

Principles of Accounts
Answer both questions

1. Write up a three column cash book for T. Thomas from the following:

- May 1 Balances brought forward: cash \$22 500 and bank overdraft \$4 500
- May 3 J. Johnson owed us \$10 000, she paid 60% by cheque and the remainder in cash
- May 8 Paid the following expenses by cheque: rates \$2 600, rent \$13 000 and electricity \$3 500
- May 10 We owed D. Sinclair \$13 500, however, \$12 800 was actually paid in cash due to early payment
- May 12 Received a loan of \$40 000, \$28 000 by cheque and remainder in cash
- May 17 Took \$2 900 cash from the bank
- May 18 Took cash for own use \$1 900
- May 19 The following paid us by cheque less 10% cash discount: P. Henry \$3 500 and C. Gill \$4 500
- May 22 Bought furniture of \$16 000, $\frac{3}{4}$ by cheque and the remainder in cash
- May 24 Repaid part of the loan of \$12 000 by cheque

Write up the trading and profit and loss accounts for G. Griffiths for the year ended March 31, 2016 from the following:

	\$
Sales	257 000
Purchases	124 000
Carriage inwards	5 000
Carriage outwards	7 500
Returns outwards	3 400
Returns inwards	1 800
Rent	13 000
Commission received	6 500
Rates and electricity	4 900
General expenses	3 400
Wages	25 000
Commission	4 000
General expenses	2 300
Insurance	2 100
Communication expenses	6 000
Stock (March 31, 2016)	10 000
Stock (March 31, 2015)	11 000

Write these notes in your Note Book.

BANK RECONCILIATION STATEMENT

- **Direct Credit/credit transfer/traders credit/direct deposits/credit memo-** this means the debtor/account receivable paid us through the banking system. It is aptly named due to the fact that the bank would credit the business' account. Direct credit must be entered in the adjusted cash book on the **debit side**.
- **Standing Order-** the business may give instructions to the bank to make a particular payment, consequently, the bank would debit the firm's account. Standing Order must be entered in the adjusted cash book on the **credit side**.
- **Bank Fees/bank charges –** this is a fee paid to the bank for the various services rendered. Bank charges must be entered in the cash book on the **credit side**.

- **Direct Debit** – this means the proprietor/owner instructed the bank to pay a creditor/account payable. Direct debit must be entered in the cash book on the **credit side**.
- **Unpresented cheques/Outstanding cheques** – this means that the business paid by cheques to individuals, however, these persons did not cashed these cheques during the current month. Unpresented cheques must be treated in the **Bank Reconciliation Statement** only.
- **Uncredited cheques/Late Lodgements** – this means that the business collected cheques, however, lodgements were not made during the current month. Uncredited cheques must be treated in the **Bank Reconciliation Statement** only.
- **Dishonoured Cheques/Refer to drawer**- When a bank refuses to cash a cheque drawn on it, that cheque is said to be dishonoured. A bank will dishonoured a cheque due to:
 - (a) **Insufficient funds**- This means that the payer of the cheque does not have enough money in his account from which to cash the cheque.
 - (b) **Incorrect signature**- This means that the signature on the cheque does not correspond with the one the bank has on record.
 - (c) **Words and figures differ**- This means that the amount of money written in words is different from the amount written in figures.
 - (d) **Stale-dated**- This means that too long a time has past since the cheque was drawn (A cheque life span is six months -6)