

BOOKS OF PRIME ENTRY – LECTURE EXAMPLE

James began in business on 1st January 2005. The following transactions occurred during the first month of trading ;

1 Jan	Deposited £8000 of his personal savings into the business bank account
2 Jan	Withdrew £100 from the bank account in order to set up a petty cash float
4 Jan	Purchased £950 of goods on credit from Mr Jameson
7 Jan	Received an invoice for the monthly rent of his premises for £300
10 Jan	Sold goods on credit to Mr Gerrard for £2000 on credit
12 Jan	Received and invoice for monthly insurance of the premises of £450
14 Jan	Purchased goods of £350 from Mr Jones by cheque
7 Jan	Paid rent invoice by cheque
19 Jan	Sold goods to a customer , Mr Green who paid with a cheque of £300
20 Jan	Paid Mr Jameson £900 in respect of the invoice of 4 Jan , the remainder being received as a discount from the supplier
24 Jan	Purchased goods on credit from Mr Jameson of £2000
25 Jan	Sold goods to Mr Hughes on credit for £1200
25 Jan	Received £1900 from Mr Gerrard in respect of the invoice of 10 Jan , the remainder being allowed as a discount to the customer
26 Jan	Paid insurance bill by cheque
28 Jan	Withdrew £6 from petty cash float to purchases some stamps
29 Jan	Withdrew £18 from petty cash float to purchases some stationery
30 Jan	Sold goods to a customer , Mt Hudson who paid with a cheque of £170

REQUIREMENT

- (A) Record the above transactions in the appropriate books of prime entry
- (B) Transfer the information recorder to the ledger accounts at the month end
- (C) Prepare a trial balance at the month end

SALES DAY BOOK

[illegible]

PURCHASE DAY BOOK

Date	Narrative	Total	Purchases	Rent	Insurance
4 JAN	MR JAMESON	950	950		
7 JAN	RENT	300		300	
12 JAN	INSURANCE	450			450
24 JAN	MR JAMESON	2000	2000		
		<u>3700</u>	<u>2950</u>	<u>300</u>	<u>450</u>

[illegible][illegible]

[illegible][illegible]

PETTY CASH BOOK

Receipts	Date	Narrative	Total	Stamps	Stationery
100	1 JAN	BANK			
	28 JAN	STAMPS	6	6	
	29 JAN	STATIONERY	18		18
	31 JAN	BAL C/F	76		
100			100	6	18
76	1 FEB	BAL B/F			

[illegible]

[illegible]

[illegible]

		STATIONARY		
31-1	PCB	18	31-1	70 941 A/C
				18

TRIAL BALANCE AT 31ST JANUARY 2005		DR £	CR £
SALES	Income		
DEBTORS	Asset		
PURCHASES	Expense	1200	3670
RENT	Expense	3300	
INSURANCE	Expense	300	
CREDITORS	Liability	450	
BANK	Asset		2000
CAPITAL	Capital	8270	
DISCOUNT ALLOWED	Expense		8000
PETTY CASH	Asset	100	
DISCOUNT RECEIVED	Income	76	
STAMPS	Expense		50
STATIONERY	Expense	6	
		18	
		13721	13721

TRIAL BALANCE AT 31ST JANUARY 2005		DR £	CR £
SALES	Income		
DEBTORS	Asset		
PURCHASES	Expense	1200	3670
RENT	Expense	3300	
INSURANCE	Expense	300	
CREDITORS	Liability	450	
BANK	Asset		2000
CAPITAL	Capital	8270	
DISCOUNT ALLOWED	Expense		8000
PETTY CASH	Asset	100	
DISCOUNT RECEIVED	Income	76	
STAMPS	Expense		50
STATIONERY	Expense	6	
		18	
		13721	13721