

AAT LEVEL 2
FULL-TIME
GROUP

Unit BA 1:
Basic Accounting 1
TOPIC

Chapter 3:
The Basics of Accounting



AIMS

- ◆ **To consider the basics of recording business transactions in the accounting records.**
- ◆ **To discuss the meaning of books of prime entry.**



LEARNING OUTCOMES

- ◆ **Students should be able to:**
- ◆ **Post the invoices into the sales day book.**
- ◆ **Enter invoices and credit notes in the appropriate day books.**
- ◆ **Explain the meaning of different day books and ledgers.**

BOOKS OF PRIME ENTRY

- **First stage of the accounting process.**
- **Enter details of different transactions into Books of Prime Entry.**
- **Often known as Day Books.**
- **Examples:**
 - **Sales Day Book (SDB)**
 - **Sales Returns Day Book (SRDB)**
 - **Purchase Day Book (PDB)**
 - **Purchase Returns Day Book (PRDB)**
 - **Cash Receipt Book (CRB)**
 - **Cash Payments Book (CPB)**
 - **Petty Cash Book (PCB)**



SALES DAY BOOK (SDB)

- ◆ **List of sales invoices that are to be processed for a given period.**
- ◆ **Consists of the names of the customers and the amount of the invoices raised in the week.**

Posting sales - 1 - example

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Posting sales - 2 - the SDB

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The analysed sales day book - SDB

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TASK

1. Please complete the questions given on the handout.

**2. BPP Question Bank
Page 6 Question 3.1**



SALES LEDGER

- ◆ Contains a separate ledger account for each individual debtor (Credit customer).
- ◆ This ledger has 2 sides:
- ◆ On the left side we record invoices, which **increase** the amount owed by the customer.
- ◆ On the right hand side we record credit notes, settlement discounts and payments received from the customer, all of which **decrease** the amount owed by the customer.

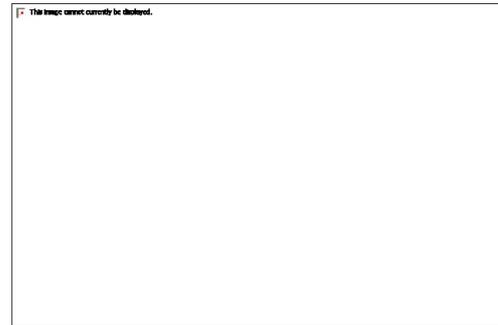


SALES RETURNS DAY BOOK (SRDB)

- ◆ **Similar to the sales day book.**
- ◆ **Records the goods returned by the customers.**
- ◆ **Instead of invoice number column, there is a column for the ‘credit note number’.**

Cash Receipts Book

- Book of prime entry
- Record of all cash received from debtors, cash sales and other monies received
- Recorded in date order



Cash Receipts Book

Cash Receipts Book						
Date	Narrative	Total £	VAT £	SLCA £	Cash sales £	Discount £

Analysed cash receipts book

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Cash receipt - cash and credit sales - 1

EXAMPLE

A buys goods for £100 cash plus VAT (£17.50)

B buys goods on credit for £1,000 plus VAT (£175.00)

C buys goods for £200 plus VAT (£35.00)

Customer B pays his debt in full

Write up the books.

Cash receipt - cash and credit sales - 2

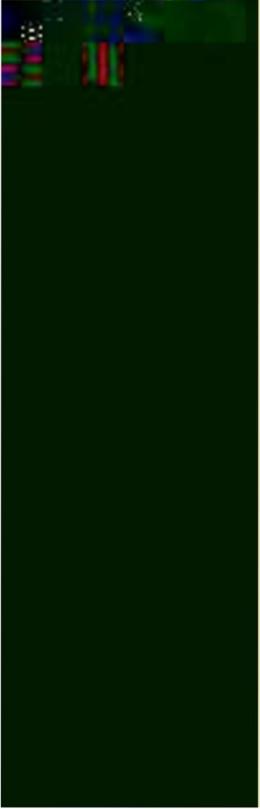
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Cash receipt - cash and credit sales - 3

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Purchase Day Book

- Book of prime entry
- List of invoices received by the business
- Recorded numerically



Analysed purchases day book

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The subsidiary purchases ledger

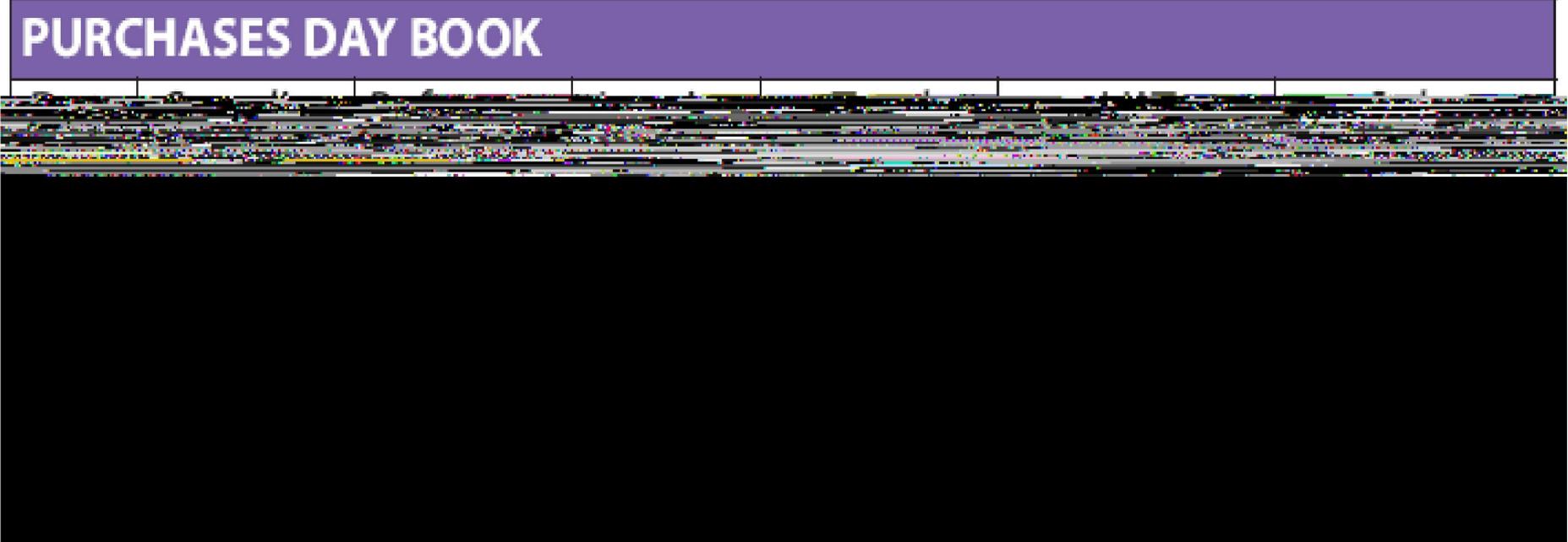
- the subsidiary purchases ledger contains a separate ledger account for each individual creditor
- every individual invoice and cash payment is posted to an individual's account in the subsidiary ledger
- the accounts are not part of the double entry

Posting purchases - 1 - example

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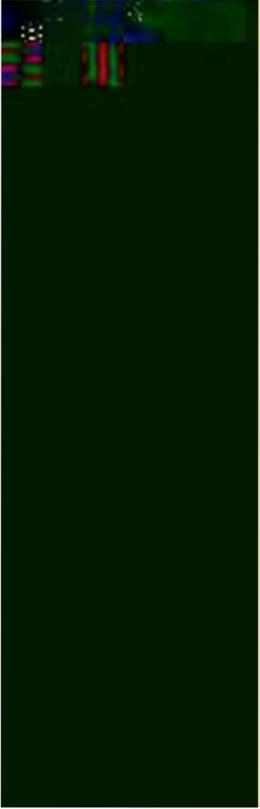
Posting purchases - 2 - the PDB

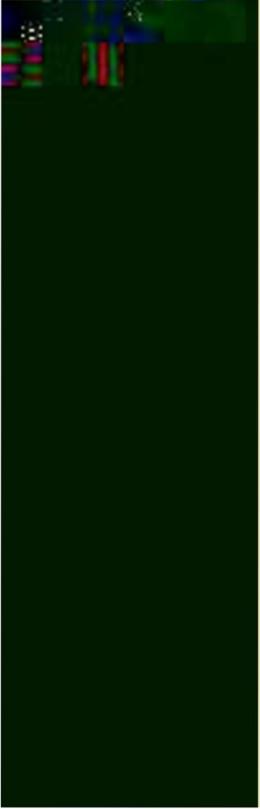
PURCHASES DAY BOOK



Purchase Returns Day Book

- Book of prime entry
- List of credit notes received by the business
- Recorded numerically





Cash Payments Book

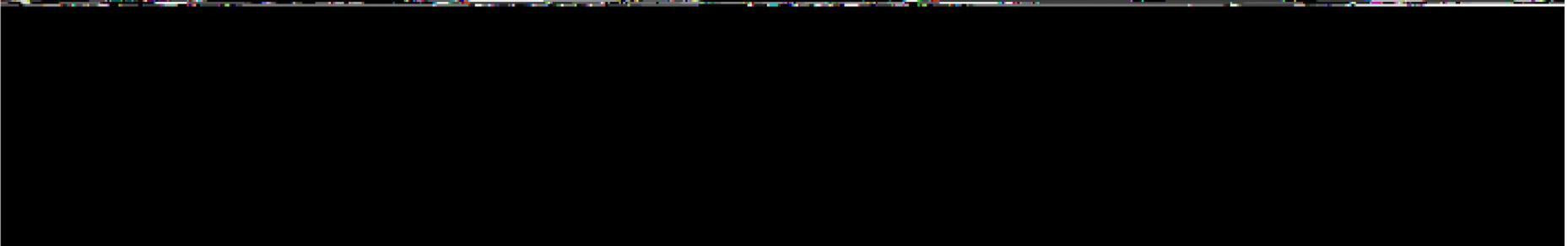
Cash Payments Book						
Date	Narrative	Total £	VAT £	PLCA £	Cash purchases £	Discount £

Analysed cash payments book

CASH PAYMENTS BOOK									
<i>Date</i>	<i>Narrative</i>	<i>Ref</i>	<i>Total</i>	<i>VAT</i>	<i>PLCA</i>	<i>Cash sales</i>	<i>Admin</i>	<i>Rent and rates</i>	<i>Disc't Recv'</i>
			£	£	£	£	£	£	£
TOTALS									

Cash payment - settlement discount - 1

Consider a business run by Francis which buys goods costing £2,000 + VAT.



Cash payment - settlement discount - 2

	£
Cost of goods	2,000.00
VAT $(2,000 - (5\% \times 2,000)) \times 17.5\%$	332.50
Total invoice value	<u>2,332.50</u>

Cash payment - settlement discount - 3

Remember that the discount received column is a 'memorandum' account. The cash book only cross-casts if you ignore the discount received column.

Cash payment - settlement discount 1

Purchases

	£		£
PDB	2,000.00		

VAT

	£		£
PDB	332.50		

PLCA

	£		£
CPB	2,232.50	PDB	2,232.50
Discount received	100.00		

Discount received

	£		£
		PLCA	100.00

Petty cash voucher

PETTY CASH VOUCHER			<i>Sequential voucher number</i>	
<i>Signature of person authorising voucher</i> <i>Authorised by</i> FR Clarke	<i>Received by</i> L Kent	<i>Signature of claimant</i>	<i>No</i>	4173
<i>Date</i>	<i>Description</i>	<i>Amount</i>		
4 April 20X1	Train Fare	12	50	
<i>Total</i>			12	50

Total paid to employee

Details of expenditure

Petty cash book

Receipts			Payments								
<i>Date</i>	<i>Narrative</i>	<i>Total £</i>	<i>Date</i>	<i>Narrative</i>	<i>Voucher no</i>	<i>Total £</i>	<i>Postage £</i>	<i>Cleaning £</i>	<i>Tea &</i>	<i>Sundry coffee £</i>	<i>VAT £</i>
1 Nov	Bal b/f	35.50									
1 Nov	Cheque 394	114.50	1 Nov	ASDA	58	23.50			23.50		
			2 Nov	Post Office Counters	59	29.50	29.50				
			2 Nov	Cleaning materials	60	14.76		12.56			2.20
			3 Nov	Postage	61	16.19	16.19				
			3 Nov	ASDA	62	10.35		8.81			1.54
			4 Nov	Newspapers	63	18.90				18.90	
			5 Nov	ASDA	64	11.85				10.09	1.76