

Prime Entry Books

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1

Business Transactions & Documents

	Contents	Purpose
Quotation	Quantity/ description/details of goods required	To establish price from various suppliers and cross refer to purchase requisition.
Purchase order	Details of supplier. E.g name, address. Quantity/description/ details of good required and price. Terms and conditions of delivery payments, etc.	Sent to supplier as request for supply. To check to the quotation and delivery note.
Sales Orders	Quantity/ description/details of goods required and price	Cross checked with the order placed by customer. Sent to the stores/ warehouse department for processing of the order.
Goods dispatched note (GDN)	Details of supplier. E.g name and address. Quantity and description of good	Provided y supplier. Checked with goods received and purchase order.
Goods received note (GRN)	Quantity and description of good	Produced by company receiving the goods as proof of receipt. Matched with delivery note and purchase order

2

Business Transactions & Documents

Invoice	Name and address of customer and supplier, details of goods , e.g. quantity , price, value, ales, tax, terms of credit, et	Issued by supplier of goods as a request for payment. For the suppliers selling the goods/ services this will be treated as a sales invoice. For the customer this will be treated as a purchase invoice.
Statement	Details of supplier, e.g. name and address. Has details of date, invoice numbers and values, payments made, refunds, amount owing.	Issued by the supplier. Checked with other documents to ensure that the amount owing is correct.
Credit note	Details of customer, e.g. name and address. Contains details of goods returned, E.g. quantity, price, value, sales tax, terms of credit, etc	Sent by firm- customer who have returned the goods. Checked with documents regarding goods returned.
Debit note	Details of supplier, e.g. name and address. Contains details of goods returned, E.g. quantity, price, value, sales tax, terms of credit, etc	Issued by the company receiving the goods. Cross referred to the credit note issued by the supplier.
Remittance advice	Method of payment, invoice number, account number, date, etc	Sent to supplier with, or as notification of payment.
Receipt	Details of payment received.	Issued by the selling company indicating the payment received.

3

Importance Of Prime Entry Books

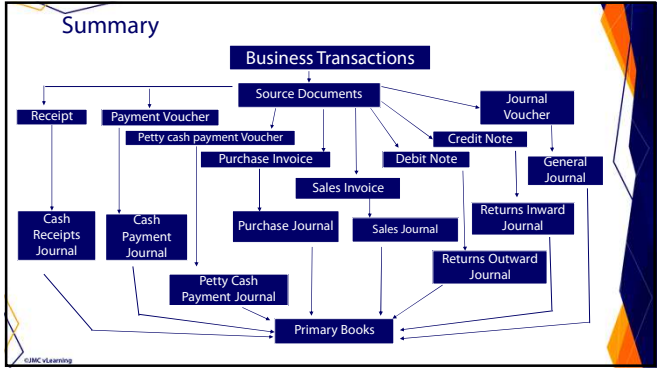
- Similar transactions are recorded in the same book and easy to account in the ledger.
- To minimize memory lapses and omissions.
- Any errors in posting of entries can be quickly identified and resolved.
- The ability to carry on business transaction with good control.
- As different staff members will enter the books of prime entry accounting activities will become easier.

4

Prime Entry Books

Books of prime entry	Transaction Type	Source Document
Sales daybooks (or sales journal)	For credit sales	Sales invoice
Purchases daybooks (or purchases journal)	For credit purchases	Purchase invoice
Sales returns day book/ returns inwards daybook (or returns inwards journal)	For returns inwards	Credit notes
Purchases returns day book/Returns outwards daybook (or Returns out wads journal)	For returns outwards	Debi notes
Cashbook	For receipts and payments of cash and cheque	Cheque counterfoils (From the cheque book to show cheques paid out). Paying in slips (Evidence of money paid into bank accounts). Till rolls (Evidence of cash being received)
Petty cashbook	All small cash transactions	Petty cash vouchers
General journal	All transactions not recorded else where	Everything else not covered by above

5



6

Prime Entry Books - Example

Following transactions are given for Mr. Mathew's Bookshop for the months of January 2016.

Date	Transaction	Amount
2/1	Purchased books from A Ltd	25000
3/1	Sold books to X Ltd	1800
4/1	Returned books from X Ltd	3000
5/1	Purchased pens from B Ltd	28000
6/1	Returned pens to B Ltd	6000
7/1	Sold pens to Y Ltd	14000
8/1	Sold pens to Z Ltd	32000
9/1	Returned pens from Z Ltd	7000
10/1	Purchased pencils from C Ltd	48000
11/1	Purchased from D Ltd	9000
12/1	Returned rulers to D Ltd	4000

7

2019 Jul AAT I Q5 (B)

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

Date	Invoice No.	Name of Customer	Item Details			
			Description	Quantity	Price per unit (Rs)	Trade Discount
02.03.2019	217	ABC Ltd	CR Books	75	140	5%
10.03.2019	218	Kamal	Pencils	120	6	-
25.03.2019	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.

8

2011 Jun AAT I Q4 (A)

4. (A) the following transactions are related to Mapped Book Shop

No	Date	Quantity	Description	Price
1.	2 nd June	200 pens 100 paper packets	Credit purchases from Rs. Ltd. Trade discount is 10% (for both items)	Rs.15/- per pen Rs.200/- per packet
2.	7 th June	60 books	Cash purchases from PQ Ltd. Discount received is 5%	Rs.20/- per book
3.	15 th June	4 chairs	Credit purchases from Karolis Furnishing	Rs.1000/- per chair
4.	20 th June	80 ink bottles	Credit purchases from KM Ltd	Rs.30/- per bottle
5.	21 st June	20 ink bottles	Purchases returned to KM Ltd	Rs.30/- per bottle
6.	25 th June	20 paper packets	Credit sales to HK Ltd Cash discount 50% for settlement within one month.	Rs.210/- per packet

You are required to:

- State the appropriate price entry book for each transaction.
- Prepare the purchase day book for Mapped Book Shop.

9

Cash Receipt Journal - Example

In Kamal's business transaction of cash receipts and similar transactions during the month of April 2018 are given below.

Date	Cash sales	R.N.01	50,000
10.04.2018	Building rent received	R.N.02	10,000
15.04.2018	Received / bank loan	R.N.03	100,000
18.04.2018	Receipts from Amal (debtor)	R.N.04	8,000
	Discount given to Amal		500
20.04.2018	Cash sales	R.N.05	60,000
22.04.2018	Receipts from Ruwan (debtor)		47,50
	Discount given to Ruwan		2,500
25.04.2018	Commission received	R.N.07	4,000
28.04.2018	Investing additional capital	R.N.08	50,000

10

Cash Payment Journal - Example

In Kamal's business transactions of cash payments and similar transactions during the month of April 2018 are given below. Prepare the cash payments journal bases on such transactions.

Date	Description	P.V.	Amount
06.04.2018	Payment of monthly electricity bill	P.V. 01	8,000
06.04.2018	Paid Perera a creditor	P.V. 02	12,500
	Discount received		1,500
10.04.2018	Cash purchases	P.V. 03	17,000
12.04.2018	Payment for monthly insurance	P.V. 04	12,000
14.04.2018	Payment to Sagara - creditor	P.V. 05	17,000
	Discount received		2,000
16.04.2018	Purchases office furniture	P.V. 06	60,000
18.04.2018	Payment of Wages and salaries	P.V. 07	20,000
20.04.2018	bank loan installment (Interest was Rs. 2,000)	P.V. 08	12,000
22.04.2018	Cash purchases	P.V. 09	20,000
26.04.2018	Cash Drawing	P.V. 10	4,000

11

Cash Control Account - Example

Assuming the cash balance in Kamal's business as at 01.04.2018 is Rs.25,000/-, post the transactions recorded in the cash receipts journal and cash payments journal to the General ledger.

12

Petty Cash Book

When there are large number of cash payments in a business, to support the functions of main cashier generally businesses will employ a "Petty cash cashier". The subsidiary book maintained by petty cash cashier to record the petty cash payments is called as "Petty cash book"

- Imprest System of Petty Cash

In this method originally a particular amount of money is given to petty cash cashier by main cashier; which is known as petty cash float. During the period the petty cash cashier will make the payment out of the cash given at the end of the period the main cashier will reimburse him only the amount he has expensed during the period, thereby at the beginning of every period the petty cash cashier holds only an amount equates to petty cash float.

13

2016 Jan AAT I Q 02 (B)

An extract of the petty cash transactions of Shanthi Traders during the first two week of January 2016 is given below. Shanthi Traders maintains a petty cash float of Rs.5,000/-

January	Description
01 st	Received petty cash re-imburement of Rs.3,500/- from the main cashier
02 nd	Expenses for new year celebration - Voucher No. 1- Rs. 1,400/-
03 rd	Purchased stationary items - Voucher No. 2- Rs. 560/-
06 th	Payment for stamps and envelopes - Voucher No. 3- Rs. 250/-
07 th	Donation to a charity - Voucher No. 4- Rs. 150/-
09 th	Payment for somadasa for cleaning - Voucher No. 5- Rs. 600/-
11 th	Payment for Bus fare - Voucher No. 6- Rs. 50/-

On 15th January 2016 main cashier reimbursed the petty cash imprest.

You are required to,

Record the above transactions in the petty cash book of Shanthi Traders.

Note: Classify petty cash expenses under: Stationary expenses, Travelling expenses, postage cleaning expenses and other expenses

14

General Journal

- The Journal where entries that are not entered in the Books of prime entry are made is introduced as the General Journal or Main Journal.
- The source document used to make entries in the General Journal is the Journal Voucher.
- The format of the General Journal could take the following form:

General Journal

Date	Journal Voucher No.	Details	L.F.	Debit Rs.	Credit Rs.
.....20		Account to be debited Account to be credited (narration)		XX	XX

15

Transactions In General Journal

- Opening entries
- Adjustment entries
- Correction entries
- Entries related to the purchase of Property, Plant & Equipment on credit, sale on credit, disposal and exchange
- Closing entries
- Notes for posting to ledger
- Other notes

16

Example – General Journal

You are given the following information relating to Sandali's business.

(i) Balances on 01.04.218

	Rs.
Machinery	300,000
Furniture	50,000
Inventory	25,000
Cash	40,000
Debtors	35,000
Creditors	60,000
Capital	?

(ii) Purchased a faxed machine on credit for office use valued at Rs.16,000/-

(iii) Sale of a machine costing Rs.18,000/- to sahan for Rs.20,000/-

(iv) A payment of Rs.8,000/- being office maintenance expenses has been recorded in the miscellaneous expenses account.

Required:

Preparation of
1. General Journal

17