

BOOKS OF PRIME ENTRY (INCLUDING VAT)

TUTORIAL

~~LECTURE~~ EXAMPLE

A business began trading on 1st January 2000 . The following transactions were made during January 2000 :

- 1-1-2000 The owner opened a business bank account with £15000 from his private savings
- 1-1-2000 Withdrew £100 from the bank in order to set up a petty cash system
- 3-1-2000 Bought goods costing £2000 plus VAT from Smiths Ltd on credit
- 4-1-2000 Received an invoice for advertising for £940 including VAT
- 6-1-2000 Made purchases of £47 including VAT , which were immediately paid for by cheque
- 8-1-2000 Made cash sales of £376 including VAT
- 11-1-2000 Sold goods to Mr Black for £2000 plus VAT on credit
- 16-1-2000 Purchased a car for use within the business for £6000 plus VAT . This was bought on credit from Days Motors
- 18-1-2000 Paid advertising bill received on 4-1-2000
- 22-1-2000 Received a cheque from Mr Black for £2175 in full payment of the goods sold on 11-1-2000 . A discount of £ 22.5 was given to the customer
- 23-1-2000 Spent £47 (including VAT) of petty cash on stationery
- 23-1-2000 Spent £6 of petty cash on stamps (exempt from VAT)
- 24-1-2000 Sold goods to Mr Brown on credit for £1000 plus VAT
- 24-1-2000 Sent a cheque to DAYS LTD for £600 in part payment of the outstanding amount

26-1-2000 Sent a cheque to Smiths Ltd for £ 2250 in full payment of the goods bought on 4-1-2000 . A discount of £150 was received from the supplier

29-1-2000 Paid Days Motors a cheque of £2000 in part payment of the car purchased

REQUIREMENT

- (A) Record the above transactions in the appropriate books of prime entry
- (B) Transfer the information recorded to the relevant columns of the spreadsheet
- (C) Using the spreadsheet , calculate a set of draft balances for the business at 31st January 2000 and also transfer these to the profit and loss account and balance sheet