

## Solution 5.1

### ***Distinguish between books of original entry and ledger accounts***

The books of original entry ('day books' or 'journals') are the books in which transactions are first recorded and are a list or record, in date order, of the transactions that occurred over a period of time. At the end of a period of time the transactions recorded in the books of original entry are recorded in the ledger accounts. There is no double entry system for the books of original entry but the ledger accounts require the double entry principle.

### ***Distinguish between the sales ledger and the purchases ledger***

The sales ledger contains the accounts of all customers/debtors while the purchases ledger contains all trade creditors/suppliers accounts.

### ***Distinguish between the general ledger and the general journal***

The general ledger contains all revenue and expense accounts, and assets (except trade debtors), liabilities (except trade creditors) and capital accounts and is part of the second stage of the bookkeeping system. The general journal forms part of the first stage of bookkeeping and provides a list or record, in date order, of the transactions that occurred over a period of time.

### ***Distinguish between the cash book and the sales journal***

The cash book records all payments and receipts that are transacted by a business whether in cash or by cheque. The sales journal only records credit sales transactions.

## Solution 5.2

<i>Purchase stock on credit</i>	Purchase invoice Recorded in the purchases Journal
<i>Purchase stock paying by cheque</i>	Purchase invoice & receipt Recorded in the cash book
<i>Purchase new computer system on credit</i>	Purchase invoice Recorded in the general journal
<i>Paid rent by cheque</i>	Receipt Recorded in the cash book
<i>Sold goods on credit</i>	Sales invoice Recorded in the sales journal
<i>Received cash from a debtor</i>	Receipt Recorded in the cash book
<i>Returned some of the goods bought on credit</i>	Debit note Recorded in the purchases returns journal
<i>Paid rates by cheque</i>	Receipt Recorded in the cash book
<i>A customer returned goods</i>	Credit note Recorded in the sales returns journal

## Solution 5.3

Mr. Senator would be advised to have

### Books of prime entry:

Purchases Journal	Recording all credit purchases of stock for resale
Purchases Returns Journal	Recording all purchases returns
Cash Book	Recording all payments and receipts
General Journal	Recording all other transactions

### Ledgers:

Purchases Ledger	Contains all the individual creditor/suppliers accounts
General Ledger	Contains all other accounts

Mr. Senator does not require a sales journal, a sales returns journal or a sales ledger as all sales are for cash.

### Solution 5.4

#### Purchases journal

			€
Jan-01	GGS Ltd		6,000
Jan-03	XYZ Ltd		1,000
Jan-06	XYZ Ltd		<u>200</u>
			<u>9,000</u>

#### Purchases returns journal

			€
Jan-06	GGS		500
Jan-07	XYZ		<u>200</u>
			<u>700</u>

	<u>Cash Book</u>					
<u>DR</u>				<u>CR</u>		
		<u>Cash</u>	<u>Bank</u>			
Jan-02	Sales		2,000	Jan-03	Rent	3000
Jan-03	Sales		1,000	Jan-04	Cutlery	500
Jan-04	Sales		1,500	Jan-05	Wages	3,000
Jan-05	Sales		2,500	Jan-07	GGS	2,000
Jan-06	Sales		3,000	Jan-07	Balance c/d	4,750
Jan-07	Sales		3,250			
			<u>13,250</u>			<u>13,250</u>

#### Purchases Ledger

	<u>GGS Ltd</u>		
<u>DR</u>		<u>CR</u>	
Purch returns journal	500	Purchases Journal	6,000
Bank	2,000		
Balance c/d	<u>3,500</u>		
	<u>6,000</u>		<u>6,000</u>

	<u>XYZ Ltd</u>		
<u>DR</u>		<u>CR</u>	
Purch returns Journal	200	Purchases Journal	1,000
Balance c/d	<u>2,800</u>	Purchases Journal	<u>2,000</u>
	<u>3,000</u>		<u>3,000</u>

#### General Ledger

	<u>Purchases Account</u>		
<u>DR</u>		<u>CR</u>	
Purchases Journal	<u>9,000</u>	Bal c/d	<u>9,000</u>

	<u>Purchases Returns Account</u>		
<u>DR</u>		<u>CR</u>	
Bal c/d	<u>700</u>	Purch returns journal	<u>700</u>

DR		<b>Sales Account</b>		CR	
	Bal c/d	<u>13,250</u>		Cash Book	<u>13,250</u>

DR		<b>Rent Account</b>		CR	
	Cash book	<u>3,000</u>		Bal c/d	<u>3,000</u>

DR		<b>Kitchen equipment Account</b>		CR	
	Cash Book	<u>500</u>		Bal c/d	<u>500</u>

DR		<b>Wages Account</b>		CR	
	Cash Book	<u>3,000</u>		Bal c/d	<u>3,000</u>

**Trial Balance**

	DR	CR
Bank account	4,750	
Creditors - GGS		3,500
Creditors - XYZ		2,800
Purchases	9,000	
Purchases returns		700
Sales		13,250
Rent	3,000	
Kitchen equipment	500	
Wages	<u>3,000</u>	
	<u><b>20,250</b></u>	<u><b>20,250</b></u>