are used to record the transactions and events that are captured using source document, in a chronological order (Days order).

The totals of the prime entry books are posted to General ledger passing a double entry.

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2022 July Q1.2

Which one of the following is not a Prime Entry Book?

- (1) Cash Book.
- (2) Purchase Day Book.
- (3) General Ledger.
- (4) Sales Day Book.

02 Marks

2022 January Q1.12

State whether following statement is True or False

1.12 The source document used to record a transaction in purchase daybook is debit note

02 Marks

Objectives/Importance of Maintaining Prime Entry Books



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Objectives/Importance of Maintaining Prime Entry Books

- **Reducing complexity in general ledger.** Ledger posting is easy as similar transactions are categorized under one prime entry book.
- Omissions and human **errors** can be **minimized**.
- **Errors** and omissions can be **identified quickly**.
- Business **transactions** can be effectively **controlled**.
- As transactions are recorded on chronological order, a **transaction** can be **easily referred**.



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2023 January Q1.20

1.20 Identify two (02) importance/objectives to maintain prime entry books

02 Marks

Cash Receipts Journal and Cash Payments Journal

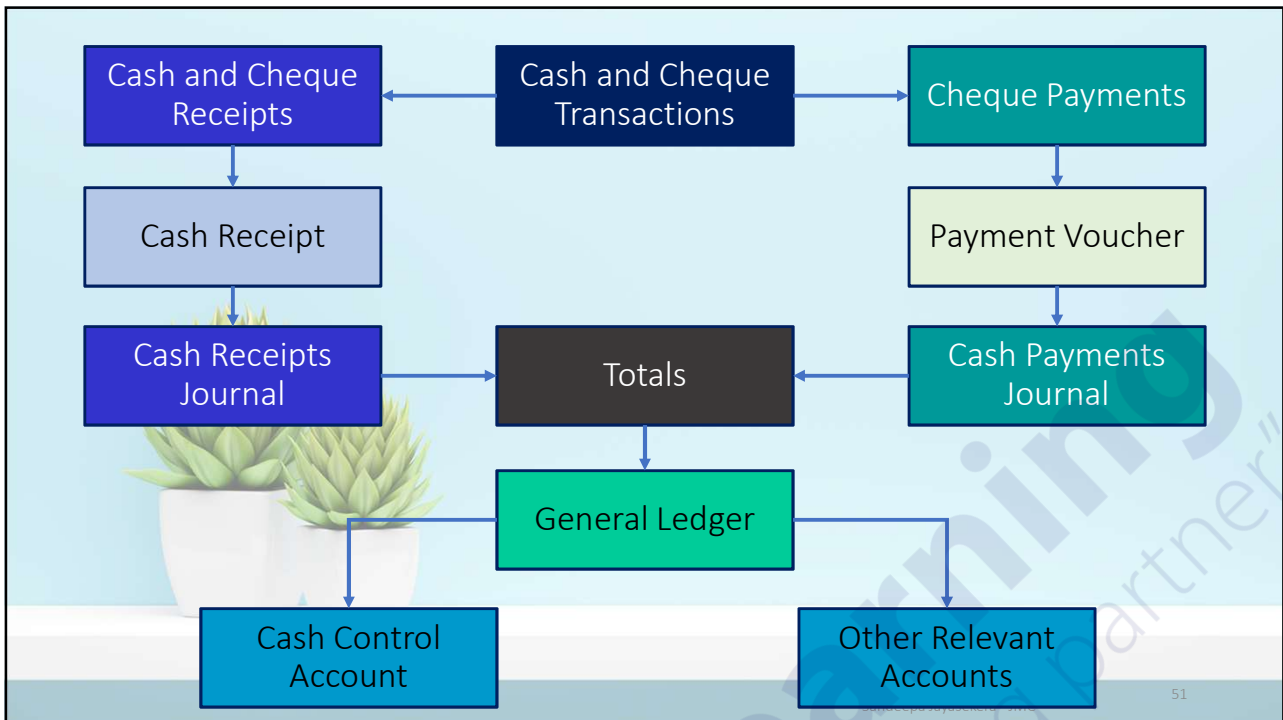
Cash Receipts Journal

- Used to Record the Cash and Cheque Receipts

Cash Payments Journal

- Used to Record the Cheque Payments





2023 July Q1.17

1.17 Briefly explain the difference between “Cash Discounts” and “Trade Discounts”



02 Marks

Discounts

- Discounts means a reduction from a value.
- There are two types of Discounts.
 - Trade Discounts
 - Cash Discounts
- Trade Discounts are the amount deducted from the marked price.
- Cash Discounts are the amount deducted from the due amount of the credit customer.



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Trade Discounts

Trade Discount is a reduction from Marked Price. This is given to promote sales. Trade Discounts are not recognized separately. Always the discount deducted amount is accounted.

Trade Discount Received at Purchase

Accounts the Net Purchase	
Purchase price	XX
(-) Trade Discount	(X)
Purchase after Tr. Disc.	XX

Trade Discount Given at Sale

Accounts the Net Revenue	
Sales Price	XX
(-) Trade Discount	(X)
Sales after Trade Disc.	XX

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Cash Discounts

Cash Discount is a reduction from due amount of a debtor. This is given to collect the cash early from a credit customer within or before the credit period.

Cash Discounts Allowed to Debtors

Recorded in Cash Receipts Journal

Discount Allowed (Distr. Exp) Debit

Debtors Control Credit

Cash Discounts Received from Creditors

Recorded in Cash Payments Journal

Creditors Control Debit

Discount Received (Other Income) Credit

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Records all Cash received. Generally, prepared with analytical columns.

Cash Receipts Journal

Cash Receipts Journal

Date	Receipt No.	Description	Discount Allowed	Total Rs.	Receipt Analysis		
					Sales	Debtors	Others
X0/3/01	125	Accounts Receivable : Bhanuka	500	9,500		9,500	
X0/3/03	126	Cash Sale		25,000	25,000		
X0/3/05	127	Accounts Receivable : Surosh	1,000	10,000		10,000	
X0/3/10	128	Loan : BOC		50,000			50,000
			1,500	94,500	25,000	19,500	50,000

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Records all cash payments. Generally, prepared with analytical columns.

Cash Payments Journal

Cash Payments Journal

Date	Voucher No.	Description	Discount Received	Total Rs.	Payments Analysis		
					Purchases	Creditors	Expenses
X0/3/01	125	Purchases		5,000	5,000		
X0/3/03	126	Accounts Payable : Akbar Brothers	1,000	15,000		15,000	
X0/3/05	127	Accounts Payable : Nishanth Ltd	2,000	30,000		30,000	
X0/3/10	128	Electricity		10,000			10,000
			3,000	60,000	5,000	45,000	10,000

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Question 01

The following cash receipts are occurred during the month of April 20X7 of Hasho PLC. Prepare the Cash Receipt Journal.

20X7/4/05	Cash Sales	R.No 01	60,000
20X7/4/10	Building Rent Received	R.No 02	5,000
20X7/4/15	Bank Loan Received	R.No 03	100,000
20X7/4/18	Receipts from Debtor Amal	R.No 04	9,000
20X7/4/18	Discount Given to Amal		500
20X7/4/20	Cash Sales	R.No 05	50,000
20X7/4/22	Receipts from Debtor Thilak	R.No 06	48,000
20X7/4/22	Discount Given to Thilak		2,000
20X7/4/25	Commission Received	R.No 07	1,000
20X7/4/28	Capital Invested	R.No 08	20,000

Question 02

The following cash payments are occurred during the month of April 20X7 of Hasho PLC. Prepare the Cash Payment Journal.

20X7/4/06	Electricity Bill Payment	V.No. 01	6,000
20X7/4/08	Payment to Creditor Malinda	V.No. 02	12,000
	Discount Received from Malinda		1,000
2017/4/10	Cash Purchases	V.No. 03	18,000
20X7/4/12	Monthly Insurance Payment	V.No. 04	12,000
20X7/4/14	Payment to Creditor Sagara	V.No. 05	16,000
	Discount Received from Sagara		1,000
20X7/4/16	Purchase of Office Furniture	V.No. 06	50,000
20X7/4/18	Wages and Salaries	V.No. 07	30,000
20X7/4/22	Cash Purchases	V.No. 08	22,000
20X7/4/26	Drawings	V.No. 09	5,000

Cash Control Account

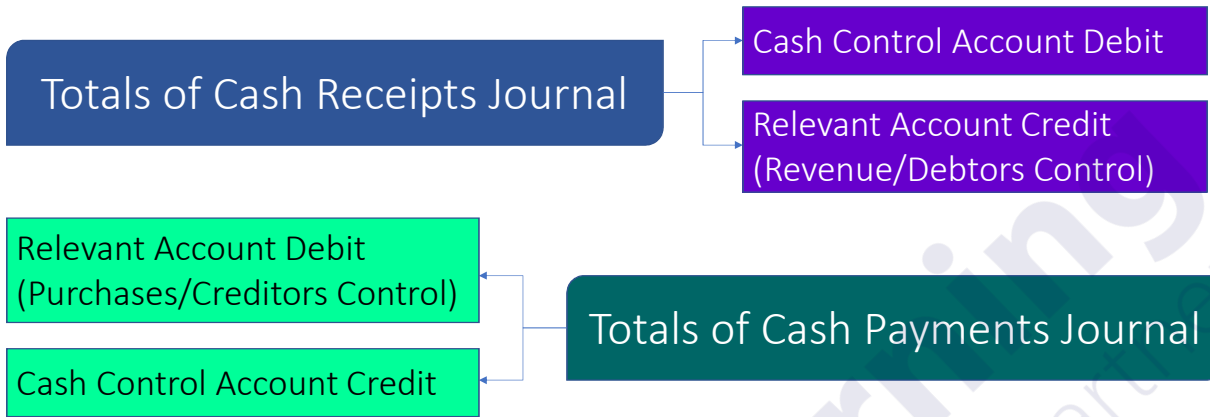
- Cash Control Account is the Ledger account that reports
 - Cash Receipts
 - Cash Payments
 - Cash Balance
- Total of Cash Receipts Journal will be Debited to Cash Control Account
- Total of Cash Payments Journal will be Credited to Cash Control Account



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Double Entries of Cash Control Account



Cash Control Account

Cash Control Account					
Cash Receipt Journal Totals	Balance B/F	50,000	Purchases	5,000	Cash Payment Journal Totals
	Cash Sales	25,000	Creditors Control	45,000	
	Debtors Control	19,500	Electricity	10,000	
	Loan	50,000	Balance C/D	84,500	
		<u>144,500</u>		<u>144,500</u>	
	Balance B/F	84,500			

Question 03

Thilina has deposited Rs 800,000 in the business bank account to commenced the business.

The following transactions are occurred during the month of April. Record the below transaction in cash receipts and payment journal and post them to the ledger accounts

Date	Description	Rec. No.	Vou. No.	Chq. No.	Rs.
20X7.04.01	Cash purchases		1	800400	120,000
20X7.04.02	Purchase of furniture & fittings		2	800401	80,000
20X7.04.02	Cash sales	2		712520	200,000
20X7.04.03	Purchases from Athula				100,000
20X7.04.04	Sales on credit to Venura				150,000
20X7.04.05	Payment to Petty Cashier		3	800402	10,000
20X7.04.06	Paid transport for goods inwards		4	800403	5,000
20X7.04.07	Credit purchases from Thushan				80,000

Date	Description	Rec. No.	Vou. No.	Chq. No.	Rs.
20X7.04.08	Credit sales to Chatura				90,000
20X7.04.08	Loan from People's Bank	3			300,000
20X7.04.09	Paid Athula. Discount received Rs.5,000		5	800404	95,000
	Received payment from Venura.				
20X7.04.10	Discount allowed 10%			620703	135,000
20X7.04.12	Cash sales	5		cash	250,000
20X7.04.14	Paid Building rent		6	800405	20,000
20X7.04.15	Cash purchases		7	800406	110,000
20X7.04.18	Paid Thushan - Discount - received 10%		8	800407	72,000
	Receipts from Chathura - Discount				
20X7.04.22	allowed 10%	6		cash	81,000
20X7.04.25	Paid wages		9	800408	10,000
20X7.04.26	Drawings by Thilina		10	800409	10,000
20X7.04.28	Commission received	7		cash	8,000

Question 04

Following balances were extracted from Sasindu's business as at 1/8/X9.

Rs. 000'

Cash	300
Debtors	100
Creditors	200

Transactions in month of August.

1/8 cash purchases Rs. 150,000

3/8 cash sales Rs. 200,000

5/8 Debtor Sithum with a balance of Rs. 60,000 was settled after a discount of 10%

8/8 Creditor Pavan's balance was settled after receiving a discount of Rs. 10,000

10/8 Rent income received Rs. 20,000

12/8 Received bank loan Rs. 100,000

15/8 Cash sales Rs. 300,000 and Cash purchases Rs. 210,000

22/8 Received money from Debtor Randika having a balance of Rs. 40,000.

Discount given is 10%

25/8 Cash drawings Rs. 20,000 and goods drawings Rs. 40,000

26/8 Creditor Kasun's balance of Rs. 50,000 was settled by paying Rs. 45,000

29/8 Advertising expense Rs. 25,000 and Rates paid Rs. 5,000

30/8 Sasindu introduced additional capital of Rs. 100,000 in cash and Rs. 1Mn worth of motor vehicle.

Required.

Prepare the Cash Receipts Journal and Cash Payments Journal and post them to ledger.

Petty Cash Journal

Petty Cash Imprest/Float

- Every business is incurring repetitive small-scale expenses which needs to be settled in cash.
- An amount of such expense for a period is decided by the management.
- This amount is called petty cash float



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Examples of Petty Cash Expenses



Travelling



Welfare



Postage



Cleaning

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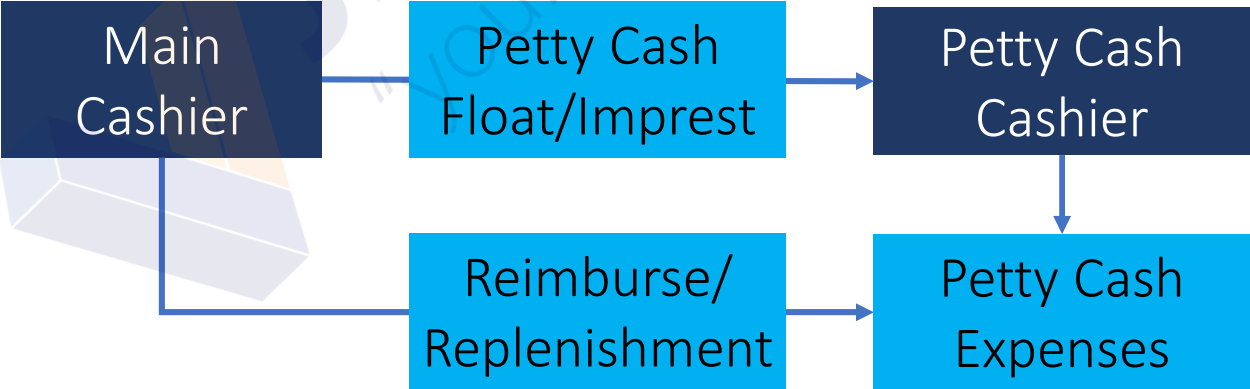
Petty Cash Journal



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Petty Cash Management using Imprest Method



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Petty Cash Journal

- The main cashier transfer the petty cash float (imprest) amount to the petty cashier to manage the petty cash expenses.
- Petty cashier records the petty cash float receipt and petty cash expenses in the petty cash journal.
- Towards the end of the period, the petty cash expenses incurred will be reimbursed/replenished by the main cashier.
- At a given time Petty cash expenses + Cash in Hand shall be equivalent to Petty Cash Float

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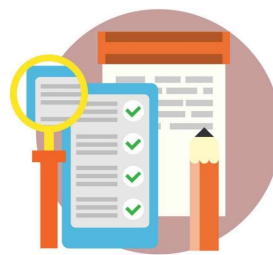
Importance of Petty Cash Journal



To Reduce
Complexity of Cash
Payment Journal



To Analyze Petty
Cash Expenses



To Control Petty
Cash Payments



To Reduce the
Workload of Main
Cashier

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Petty Cash Journal Format

Date	Description	PC. V. No.	Amount Rs.	Analytical Columns				Ledger Ref.
				Stationary	Welfare Rs.	Travelling Rs.	Other Rs.	
1/1/X1	Bus Fare	125	50			50		GL05
2/1/X1	Three Wheel	126	300			300		GL05
3/1/X1	Milk Powder	127	1,000		1,000			GL06
4/1/X1	A4 Pack	128	1,500	1,500				GL07
5/1/X1	Labour Fee	129	500				500	GL08
			3,350	1,500	1,000	350	500	

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Double entries regarding to the petty cash journal

Receiving the Imprest/ Reimbursement of the Imprest

Petty Cash Control Account Debit
Cash Control Account Credit

Payments from Petty Cash Payment Journal

Relevant Expense Account Debit
Petty Cash Control Account Credit

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Question 05

ABC Business keeps a fixed imprest of Rs.1,000 per month in their petty cash payment journal. Given below is the total of petty cash expenses during the last 03 months of 20X1. Find the reimbursement for each month.

Month	October	November	December
Expenses	800	750	500
Remaining value	200	250	500

Question 06

ABC business petty cash payments for the month of August was Rs. 2,500. The petty cash imprest is Rs. 6,000. It was decided to increase the imprest balance up to Rs. 7,000 during the month of September. Calculate the reimbursement for the month of September.

August	
Expense	2,500
Remaining	3,500

Question 07

The petty cash imprest of Raj Ltd. is Rs.40,000 for a month. For the following transactions prepare the petty cash journal and post them to the ledger accounts.

01 July 20X1	Received the imprest
02 July 20X1	Stationary Rs. 2,500
03 July 20X1	Sugar and tea Rs. 3,500
05 July 20X1	Bus fare Rs. 500
11 July 20X1	Stamps Rs. 400
15 July 20X1	A4 bundle Rs. 3,000
16 July 20X1	Cleaning charges Rs. 5,000
20 July 20X1	Taxi charges Rs. 1,600
24 July 20X1	Postage Rs. 400
28 July 20X1	Parcel charges Rs. 2,500
30 July 20X1	Refreshment Rs. 3,000
31 July 20X1	Reimbursement of the imprest

Question 08

The petty cash imprest of Ravan Ltd. is Rs. 1,500 for a month. Given below are the transactions during the month of July 20X4. Prepare a petty cash journal and post them to the ledger accounts.

01 July 20X4	Received the imprest
02 July 20X4	Stationary Rs. 50
03 July 20X4	Sugar and tea Rs. 35
05 July 20X4	Bus fare Rs. 45
11 July 20X4	Stamps Rs. 15
15 July 20X4	Printing charges Rs. 20
20 July 20X4	Taxi charges Rs. 60
24 July 20X4	Postage Rs. 50
28 July 20X4	Cleaning expenses Rs. 25
29 July 20X4	Paid to a laborer Rs. 100
31 July 20X4	Reimbursement of the imprest by increasing another Rs. 500

Credit purchase of inventory are recorded in the purchase journal

Purchases Journal

Purchases Journal Format

Date	Invoice No.	Supplier	Value
20X0/3/04	123	Reliant Ltd	172,500
20X0/3/05	798	Garton PLC	230,000
20X0/3/06	656	Welsh Ltd	92,000
			494,500

Double Entry

Purchase Debit 494,500

Creditors Control Credit 494,500

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Question 09

Dilumi's Business has provided the following details regarding purchases.

5/1 Purchased from Sajith for Rs. 50,000, the list price and the trade discount is 10% (Invoice number 6969)

5/5 Purchased from Sunil for Rs. 10,000 (Invoice number 5459)

5/10 Purchased stocks for Rs. 25,000, the list price and trade discount is 10% (Payment Voucher number 122)

5/25 Purchased from Kamal Rs. 20,000 for list price and trade discount is 5% (Invoice number 8542)

5/30 Purchased from Nimal Rs. 9,000 after deducting trade discount of 10% (Invoice number 1464)

Required to Prepare

Purchase Journal and the respective ledger accounts in the general ledger.

2021 July Q5 (B)

Sanka Traders is a sole proprietorship and the following credit purchase transactions are extracted from the books of accounts of the business for the month of March 2021

Date	Inv.	Supplier's Name	Description	Quantity	Price per Unit (Rs.)	Trade Discount
1 st March	465	Nimal & Co.	Rice Bags	50	500	
10 th March	950	Samantha Grocery	Sugar Bags	100	2,000	
15 th March	495	Nimal & Co.	Rice Bags	100	500	5%

You are required to: Prepare the Purchase Day book (Purchase Journal) of Sanka Traders for the month of March 2021.

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All credit sales are recorded in the sales journal

Sales Journal

Sales Journal Format (Without VAT)

Date	Invoice No.	Customer	Value
20X0/3/04	556	Zeena PLC	300,000
20X0/3/05	557	Akbar Brothers	200,000
20X0/3/06	558	Ilma Ltd	100,000
			600,000

Double Entry

Debtors Control Debit 600,000
Revenue Credit 600,000

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2019 July Q5 (B)

Amal Stores is a sole proprietorship which sells stationery items. Credit sales of Amal Stores for the month of March 2019 were as follows

Date	Inv.	Customer's Name	Description	Quantity	Price per Block (Rs.)	Trade Discount
02.03.2019	217	ABC	CR Books	75	140	5%
15.03.2019	218	Kamal	Pencils	120	6	-
30.03.2019	219	Perera	Pens	180	8	-

You are required to: Prepare the Sales Journal (Sales Day Book) of Amal Stores for the month of March 2019

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2021 January Q1.20

The following credit sales transactions were occurred during the month of January 2021 in Perera's Business:

Date	Inv.	Customer's Name	Description	Quantity	Price per Unit (Rs.)	Trade Discount
05.01.2021	101	ABC	Shirts	10	800	-
25.01.2021	102	XYZ	Frocks	8	1,200	10%

Based on the above information, calculate the amount to be transferred to sales account at the end of January 2021.

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All the credit purchases returned to supplier are recorded here.

Purchase Return Journal

Purchase Return Journal Format

Date	Debit Note No.	Supplier	Value
20X0/3/05	124	Omega PLC - 100 Units	20,000
20X0/3/03	125	Garton PLC - 150 Units	30,000
			50,000

Double Entry

Creditors Control Debit 50,000
Purchase Return Credit 50,000

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Question 10

Dewanga PLC is engaged in sale of furniture.

8/2 Return to Kamal traders under (Debit Note 234) 05 units of tables each Rs. 2,000

8/15 Return to Nimal traders (Debit Note 235) 10 chairs each Rs. 500

Required.

Prepare the purchase return journal and relevant ledger accounts

Question 11

Prepare the Purchase journal and Purchase return journal for the following details of Suraj Traders and post them to the relevant ledger accounts

Date	Inv. No.	Supplier	Description	Return
10/08/20X5	22	A traders	10 Trousers at each of Rs. 300 (Trade discount 10%)	12/08/20X5 2 Trousers
15/08/20X5	764	B traders	20 Shirts at each of Rs. 250 (Trade discount 5%)	
21/08/20X5	152	C traders	05 T- shirts at each of Rs. 150	
28/08/20X5	2642	D traders	15 Frocks at each of Rs. 400 (Trade discount 5%)	29/08/20X5 3 frocks
30/08/20X5	12	E traders	10 Blouses at each of Rs. 170	

All the credit sales returns from the customers are recorded here

Sales Return Journal

Sales Return Journal			
Date	Credit Note No.	Customer	Value
20X0/3/06	542	Meggy PLC - 20 Units	50,000
20X0/3/07	856	Gamora PLC - 40 Units	100,000
			150,000

Double Entry

Sales Return Debit 150,000

Debtors Control Credit 150,000

Question 12

Following details are relevant for the Sales return of Hasali PLC.

9/15 Sales return by Sunil of Rs. 22,000 (Credit Note 578)

9/20 Sales return by Asanka Rs. 11,000 (Credit Note 579)

Required.

Prepare the Sales return journal and relevant ledger accounts.

Question 13

Rohini is a sole trader. Following transactions are regarding business during the month of January 20X8

January 08 Sold to Mohini Invoice No.525
150 Chairs Rs. 500 each
30 Tables Rs. 900 each
Trade discount 5%

January 16 Sold to Dehini Invoice No. 526
05 Cupboards Rs. 5,000 each
10 Cabinet Rs. 8,000 each
Trade discount 2%

February 05 Returned by Mohini No.48
10 Chairs Rs. 500 each
2 Tables Rs. 900 each
Trade discount 5% was deducted

February 28 Returned by Dehini No.49
Cabinet Rs. 8,000
Trade discount 2% was deducted [7840]

You are required to record the above transactions to the relevant journal and post them to the ledger accounts

General Journal

- All the other transactions which were not recognized by any other Prime Entry Book is recognized in the General Journal.
- The relevant source document is Journal Voucher.
- Process of recording a transaction in general journal is called journalizing.



2021 July Q1.13

State whether following statement is True or False

1.13 General journal is a prime entry book.

02 Marks

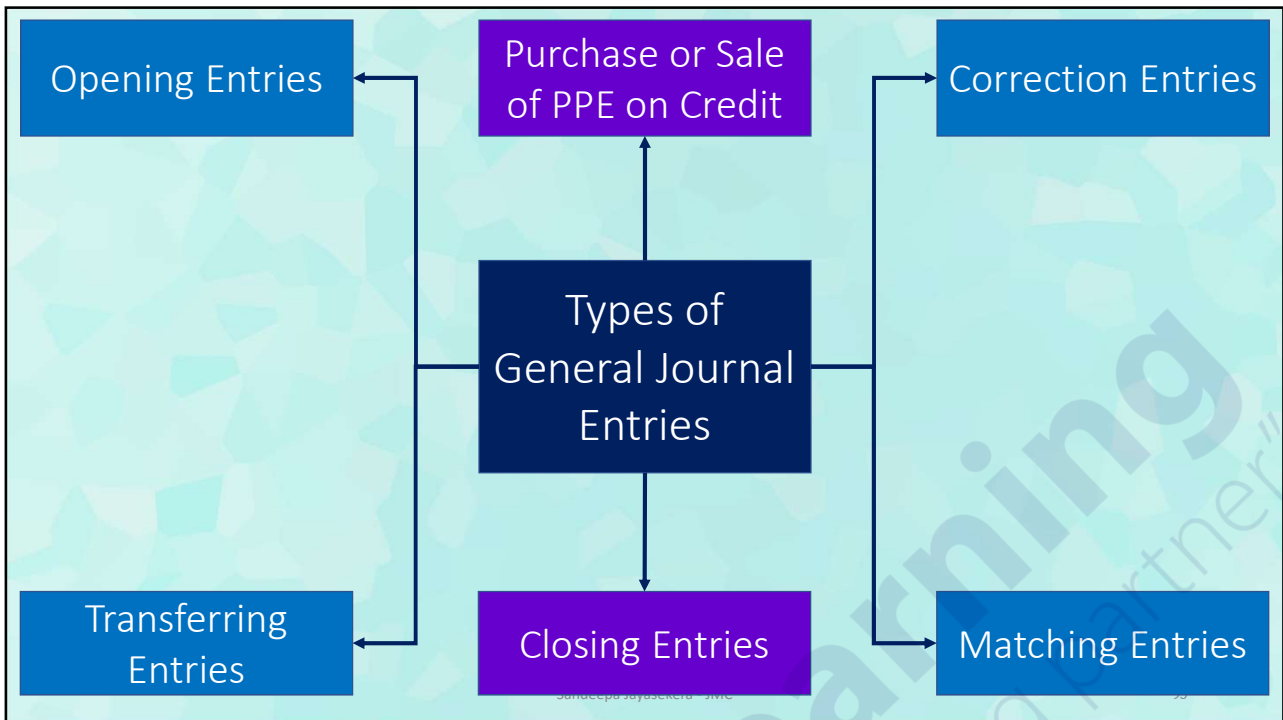
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Format of Journal Entry

Date	JV. No.	Narrative	Debit Rs.	Credit Rs.
		Account to be debited	XXX	
		Account to be credited		XXX
		<i>(Narrative explanation)</i>		

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2020 July Q1.18

1.18 State two(02) types of transactions recorded in the General Journal.



2022 January Q1.6

Which one of the following is recorded in the General Journal?

- (1) Purchase of a motor vehicle for office use on credit.
- (2) Return of goods purchased on credit to the creditor.
- (3) Cash purchase of a computer for office use.
- (4) Sale of goods on credit.

02 Marks

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2022 January Q1.11 and Q1.13

State whether following statement is True or False

1.11 Purchase of an office equipment for office use on credit is recorded in the general journal.

04 Marks

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2023 January Q1.12

State whether following statement is True or False

1.12 Purchases and sales of Property, Plant and Equipment in cash are recorded in general journal.

02 Marks

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Opening Entry

Opening journal entries mean the journal entries relating to the recording of beginning balances of assets, liabilities and equity accounts to the general journal when business is started, or a new accounting period is started.

Basic accounting equation is applied here.

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

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Question 14

Record the following opening balances in the general journal and post to the relevant ledger accounts.

Description	Rs.
Motor vehicle	1,000,000
Stock	200,000
Machines	1,500,000
Bank loan	350,000
Debtors	320,000
Creditors	640,000
Cash	500,000
Accrued expenses	30,000
Prepaid expenses	20,000

2020 January Q5 (B)

Samaraweera Traders is a sole proprietorship and the following transactions have been extracted from the books of accounts of the business for the month ended 31st March 2019:

- (1) Samaraweera, the owner of the business transferred his personal motor vehicle of Rs.750,000/- to the business on 01st March 2019.
- (2) A machinery was purchased for Rs.250,000/- from XY Ltd. on 15th March 2019 on credit basis.
- (3) An electricity bill of Rs.25,000/- was debited to telephone expenses while other entry was correctly recorded.

You are required to: Prepare the General Journal to record the above transactions.

04 Marks

Question 15

Following details are relevant for the Ayami Ltd.

1/1 Opening balances

- Cash	150,000
- Debtors	30,000
- Creditors	25,000

1/2 Purchased goods on credit (Inv No. 234) from Kumara Rs. 20,000. Trade discount 5%.

1/4 Nimal Invested another Rs. 50,000 to the business (Cash Receipt No. 455)

1/5 Sold goods for cash Rs. 40,000. (Cash Receipt No. 456)

1/8 Paid the rent Rs. 5,000 (Payment Voucher No. 225)

1/10 Purchase returned (Debit Note No. 114) to Kumara Rs. 5,000 (After discount value)

1/12 Sold goods (Invoice No. 566) to Vimal on credit for Rs. 50,000. Trade discount 10%.

1/15 Obtain a bank loan Rs. 25,000 (Cash Receipt No. 457)

Question 15

1/20 Sales return (Credit Note No. 588) by Vimal Rs. 10,000 (Before discount value)

1/25 Purchased a machine for Rs. 20,000 (Payment Voucher No. 226)

1/30 Paid the bank loan installment Rs. 3,000 including an interest of Rs.

1,000 (Payment Voucher No. 227)

Required

Record the transactions to relevant prime entry books and prepare the ledger accounts.

Question 16

During the month of April 20X5 following transactions were taken place.

Date	Transactions
05/04	150,000 sales on credit basis to Kamal
06/04	Cash paid to creditors Rs. 30,000
09/04	Re payment of bank loan Rs. 65,000 interest includes Rs. 15,000
10/04	Payment of Electricity bill Rs. 25,000
13/04	Cash collected from debtors Rs. 60,000
15/04	Cash paid to creditors Rs. 120,000. Discount received 10% discount
17/04	write-down Rs. 10,000 form the debtors balance as bad debts
20/04	Cash sales Rs. 50,000 and cash purchases Rs. 70,000
22/04	Cash withdrawals made by the owner Rs. 25,000
22/04	Payment of Rent Rs. 25,000
23/04	Additional capital introduced by the owner Rs. 500,000

Question 16

Date	Transactions
24/04	Purchase of a new Machine Rs. 200,000 on credit from Damro Ltd
26/04	Credit sales Rs. 30,000 to Kamal and Credit Purchases form Nimal Rs. 40,000
27/04	Credit sales return by the debtors Rs. 10,000
28/04	Recovery of bad debts written off in previous year Rs. 10,000
30/04	Purchase return to suppliers Rs. 25,000

You are required to,

Record above transactions in the respective prime entry books

General Ledger



JMC Jayasekera Management Centre (Pvt) Ltd.

Prime Entry Books to Ledger



Prime Entry Book

Classified



Ledger

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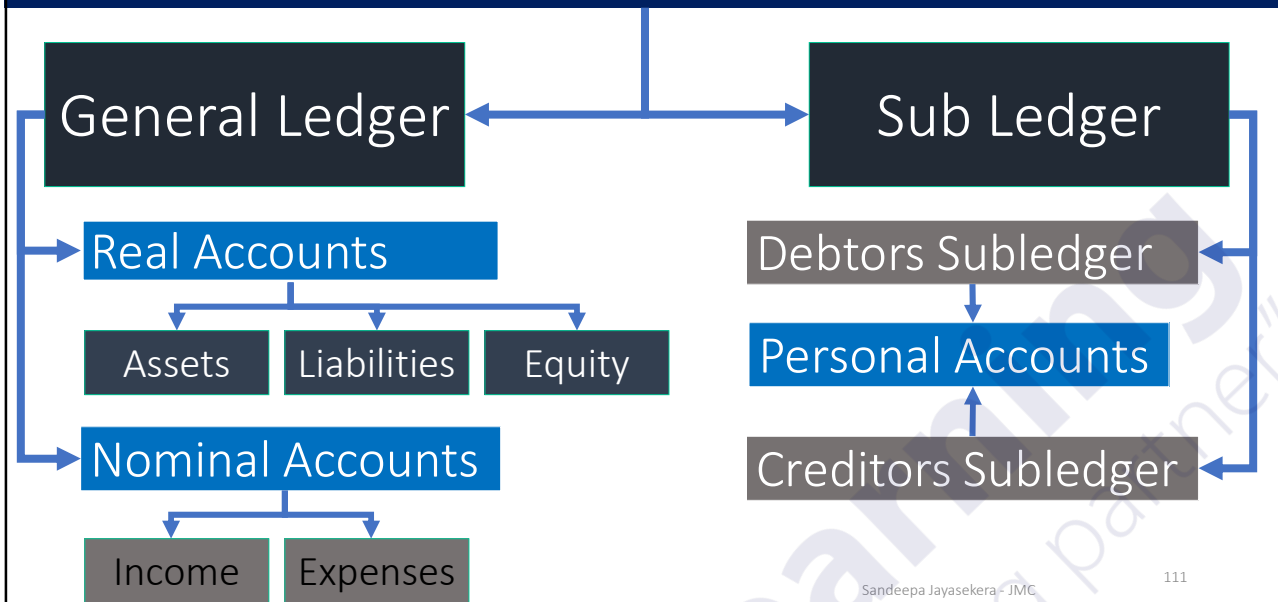
Ledger Account

Ledger is a collection of accounts kept either physically or electronically. The transactions are recorded in ledger to reflect the dual impact. Information gathered from Prime Entry Books are posted to the general ledger as a debit and a credit entry.

Debit Side

Credit Side

Classification of Ledger



2018 July Q1.5

Under the traditional classification of accounts, ledger accounts can be categorized as “Real Accounts, Personal Accounts, and Nominal Accounts”. Which one of the following is an example for a real account?

- (1) Sales account.
- (2) Salaries and wages account.
- (3) Building maintenance account.
- (4) Machinery account.

02 Marks

2020 January Q1.6

Which one of the following is an example for a real account under the traditional classification of accounts?

- (1) Debtor's Account
- (2) Sales Account
- (3) Loan Interest Account
- (4) Machinery Account

02 Marks

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Ledgers

General Ledger

General ledger include details on different income, expense, assets, liabilities and equity. Double entry is recorded in the General ledger. These are common accounts and not personal accounts. Therefore, those accounts are considered as impersonal accounts.

Sub Ledgers


For Debtors and Creditors each person needs to be tracked separately. Therefore, personal ledgers are maintained. These are known as memorandum accounts. These are not a part of Double Entry System.

Debtors Ledger

Creditors Ledger

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Every business has many debtors and creditors

Maintaining Separate Ledger Account in General Ledger for Each Debtor/Creditor is Difficult.

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Debtors Control and Creditors Control Account is maintained at General Ledger to Represent All Debtors and All Creditors

For each Debtor and Creditor, a Separate Memorandum Ledger Account is maintained at Sub Ledger



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Sales Journal

Date	Invoice	Customer	Amount
X0/3/04	556	Zeena PLC	400,000
X0/3/05	557	Akbar PLC	200,000
			600,000

Prime Entry Book Totals are Recorded in the Control Accounts in General Ledger

The total Rs.600,000 will be Debited to Debtors Control Account Credited to Sales Account

Rs.400,000 will be Debited to Debtor Zeena PLC and Rs.200,000 will be Debited to Debtor Akbar in Debtors Sub Ledger as a Single Entry.

Each Separate Entry in the Prime Entry Books and Recorded in the relevant Debtor/Creditor Account in Subledger

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Control Accounts

A Control Account is a general ledger account which represents all personal ledger balances. If separate ledger accounts are maintained for each debtor and creditor the general ledger will be complicated and difficult to manage. Therefore, the debtor and creditor personal ledgers separately kept in the subledger. To represent all these debtor accounts a separate Debtor Control account and to represent all these creditors a separate Creditors Control account is maintained at the General Ledger. The figures in a control account are taken from the totals of the Prime Entry Books. Examples for Control Accounts are Debtors Control and Creditors Control.

Control accounts as a double check mechanism. They ensure that they have handled the double entries involved in credit transactions properly. This means simply that all credit transactions have resulted in a debit and a credit entry.

Purpose of Control Accounts



To avoid unnecessary lengthiness in general ledger



To detect and reduce errors, omissions and frauds in debtors and creditors



Information can be accessed fast and easily

Purpose of Control Accounts

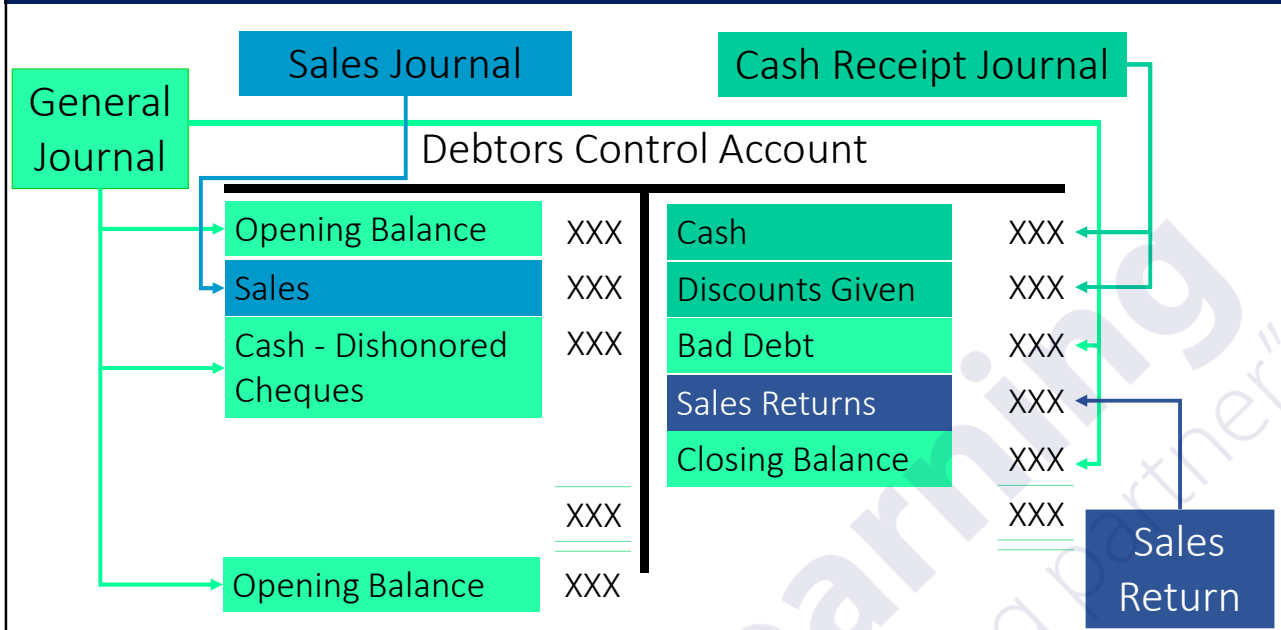


Easy to prepare the trial balance and financial statements



As control accounts and subledgers are prepared by two parties, risk is low.

Preparing the Debtors Control Account



2021 January Q1.7

The following information was extracted from the books of ABC Traders with reference to trade debtors for the month of January 2021:

Trade Debtors' control account balance as at 01 st January 2021	200,000
Trade Debtors' control account balance as at 31 st January 2021	225,000
Cash received from debtors during the month of January 2021	350,000
Return inwards journal total for the month of January 2021	25,000

Based on the above information, total sales during the month of January 2021 were:

Rs.400,000/-. (2) Rs.375,000/-. (3) Rs.350,000/-. (4) Rs.450,000/-.

02 Marks

2021 July Q1.20

The following information was extracted from the books of XYZ Traders for the month of January 2021

Trade Debtors' control account balance as at 01 st January 2021	200,000
Trade Debtors' control account balance as at 31 st January 2021	225,000
Cash received from debtors during the month of January 2021	350,000
Return inwards journal total for the month of January 2021	25,000

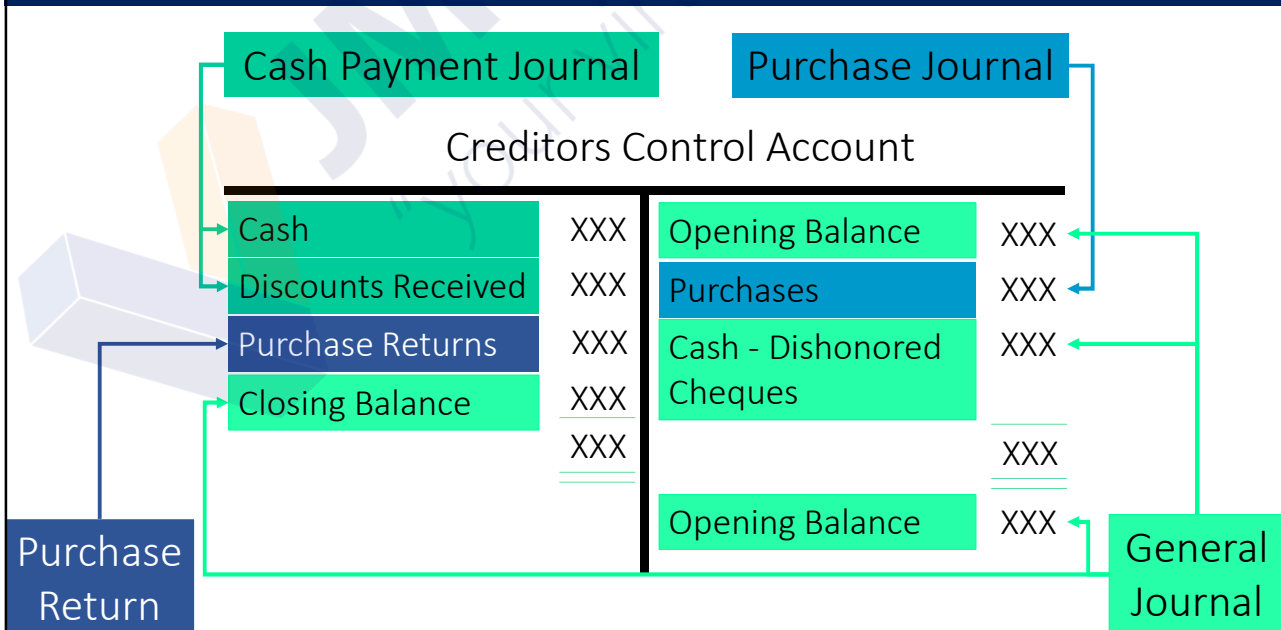
Identify the Trade Receivables (Debtors) Control Account balance as at 31st January 2021.

02 Marks

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Preparing the Creditors Control Account



2020 July Q1.20

The following information is extracted from the books of accounts of Chathura Traders for the month of March 2020:

	Rs.
Creditors' Control Account balance as at 01 st March 2020	875,000
Purchases Journal total for the month of March	2,350,000
Sales Journal total for the month of March	3,450,000
Return Outwards Journal total for the month of March	575,000
Payments to creditors during the month of March	1,450,000

Considering the above information,

Calculate the Creditors' Control Account balance as at 31st March 2020.

02 Marks

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2022 January Q1.20

The following information was extracted from the books of Ameen Traders for the month of March 2021:

Trade payables (creditors) control account balance as at 01 st March 2021	475,000
Purchases day book total for the month	1,250,000
Return outwards journal total for the month	125,000
Payments made to trade creditors during the month	600,000

Identify the Trade Payables (Creditors) Control Account balance as at 31st March 2021.

02 Marks

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Contra Entries

- Same person or the company may have both receivable and payable balances
- If there's an agreement to settle those balances a Contra Entry can be passed



Creditors Control Debit
Debtors Control Credit

Reasons to have a Credit Balance of a Debtor

- Excess money received from Debtor due to an Overpayment.
- Returning the Goods after Settling the Debtor Balance.
- Receiving a Discount after Settling the Debtor Balance.

Reasons to have a Debit Balance of a Creditor

- Excess money paid to a Creditor due to an Overpayment.
- Returning the Goods after Settling Creditor Balance.
- Receiving a Discount after Settling Creditor Balance.

What is a Subledger?

Separate Ledger Accounts maintained for Each Debtor and Creditor Separately by-passing Single Entries from Line items of Prime Entry Books.

E.g.
Debtors Subledger
Creditors Subledger

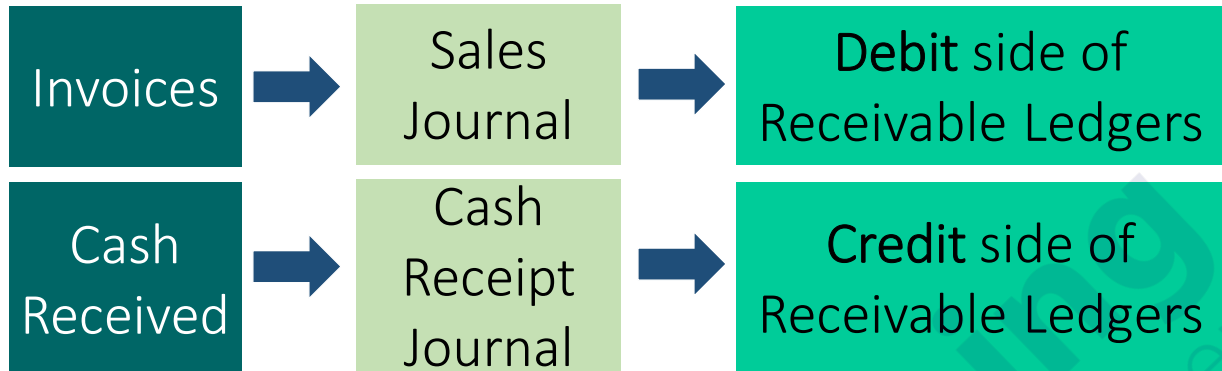


Debtors Ledger

- For each debtor a separate account is maintained at the debtors subledger. For each debtor account single entries passed from prime entry books. The purpose of debtor ledger is to
 - Calculate individual receivable
 - Send Credit Statements to customers at month ends
 - Check the Credit Limits
 - Match the money received against debt owed



Debtor Ledger



Entries passed to Debtor Ledger are
Single Memorandum Entries

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Format of a Debtor Ledger

Sahan Ltd.

Date	Narrative	Rs.000	Date	Narrative	Rs.000
01/01/X1	Balance Carried Forward	90,000	20/01/X1	Cash	190,000
10/01/X1	Sales	200,000	31/01/X1	Balance Carried Down	100,000
		290,000			290,000
01/02/X1	Balance Carried Forward	100,000			

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Creditors Ledger

For each creditor a separate account is maintained at the creditors subledger. For each creditor account single entries passed from prime entry books. The purpose of creditors ledger is to

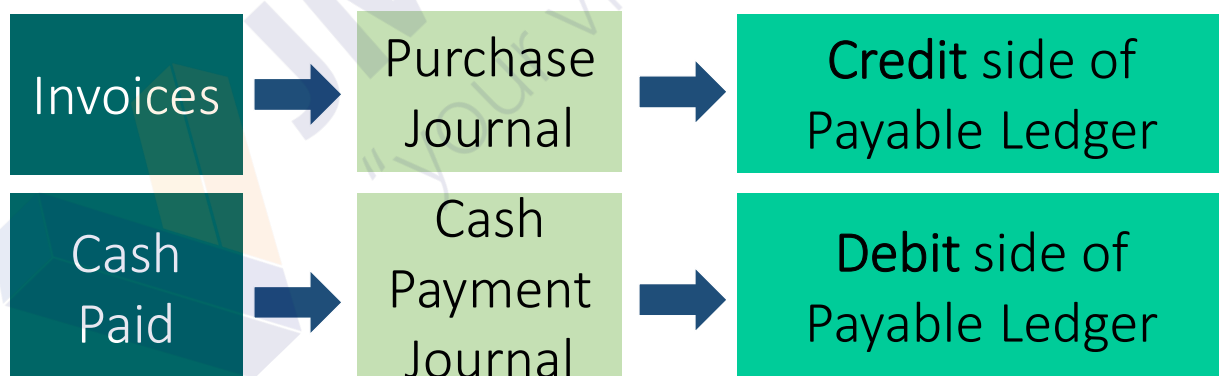
- Calculate individual payable
- Check the Credit Limits
- Match the money paid against debt payable



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Creditors Ledger



Entries passed to Creditor Ledger are
Single Memorandum Entries

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Examples

Following credit sales occurred in Sumana Ltd.

Rs.50 to Dayawathi

Rs.40 to Kanthi

Rs.25 to Siriyawathi

Following amounts were received from the debtors.

Rs.30 from Dayawathi

Rs.20 from Kanthi

Rs.20 from Siriyawathi

General Ledger

Debtors Control		Revenue											
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Revenue</td> <td style="width: 50%; text-align: right;">115</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>115</u></td> </tr> <tr> <td>Bal. B/F</td> <td style="text-align: right;">45</td> </tr> </table>	Revenue	115		<u>115</u>	Bal. B/F	45	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Cash</td> <td style="width: 50%; text-align: right;">70</td> </tr> <tr> <td>Bal C/D</td> <td style="text-align: right;">45</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>115</u></td> </tr> </table>	Cash	70	Bal C/D	45		<u>115</u>
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Cash		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Profit or Loss</td> <td style="width: 50%; text-align: right;">115</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>115</u></td> </tr> </table>	Profit or Loss	115		<u>115</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Rec. Control</td> <td style="width: 50%; text-align: right;">115</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>115</u></td> </tr> </table>	Rec. Control	115		<u>115</u>		
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Rec. Control	70												
	<u>70</u>												
Bal. B/F	70												
Bal C/D	70												
	<u>70</u>												

Private Ledger – Receivables Ledger

Dayawathi		Siriawathi	
Revenue	50	Cash	30
		Bal. C/D	20
	50		50
Bal B/F	20		
Kanthi			
Revenue	40	Cash	20
		Bal. C/D	20
	40		40
Bal B/F	20		

Dayawathi	20
Kanthi	20
Siriawathi	5
Total of Receivables Ledger	45
Receivables Control – General Ledger	45

At any given time, the total of Receivable Ledgers shall be equivalent to balance of Receivables Control Account

Question 01

You are given the following information of debtors of Araliya's business for October 20X6

Debtor	Opening Bal.	Credit sales	Returns	Cash Receipts	Discounts
Rose	15,000	53,000	5,000	25,000	-
Lotus	44,000	78,000	3,000	66,000	2,000
Lilly	82,000	4,500	36,000	1,750	-
Tulip	4,500	45,000	-	29,500	500

You are required to prepare, the debtors' control account and individual debtors ledger accounts as at 31st October 20X6.

Question 02

Consider the following transactions that took place in Sanduni's business during the month of January 20X7 and answer the questions below.

Creditor	Balance 1/1/X7	Total Purchases	Credit Purchase % out of total	Purchase Returns	Cash Paid	Discount Received
Ashen	20,000	400,000	80%	30,000	90,000	10,000
Rashini	30,000	500,000	70%	40,000	180,000	20,000
Pasindu	40,000	600,000	50%	30,000	180,000	20,000
Ravindu	(10,000) Dr.	700,000	60%	20,000	300,000	20,000
Total	80,000	2,200,000		120,000	750,000	70,000

Question 02

Required

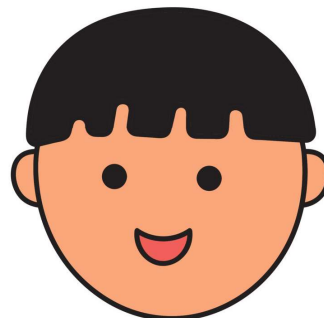
1. Prepare the prime entry books
2. General Ledger
3. Creditors subledger.



Debtor and Creditor Reconciliations

Reconciliation is a Statement

- Prepared to show Differences
- Between two documents



Debtor and Creditor Reconciliations

- After preparing the debtors control account and the creditors control account, list of debtors and list of creditors will be extracted from the debtors subledger and creditors sub ledger respectively.
- Ideally the Total of List of Debtors/Creditors shall be equal to the Debtors/Creditors Control Account Balance.
- If there's a difference it may be due to errors in either control accounts or subledgers.
- A debtor/creditor reconciliations are prepared to show the differences.
- Such errors are corrected in control accounts and subledger.

Question 03

Trade receivables control account balance of Shehan's business as at 31/8/X9 was Rs. 32,000. Balance of trade receivables ledger was different from this balance. Following reasons were found later on.

1. Summation of sales journal was lesser by Rs. 2,000
2. The sales return of Rs. 2,000 made by Mr. Silva was recorded accurately in returns inward journal though it was recorded as Rs. 4,000 in his personal account.
3. Rs. 10,000 cash received from trade receivables which was accurately recorded in cash control account, but it was not recorded in Trade receivables control account. However, this was recorded accurately in trade receivables ledger.
4. Written off Rs. 5,000 as a bad debt was not recorded in the trade receivables ledger.

Required

- i. Accurate balance of trade receivables control account
- ii. A reconciliation statement comparing total of trade receivables ledger list and balance of control account.

Question 04

Total value of list of trade payables ledger accounts of Janith's business as at 31/8/X9 was Rs. 28,000. Trade payables control account balance was different to this. Following reasons were found later on.

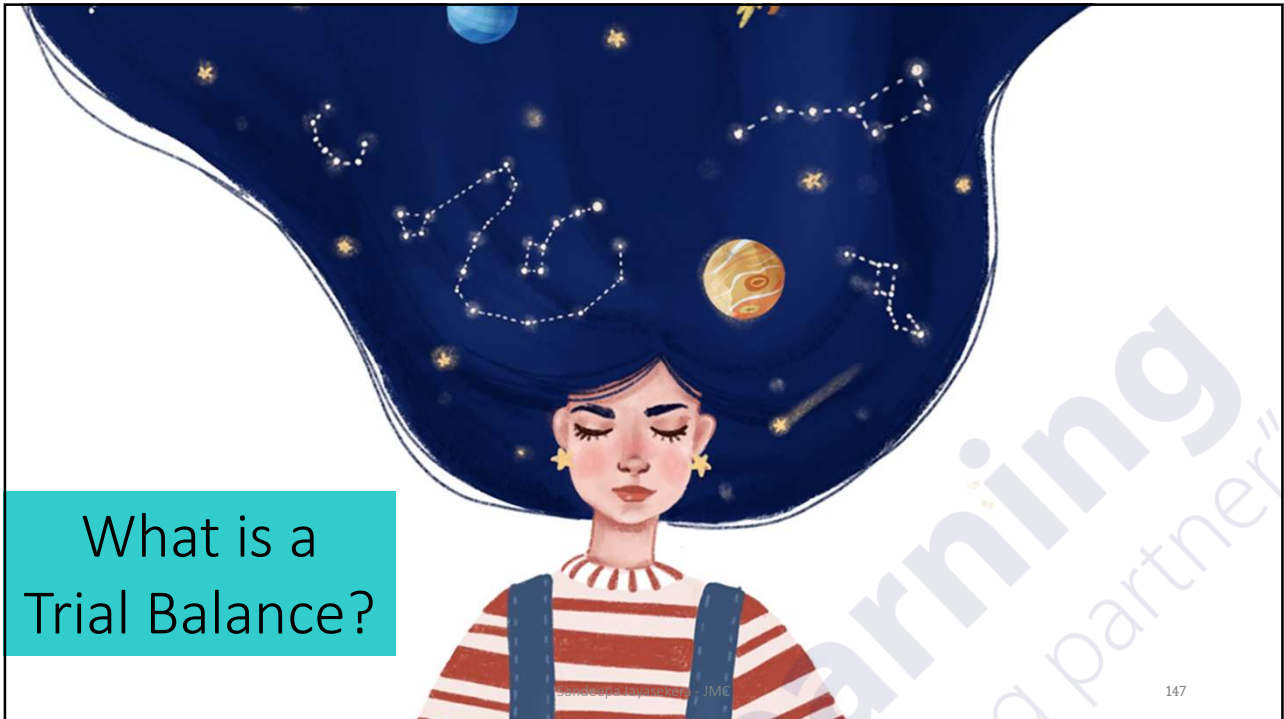
1. Payment of Rs. 5,000 to trade payables was accurately recorded in cash payment journal though it was stated as Rs. 3,000 in control account.
2. Purchase journal was understated by Rs. 10,000
3. Return outwards was not accounted in creditor Saman's account
4. Rs. 4,000 of discount received was stated as Rs. 7,000 in Amal's account.

Required

- i. A reconciliation statement comparing total of trade payables ledger list and balance of control account.
- ii. Adjusted trade payables control account

Trial Balance





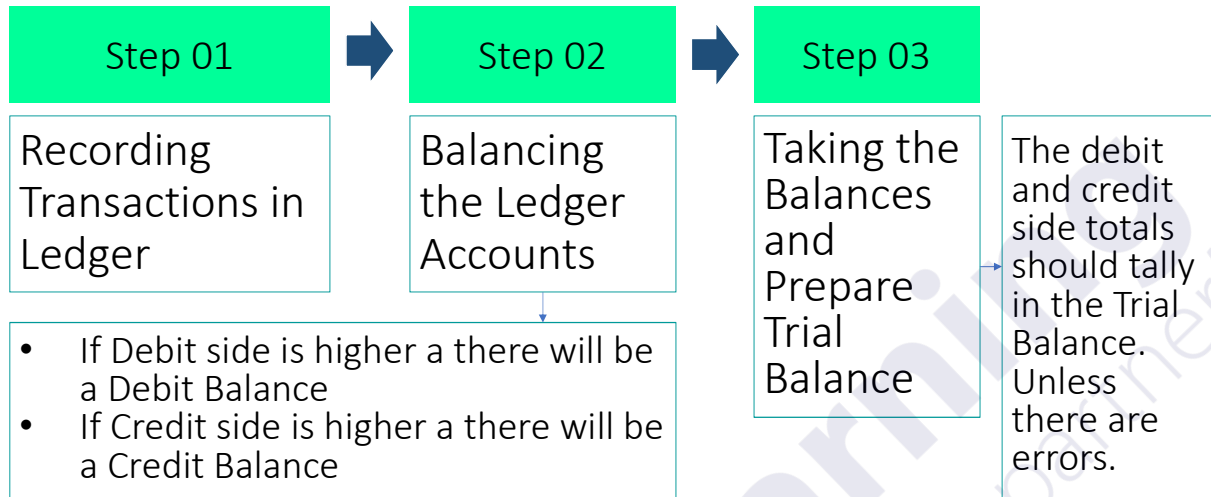
What is a Trial Balance?

Trial Balance

Trial balance is a statement that shows the final debit and credit balances of ledger accounts. The dual impact of transactions are entered in the ledger as equivalent debit and a credit. As a result, the trial balance total debits shall be always equal to total of credits. Trial balance summarize the ledger posted transactions. We use trial balance to prepare the financial statements.

Account	Debit	Credit
Purchases		
Sundry Debtors		
Stock (as on Apr, YYYY)		
Sales		
Cash at Bank		
Machinery		
Discount Received		
Bank Loan		
Bad Debts		
Sundry Creditors		
Carriage Outwards		
Capital		
Provision for Doubtful Debts		
Rent		
Discount Allowed		
TOTAL =		

Process of Preparing a Trial Balance



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Format of a Trial Balance

ABC Ltd.
Trial Balance as at 31/3/X1

Description	Debit Rs.	Credit Rs.
Revenue		XXX
Purchases	XXX	
Salary	XXX	
Land		XXX
Total	XXX	XXX

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Question 01

Following balances are relevant to Charuni Ltd. as at 30/12/X9. Prepare the trial balance.

Account	Balance Rs.
Bank Loan	100,000
Cash at Bank	35,000
Capital	100,000
Tax	15,000
Tax Provision	10,000
Trade Payable	75,000
Trade Receivable	200,000
Purchases	150,000
Sales	200,000
Interest	1,000
Other Expenses	34,000
Vehicle	50,000

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Question 02

Assets and liabilities of Shane's business as at 1/9/X9 is as follows.

	Rs.'
Land and buildings	400,000
Furniture	20,000
Inventory	60,000
Trade receivables	100,000
Cash	50,000
Sales	2,000
Bank loans	200,000
Trade payables	80,000

Details of personal ledgers are as follows.

Trade receivables		Trade Payables	
Anil	60,000	Susantha	50,000
Basil	40,000	Wasantha	30,000

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Following transactions were occurred in September 20X9. (Rs. 000')

1/9 Cash purchases Rs. 120,000, cash sales Rs. 260,000 and petty cash reimbursement Rs. 2,000

3/9 Paid to Susantha after deducting 10% discount to settle payables.

4/9 Received from Anil subject to 5% discount to settle receivables.

5/9 Credit purchases

Susantha Rs. 200,000 (10% Trade discount)

Wasantha Rs. 100,000

6/9 Credit Sales

Anil Rs. 300,000

Basil Rs. 200,000 (10% Trade discount)

8/9 Bank loan installment paid Rs. 60,000 (Loan interest is Rs. 20,000)

10/9 Good return outward

Wasantha Rs. 10,000

Susantha Rs. 20,000

12/9 Goods return inward

Anil Rs. 30,000

Basil Rs. 20,000

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15/9 Following expenses were incurred

Insurance Rs. 5,000

Advertising Rs. 4,000

18/9 Rs. 50,000 furniture purchased on credit from Jayathilaka PLC.

20/9 Shane introduced Rs. 60,000 cash and land worth Rs. 200,000 as capital

22/9 Paid to Wasantha Rs. 80,000 after a discount of Rs. 20,000

23/9 Received Rs. 120,000 from Basil to settle Rs. 150,000 receivable balance.

25/9 Following income were received

Building rent Rs. 10,000

Sundry income Rs. 15,000

28/9 Cash purchases Rs. 240,000 and cash sales Rs. 300,000

29/9 Cash drawings Rs. 25,000 and goods drawings Rs. 15,000

30/9 Rs. 10,000 trade receivable from Anil was written off as bad debt.

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31/9 Petty cashiers petty cash expense for the month is as below.

2/9	Travelling	250
4/9	Sundry	400
6/9	Postage	510
10/9	Stationery	410
15/9	Paid to Wasantha	200
20/9	Refreshment	250
25/9	Carriage inward	500
29/9	Parking	240

Required

1. Prepare the prime entry books
2. Prepare the general ledger and subledgers
3. Prepare the trial balance.

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2020 January Q2

Praveen started a sole proprietorship, Praveen Traders on 01st April 2018 by opening a bank account investing Rs.2,500,000/-.

1. Cash transactions made during the year ended 31st March 2019 were as follows:

Cash Receipts	Rs.	Cash Payments	Rs.
Capital introduced by Praveen	2,500,000	Motor Lorry (Acquired on 01 st October 2018)	1,500,000
Cash sales	1,300,000	Payments to Trade Creditors	1,150,000
Receipts from Trade Debtors	831,000	Electricity	72,000
	4,631,000	Salaries & Wages	290,000
		Drawings	175,000
		Cash purchases	788,000
			3,975,000

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2. The policy of the business is to provide depreciation on motor lorry at the rate of 25% per annum on the straight line basis at cost.

3. Receivables and payable balances as at 31st March 2019 were as follows:

	Rs.
Trade Debtors	145,000
Trade Creditors	110,000
Accrued salaries	38,000

4. There were no stocks as at 31st March 2019.

You are required to:

Prepare the Trial Balance of Praveen Traders as at 31st March 2019. (10 marks)

2021 January Q3

Sam started a sole proprietorship, Sam Traders on 01st April 2020 investing Rs.580,000/- as initial capital in cash .

The following additional information was also provided:

1. Cash Control Account (Cash Book) for the month ended 30th April 2020 was as follows:

	Rs.		Rs.
Initial capital investment	580,000	Salaries and wages	1,375,000
Additional capital investment	1,200,000	Rent	125,000
Cash sales	5,500,000	Payments to trade creditors	2,250,000
Receipts from trade debtors	1,900,000	Purchased of a Motor Lorry (acquired on 01 st April 2020)	2,400,000
		Cash purchases	2,000,000
		Electricity	45,000
		Balance c/f	985,000
	9 180 000		9 180 000

2. The following balances were appeared in the books of accounts as at 30th April 2020:

	Rs.
Trade debtors	1,400,000
Trade creditors	2,100,000
Accrued salaries	25,000

3. The Motor Lorry is depreciated at the rate of 20% per annum on the straight-line basis at cost.

4. There were no stocks as at 30th April 2020.

You are required to:

Prepare the Trial Balance of Sam Traders as at 30th April 2020. (10 marks)

2021 July Q4

Ruberu Traders, a sole proprietorship was started by Ruberu on 01st April 2020 by investing Rs.2,500,000/- in cash and transferring his personal motor vehicle valued at Rs.1,500,000/-, to the business.

The Cash Book (Cash Control Account) for the year ended 31st March 2021 was as follows:

	Dr. (Rs.)		Cr. (Rs.)
Initial Capital Investment	2,500,000	Payments to Trade Creditors	1,300,000
Receipt from Trade Debtors	1,800,000	Cash purchases	600,000
Cash sales	900,000	Electricity	69,000
		Salaries and wages	93,000
		Water	18,000
		Balance C/F	3,120,000
	5,200,000		5,200,000
Balance B/F	3,120,000		

The following additional information is also provided:

1. The motor vehicle is to be depreciated at the rate of 20% per annum on the straight-line basis at cost.
2. Receivables and Payables as at 31st March 2021 were as follows:

Receivables / Payables	Rs.
Trade Debtors	250,000
Trade Creditors	390,000
Accrued Electricity bills	11,000
Pre-Paid Water bills	2,000

You are required to:

Prepare the Trial Balance of Ruberu Traders as at 31st March 2021. (10 marks)

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2022 January Q2

Sam started a sole proprietorship business, Sam Traders by investing Rs.3,000,000/- in cash on 01st April 2020. Summary of Cash Control Account (Cash Book) for the year ended 31st March 2021 was as follows:

Cash Control Account (Cash Book)

Initial Capital Investment	3,000,000	Payments to Trade Creditors	2,200,000
Cash Sales	2,000,000	Cash Purchases	900,000
Receipts from Trade debtors	3,600,000	Petty Cash	25,000
		Electricity	25,000
		Salaries and Wages	1,000,000
		Office Rent	350,000
		Motor Vehicle 01 st April 2020	1,500,000
		Balance C/F	2,600,000
	8,600,000		8,600,000
Balance B/F	2,600,000		

Sandeepa Jayasekera - JMC

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The following additional information is also provided:

1. Receivables and Payables balances as at 31st March 2021 were as follows:

Trade Debtors	750,000
Trade Creditors	440,000
Accrued Electricity	6,500

2. Motor vehicles are depreciated at 25% per annum at cost on the straight-line basis.

3. Petty cash transactions were as follows:

Cash Control Account	25,000	Printing and Stationery	4,500
		Travelling	8,000
		Office Maintenance	6,500
		B/C/F	6,000
	25,000		25,000

You are required to:

Prepare the Trial Balance of Sam Traders as at 31st March 2021. (10 marks)

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2022 July Q4

Dusra Traders is a sole proprietorship started by Murali on 01st April 2021 investing Rs.7,000,000/- in cash as capital. The following additional information was also provided:

1. Cash Control Account (Cash Book) for the year ended 31st March 2022 was as follows:

Cash Control Account (Cash Book)

	DR (Rs.)		CR (Rs.)
Initial Capital Investment	7,000,000	Payments to Trade Creditors	1,800,000
Cash Sales	3,200,000	Cash Purchases	1,200,000
Receipts from Trade Debtors	2,400,000	Electricity and Water	300,000
		Office Rent	275,000
		Machinery 01 st October 2021	2,500,000
		Salaries and Wages	2,100,000
		Balance C/F	4,425,000
	12,600,000		12,600,000
Balance B/F	4,425,000		

The following additional information is also provided:

1. Receivables and Payables balances as at 31st March 2021 were as follows:

Trade debtors	950,000
Trade creditors	940,000
Electricity and water bills payables	29,000

2. The policy of the business is to provide depreciation on machinery at the rate of 20% per annum at cost on the straight line basis.

3. There were no inventory as at 31st March 2022.

You are required to:

Prepare the Trial Balance of Dusra Traders as at 31st March 2022. (10 marks)

165

2023 January Q2

Aneesh Traders is a sole proprietorship started by Aneesh on 01st April 2021 by investing Rs.5,000,000/- in cash. The following additional information is also provided:

1. Summary of the Cash Control Account (Cash Book) for the year ended 31st March 2022.

Receipts	Dr (Rs.)	Payments	Cr (Rs.)
Initial Capital Investment	5,000,000	Cash Purchases	2,100,000
Cash Sales	3,200,000	Payments to Trade Creditors	2,150,000
Receipts from Trade Debtors	1,400,000	Salaries and Wages	1,300,000
		Office Rent	600,000
		Machinery on 01 st January 2022	3,000,000
		Electricity	100,000
		Balance C/F	350,000
	9,600,000		9,600,000
Balance B/F	350,000		

Josepa Jayasekera - JMC

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The following additional information is also provided:

1. Receivables and Payables balances as at 31st March 2022 were as follows:

Trade Debtors	1,950,000
Trade Creditors	740,000
Pre-payment of Office Rent	100,000
Electricity Bill Payable	25,000

2. Machinery is to be depreciated at the rate of 25% per annum at cost on the straight-line basis.

3. There were no inventories as at 31st March 2022.

You are required to:

Prepare the Trial Balance of Aneesh Traders as at 31st March 2022. (10 marks)

167

2023 July Q4

Lasantha Traders is a sole proprietorship started by Lasantha on 01st April 2022 by investing Rs.2,800,000/- in cash. The following additional information is also provided:

1. Summary of Cash Control Account for the year ended 31st March 2023 was as follows:

Receipts	Dr (Rs.)	Payments	Cr (Rs.)
Initial Capital Investment	2,800,000	Cash Purchases	800,000
Cash Sales	4,200,000	Payments to Trade Creditors	3,800,000
Receipts from Trade Debtors	1,800,000	Electricity	185,000
		Amount transferred to petty cash	120,000
		Office equipment 01 st January 2023	500,000
		Salaries and Wages	1,800,000
		Balance C/F	1,595,000
	8,800,000		8,800,000
Balance B/F	1,595,000		

Sandeepa Jayasekera - JMC

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The following additional information is also provided:

1. Receivables and Payables balances as at 31st March 2023 were as follows:

Trade Debtors	1,450,000
Trade Creditors	1,200,000
Electricity Bill Payable	19,000

2. The policy of the business is to provide depreciation on Office Equipment at the rate of 20% per annum at cost on the straight-line basis.

3. Petty cash related transactions during the year were as follows:

Travelling cost Rs.50,000 Staff welfare Rs.25,000 Stationery Rs.35,000

4. There were no inventory as at 31st March 2023.

You are required to:

Prepare the Trial Balance of Lasantha Traders as at 31st March 2023. (10 marks)

169

2024 January Q3

Ravi Super is a sole proprietorship started by **Ravi** on 01st April 2022 by investing Rs.4,850,000/- in cash as initial capital. The following additional information is also provided:

Summary of the Cash Control Account for the year ended 31st March 2023 was as follows:

Receipts	Dr (Rs.)	Payments	Cr (Rs.)
Investment of Initial Capital	4,850,000	Cash Purchases	1,850,000
Cash Sales	3,200,000	Payments to Trade Creditors	2,900,000
Receipts from Trade Debtors	2,825,000	Electricity and Water	255,000
		Salaries and Wages	1,200,000
		Amount transferred to petty cash	100,000
		A Delivery Van (Purchased on 01 st October 2022)	3,000,000
		Balance C/F	1,570,000
	10,875,000		10,875,000

Sandeepa Jayasekera - JMC

The following additional information is also provided:

1. Receivables and Payables balances as at 31st March 2023 were as follows:

Trade Debtors	2,400,000
Trade Creditors	2,100,000
Electricity and Water bills Payable	10,000

2. The motor vehicles are to be depreciated at the rate of 25% per annum on the straight-line basis at cost.

3. The following expenses have been paid from the petty cash:

- i. Office Expenses : Rs.15,000/-.
- ii. Travelling : Rs.12,000/-.
- iii. Printing & Stationery : Rs.25,000/-.

You are required to:

Prepare the Trial Balance of Ravi Super as at 31st March 2023. (10 marks)

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Correction of Errors





What is an Accounting Error?

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Errors include the omissions, mistakes and frauds occur in the accounting process. As a result of these errors the accounting records may not be accurate. Therefore, the decision makers cannot take accurate decisions using the erroneous information. Therefore, accounting errors if any shall be identified and corrected.

An illustration of a woman with dark curly hair, wearing a green jacket, sitting at a desk. She is looking thoughtful, with her hand to her chin. In front of her is a blue laptop. To her left is a tablet displaying a bar chart with three green bars of increasing height. The background is a light grey gradient.

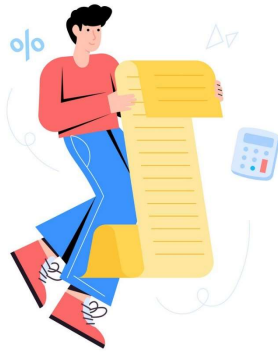
Sandeepta Jayasekera - JMC

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Errors may occur at



When Entering Transactions
(Prime Entry Books or Ledger)



When Balancing the Transactions
(Prime Entry Books or Ledger)



When Transferring Prime Entry Book Total to Ledgers



When Preparing Trial Balance

Reasons to Occur Errors?



Negligence



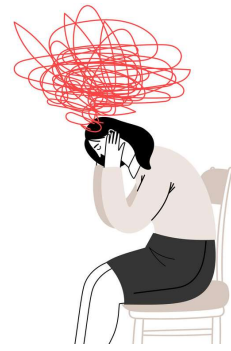
Lack of Knowledge



Forgetting and omissions



Making errors with Fraudulent intentions



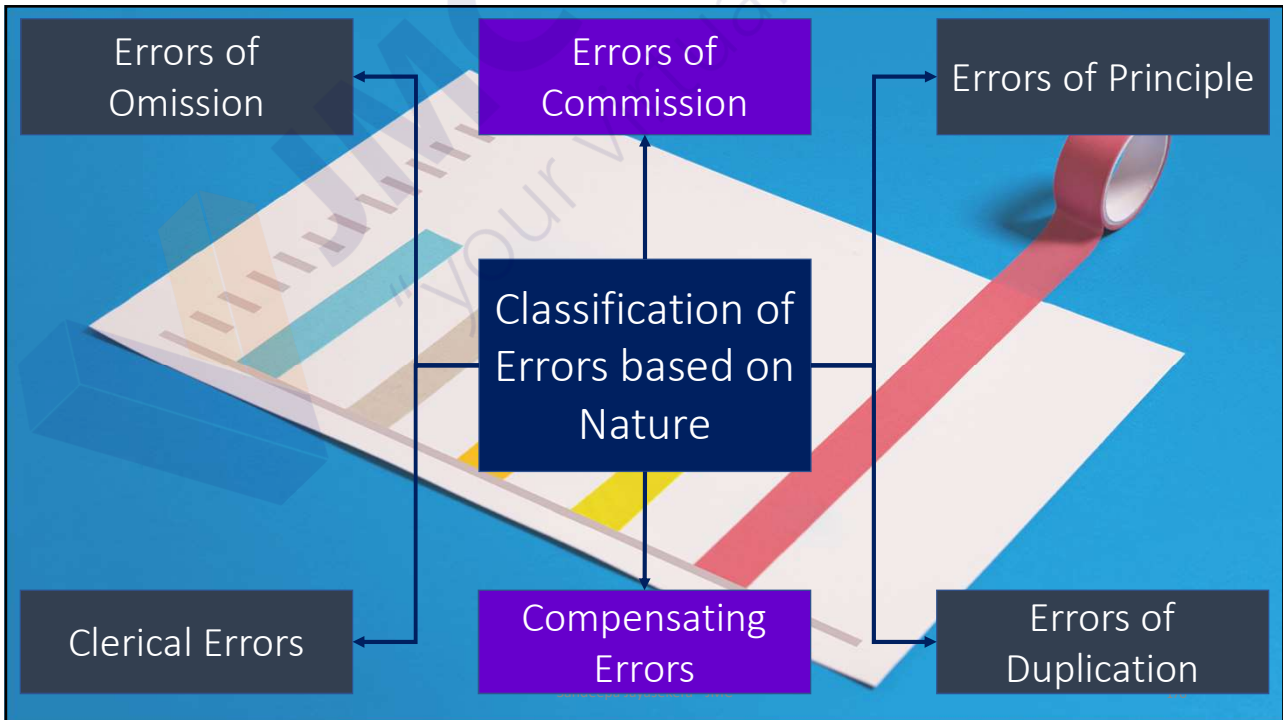
Incompetent Mentality of Employees

How to Overcome Accounting Errors?



Sandeepa Jayasekera - JMC

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Errors				
Error	Description	Example	Detected by Trial Balance	Need of Suspense Account

Errors				
Error	Description	Example	Detected by Trial Balance	Need of Suspense Account

Errors				
Error	Description	Example	Detected by Trial Balance	Need of Suspense Account

Errors				
Error	Description	Example	Detected by Trial Balance	Need of Suspense Account
Errors of Omission	Not recording either full double entry or single entry of a transaction.	• Furniture purchased of Rs. 50,000 has been completely omitted from the ledger	No	No
		• Credit sale of Rs. 60,000 was recorded in the sales account and it was not recorded in debtors account.	Yes	Yes

Errors

Error	Description	Example	Detected by Trial Balance	Need of Suspense Account
Errors of Commission	Recording a transaction value higher (overstated) or lesser (understated) in prime entry books or ledger account.	<ul style="list-style-type: none"> Furniture purchased of Rs. 25,000 was recorded as Rs. 2,500 only in furniture account 	Yes	Yes
		<ul style="list-style-type: none"> Cash sales Rs. 80,000 was recorded as Rs. 8,000 in sales account and cash account 	No	No

2024 January Q1.15

*State whether each of the following statement is **True** or **False**. Write the answer (True/False) in your answer booklet with the number assigned to the question.*

1.15 Errors of commission means not recording a transaction in full or recording only one entry of double entry.

Errors				
Error	Description	Example	Detected by Trial Balance	Need of Suspense Account
Errors of Principle	Recording transactions in a way which does not agree with accounting principles.	<ul style="list-style-type: none"> Vehicle repair expense of Rs. 5,000 was debited to motor vehicle account 	No	No
		<ul style="list-style-type: none"> Drawings made of Rs. 10,000 was recognized as rent expense 	No	No

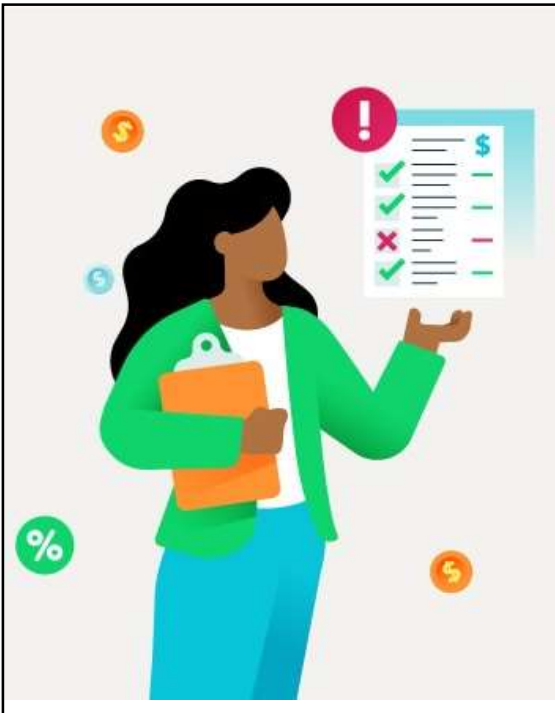
Errors				
Error	Description	Example	Detected by Trial Balance	Need of Suspense Account
Errors of Duplication	Recording the same transaction twice in prime entry book or ledger	<ul style="list-style-type: none"> Sales invoice to Kumara of Rs. 2,000 was recorded twice in sales journal 	No	No
		<ul style="list-style-type: none"> Salary payment was debited twice in the ledger 	No	No

Errors

Error	Description	Example	Detected by Trial Balance	Need of Suspense Account
Compensating Errors	An accounting error is set off by another error or by errors are called as errors of compensating	<ul style="list-style-type: none"> Recording Rs. 2,000 cash sales as Rs. 20,000 in cash account and total of sale account has been over casted by Rs. 18,000 	No	No
		<ul style="list-style-type: none"> Adding cash account lesser of Rs. 1,000 and recording Rs. 7,000 rent received as Rs. 6,000 in that account 	No	No

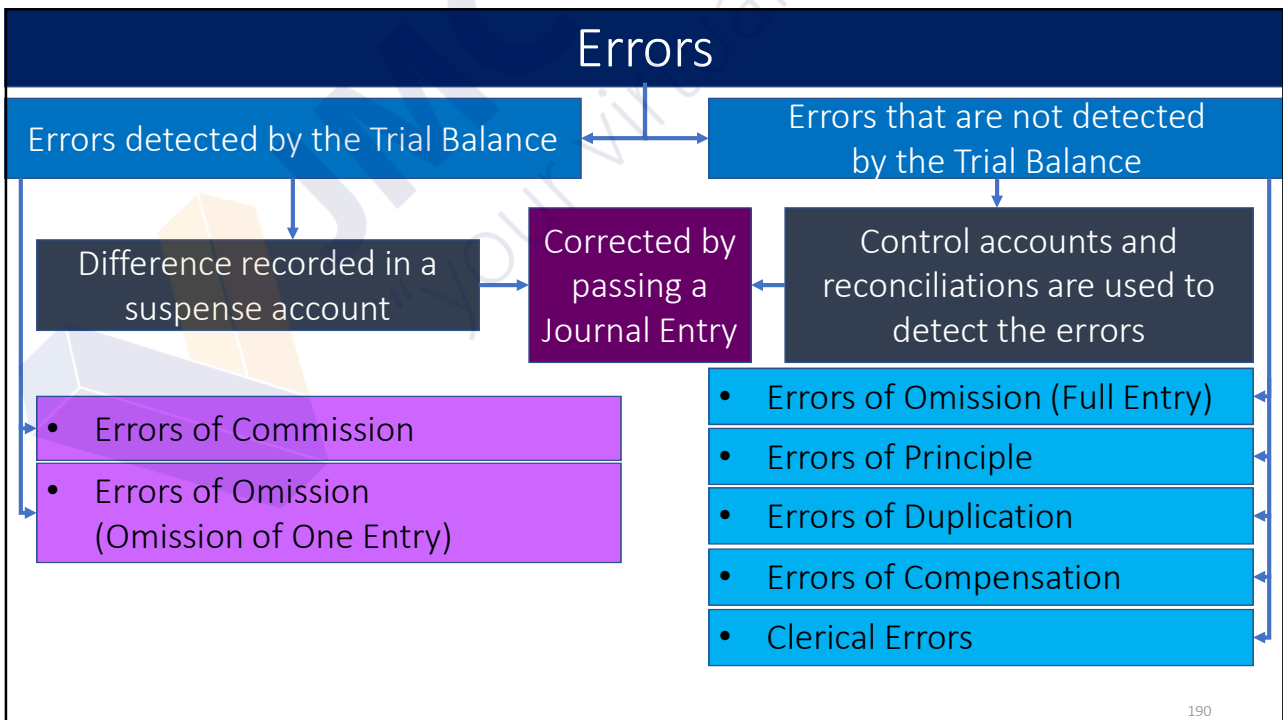
Errors

Error	Description	Example	Detected by Trial Balance	Need of Suspense Account
Clerical Errors	Errors occur due to recording a transaction in another account which is in the same nature	<ul style="list-style-type: none"> Electricity paid of Rs. 15,000 was recorded as Telephone expense account. 	No	No
		<ul style="list-style-type: none"> Interest income of Rs. 10,000 was recorded as dividend income. 	No	No



- The Accounting Errors are common in Accounting Process.
- Some errors are can be detected by the trial balance, but some may not.
- All such errors shall be corrected.

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Steps to Correct the Error

Step 01

Step 02

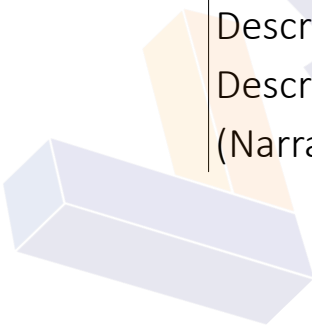
Step 03

Step 04



Format used to pass the Correction Entries

Date	Description	Debit Rs.	Credit Rs.
	Description of the Debit Entry	X	
	Description of the Credit Entry (Narration of the Entry)		X



Question 01

Determine the correction entries for following errors.

1. Complete omission of a purchase invoice of Rs.250
2. A repair expense of Rs.150 being debited to the equipment account.
3. A cash drawing of Rs.280 being deducted from revenue.
4. Telephone expense of Rs.540 recorded as an electricity expense.
5. The total of Sales daybook of Rs.28,825 totaled as Rs.28,425.

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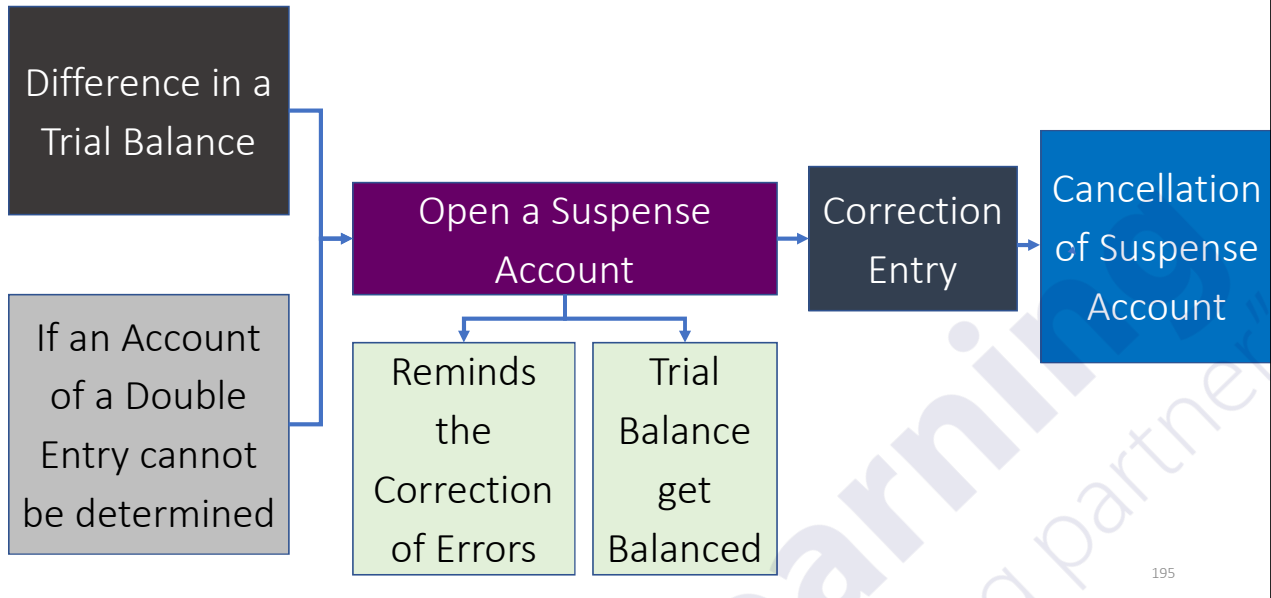
Suspense Account

- The difference in the trial balance created due to errors is recorded in a temporary account called 'Suspense Account'.
- If in a transaction the correct account cannot be determined, temporarily it will be recorded in a suspense account.
- Suspense account will be cancelled once the suspension is cleared.



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Use of Suspense Account



2020 January Q2

The trial Balance as at 31st March 2019 of Janasetha Traders was not agreed and the difference of Rs.43,000/- was credited to a Suspense Account.

The following errors were identified subsequently:

- 1) Cash purchase of Rs.68,900/- for resale was recorded in the purchases account as Rs.86,900/-. This was correctly recorded in the cash book.
- 2) Maintenance expenses on machinery of Rs.33,600/- was debited to machinery account.
- 3) Additional capital of Rs.165,000/- introduced by the owner was erroneously credited to Trade creditors' account while other entry has been correctly recorded in the cash book.
- 4) Rent income received of Rs.21,000/- has been completely omitted from the books of accounts.

- 5) Rent expenses of Rs.98,000/- was debited twice in rent expense account and this was correctly recorded in the cash book.
- 6) A payment of Rs.109,000/- to a trade creditor had been correctly recorded in the cash book but no entry is made in trade creditors' account.
- 7) A cash sale of Rs.73,900/- has been recorded as Rs.37,900/- in sales account and this was correctly recorded in the cash book.

You are required to prepare:

- a) Journal Entries to rectify the above errors (07 marks)
- b) Suspense Account. (03 marks)

2020 July Q2

Samanala Stores is a sole proprietorship owned by Samanala. Trial Balance of Samanala Stores as at 31st March 2020 was not agreed, and the difference of Rs.49,500/- was debited to a suspense Account. Then the draft financial statements were prepared and net profit of Rs.1,350,000/- was recorded as per draft financial statements for the year ended 31st March 2020.

The following errors were identified subsequently:

- 1) Purchase of a computer on 31st March 2020 at a cost Rs.95,000/- on credit, has been debited to computer account as Rs.9,500/-. However, credit entry has been correctly recorded in the relevant creditor's account.
- 2) Cash purchases of Rs.76,000/- has been correctly credited to the cash book. However, the corresponding debit entry has not been posted.

- 3) Office maintenance of Rs.66,000/- incurred on 31st March 2020 has been debited to office equipment account, while it was recorded in the cash book correctly.
- 4) Depreciation of motor vehicle of Rs.112,000/- has been debited twice to the respective depreciation expenses account and the credit entry has been correctly recorded in the relevant ledger account.
- 5) Total of the sales journal was understated by Rs.225,000/-.

You are required to:

- a) Prepare Journal Entries to correct the above errors. (05 marks)
- b) Prepare Suspense Account (02 marks)
- c) Compute the adjusted/corrected net profit for the year ended 31st March 2020. (03 marks)

2021 January Q2

Sandun is the Accounts Executive of Rajarata Stores. At the time the Financial Statements were prepared for the year ended 31st March 2020, the Trial Balance was not agreed and the difference of Rs.334,000/- was debited to a suspense account.

However, the following errors were identified subsequently:

- 1) Purchased items worth of Rs.75,000/-, for resale from a trade creditor was erroneously recorded twice in both trade creditors' account and purchase account.
- 2) Purchase of an office equipment worth of Rs.125,000/- has been debited to Office Maintenance Expense Account. However, it was correctly recorded in the cash book.
- 3) Rent of Rs.76,500/-, paid for the month of March 2020 to the owner of the building was correctly credited to cash book, but corresponding debit entry was not recorded in the relevant ledger account.

- 4) Salary of Rs.475,000/- paid for the month of March 2020 was recorded to salary account as Rs.47,500/-. However, it was correctly recorded in the cash book.
- 5) A cash sale of Rs.100,000/- was not recorded in sales account. However, it was correctly recorded in the cash book.
- 6) Interest income of Rs.35,000/- received on a fixed deposit has been erroneously debited to interest expenses account but it has been correctly recorded in the cash book.

You are required to:

- a) Prepare Journal Entries to correct the above errors. (06 marks)
- b) Prepare the Suspense Account. (04 marks)

2021 July Q5

RT Traders is in the business of selling electrical items. The Trial Balance of RT Traders as at 31st March 2021 was not agreed and the difference of Rs.31,000/- was identified. The draft financial statements were prepared by crediting the difference to a suspense account.

The following errors were identified subsequently.

- 1) Purchase of an office equipment of Rs.150,000/- on 01st March 2021, for office use was recorded to office equipment maintenance account. Office equipment is depreciated at the rate of 20% per annum on the straight-line basis at cost.
- 2) Rent expenses of Rs.150,000/- have not been debited to rent expenses account. However, credit entry of this was correctly recorded to the relevant ledger account.
- 3) A cash purchase of Rs.190,000/- has been debited twice to purchase account, whereas it was correctly recorded in the cash book.

- 4) Cost of the goods taken by the owner of the business for his personal use was Rs.98,000/-. This was debited to drawings account as Rs.89,000/-. However, the corresponding credit entry was recorded correctly.
- 5) Total of the purchases day book was overstated by Rs.50,000/-.
- 6) Interest of Rs.2,500/- received on a fixed deposit has been completely omitted from the books of accounts.

You are required to: Prepare the following:

- a) Journal entries to rectify the above errors. (07 marks)
- b) Suspense Account. (03 marks)

2022 January Q5

KTI Traders is a sole proprietorship owned by Amal. The Trial Balance of the KTI Traders as at 31st March 2021 was not agreed. The difference was credited to a Suspense Account and draft financial statements were prepared. Net profit of Rs.2,250,000/- was recorded as per draft financial statements for the year ended 31st March 2021.

The following errors were identified subsequently:

- 1) Purchase of an office equipment at a cost of Rs.335,000/- on 31st March 2021 was debited to office equipment maintenance account. This was correctly recorded in the cash book.
- 2) Rent expense of Rs.80,000/- for the month of March 2021 which was paid in April 2021 was not recorded in the books of accounts.
- 3) Rs.95,000/- worth of a purchase invoice on credit was completely omitted to record in the books of accounts.

- 4) The total of Sales Day Book was understated by Rs.90,000/-.
- 5) An interest income of Rs.29,000/- received from the bank has been debited to interest expense account, while it was correctly recorded in the cash book.
- 6) Electricity expense of Rs.145,000/- was recorded to electricity expenses account as Rs.154,000/-, but corresponding credit entry was recorded correctly.

You are required to:

- a) Prepare the journal entries to correct the above errors. (06 marks)
- b) Calculate the adjusted / corrected net profit for the year ended 31st March 2021. (04 marks)

2022 July Q5

Azar Traders is a curtain selling business located in Pettah. The Trial Balance as at 31st March 2022 of the Azar Traders prepared by an accounts executive was not agreed. However, the difference of Rs.45,000/- was credited to a Suspense Account and prepared the draft financial statements. Azar Traders is maintaining control accounts for Trade Receivables and Trade Payables.

The following errors were identified subsequently:

- 1) An amount of Rs.9,000/- paid for travelling expenses has been debited to salaries and wages account. This has been correctly recorded in the Cash Book.
- 2) A cash sales invoice worth of Rs.129,000/- has been correctly recorded in the cash book, but it has not been recorded in the sales account.

- 3) Payment of insurance premium of Rs.56,000/- has been recorded only in the cash book.
- 4) Total of the sales return day book was understated by Rs.8,000/-.
- 5) An interest expense of Rs.21,500/- charged as overdraft interest by the bank has been credited to interest income account. However, this has been correctly recorded in the cash book.
- 5) Cost of a computer purchased for Rs.120,000/- has been debited to computer maintenance account, while it was correctly recorded in the cash book.
- 7) Telephone expenses of Rs.15,000/- was debited twice in the telephone expenses account while corresponding credit entry was correctly recorded.

You are required to: Prepare the following:

- a) Journal entries to rectify the above errors. (07 marks)
- b) Suspense Account. (03 marks)

2023 January Q5

Ranwan Traders is a wholesale business. The Trial Balance prepared by the Assistant Accountant as at 31st March 2022 was not agreed. The difference of Rs.139,000/- was debited to a Suspense Account and prepared the draft financial statements. Ranwan Traders maintains control accounts for trade receivables and trade payables. The following errors were identified subsequently:

- 1) The total of sales day book was overstated by Rs.135,000/-.
- 2) Purchase of an office equipment costing Rs.117,000/- from AT Cooray Ltd. on credit has been recorded twice to both the ledger accounts.
- 3) The rent expense of Rs.65,000/- for the month of March 2022 was credited to rent income account. This has been correctly recorded in the cash book.

- 3) Though telephone expenses of Rs.65,000/- has been correctly recorded in the cash account, it was debited to the telephone expenses account as Rs.56,000/-.
- 4) Purchase of furniture costing Rs.220,000/- has been debited to repair and maintenance account, while this has been correctly recorded in the cash book.

You are required to: Prepare the following:

- a) Journal entries to rectify the above errors. (05 marks)
- b) Suspense Account. (02 marks)

2023 July Q2

Akmal Traders is a retail business owned by Akmal. The trial balance as at 31st March 2023 of the business was not agreed. The difference was transferred to the suspense account and prepared the draft accounts. As per the draft accounts, net profit of Rs.1,875,000/- was recorded for the year ended 31st March 2023. Akmal Traders maintains control accounts for trade receivables and trade payables. The following errors and omissions were identified subsequently:

- 1) Electricity expenses of Rs.35,000/- for the March 2023 has been debited to electricity expenses account as Rs.53,000/-. However, credit entry was correctly record.
- 2) Double entry related to a rent provision of Rs.135,000/- for the month of March 2023 has been recorded twice in the relevant books of accounts.
- 3) The total of sales day book was undercasted by Rs.180,000/-.

- 4) Rs.2,500/- bank overdraft interest charged by the bank has been credited to interest income account. However, this was correctly recorded in the cash book.
- 5) Purchase of a computer worth of Rs.150,000/- on 01st January 2023 has been debited to Repair and Maintenance account. However, this was correctly recorded in the cash book. Computers are depreciated at 20% per annum at cost on the straight-line basis.

You are required to:

- a) Prepare the Journal entries to rectify the above errors. (06 marks)
- b) Calculate the adjusted net profit for the year ended 31st March 2023 of Akmal Traders. (04 marks) (Total 10 marks)

2024 January Q4

The Trial Balance of **Bimal Traders** as at 31st March 2023 prepared by the Accounts Assistant did not agree. The difference of Rs.279,500/- was credited to a Suspense Account and draft financial statements were prepared. **Bimal Traders** maintains control accounts for trade receivables and trade payables.

The following reasons for the difference have been identified subsequently:

1. A security bill payable of Rs.35,000/- for the month of March 2023 has been recorded twice to both the ledger accounts.
2. Interest income of Rs.2,750/- received on a fixed deposit has been erroneously debited to the interest expense account and it had been correctly recorded in the cash book.
3. Total of purchase day book was overstated by Rs.20,000/-.

4. Purchase of an office equipment for Rs.250,000/- has been debited to the office expenses account while other entry was correctly recorded in the books of accounts. Applicable depreciation on this office equipment for the year was Rs.50,000/-.
5. Cash sales of Rs.265,000/- have been recorded only in the cash book and the corresponding entry was not recorded in the relevant ledger account.
6. Telephone expenses of Rs.67,000/- has been recorded as Rs.76,000/- in the telephone expenses account. But it was correctly recorded in the cash book.

You are required to:

Prepare the following:

- a) Journal entries to rectify the above errors. (07 marks)
- b) Suspense Account. (03 marks)

