

ACCOUNTING MADE SIMPLE

Study Guide

**FOR NON ACCOUNTING
STUDENTS**



ZURIANA BINTI HJ MOHAMED
SURIA BINTI HJ ABD MALEK



ACCOUNTING MADE SIMPLE:
STUDY GUIDE
FOR NON ACCOUNTING
STUDENTS



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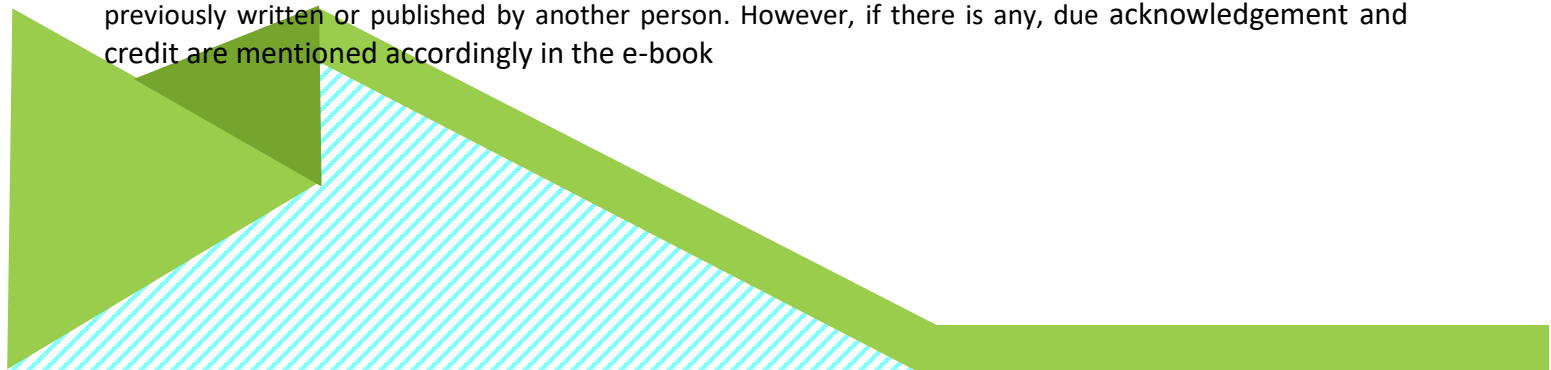
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We hereby declare that this module is our original work. To the best of our knowledge it contains no materials previously written or published by another person. However, if there is any, due acknowledgement and credit are mentioned accordingly in the e-book





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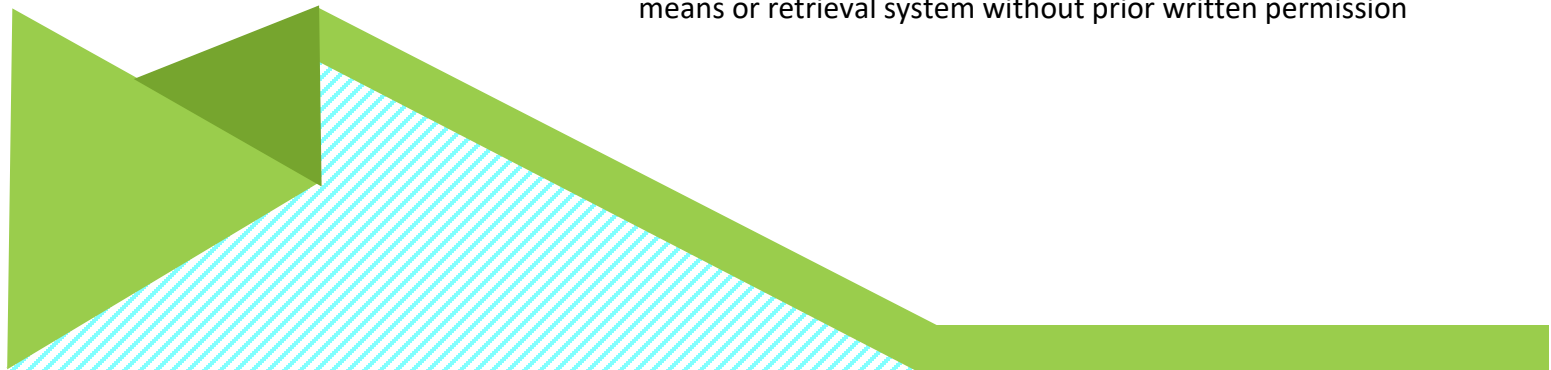
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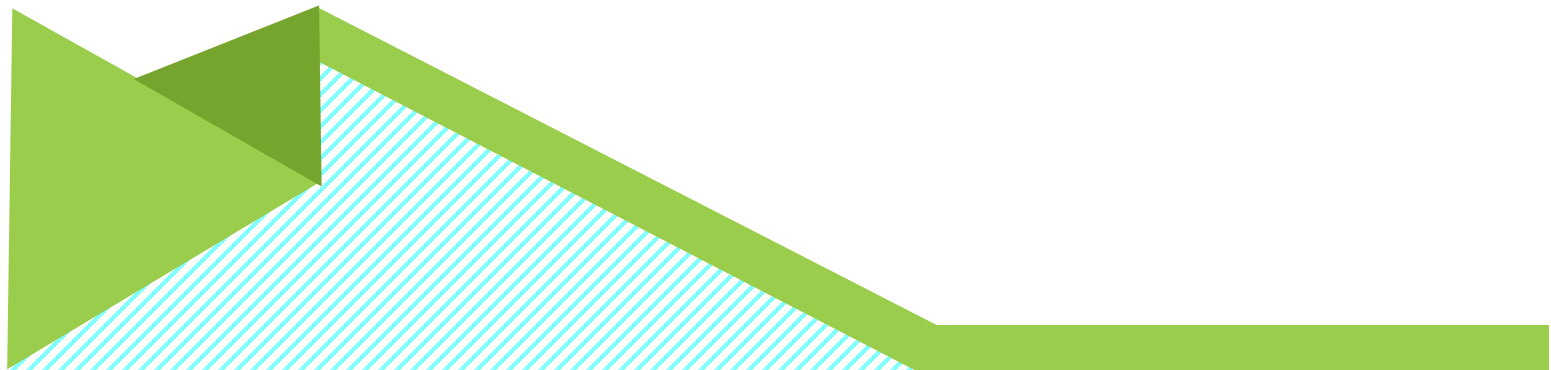
reface

Assalamualaikum w.b.t and Greetings,

Bismillahirrahmanirahim

Alhamdulillah, thanks to Allah for his bounty, the Business Accounting Made Simple: Study Guide for Non Accounting Students has successfully produced. We, Zuriana Hj Mohamed from Polytechnic Port Dickson and Suria Hj Abd Malek from Polytechnic Merlimau produced this eBook for non-accounting students especially when they pursue their study in Diploma Level. This book consists of Five (5) chapters that will provide students simple but complete knowledge and information in basic accounting principles.

Finally, it is hoped that this eBook will help student and readers gain the required knowledge of accounting concepts and understand the basic bookkeeping terms such as Assets, Liabilities, revenues and many more!





ABSTRACT

The goal of this eBook is to enhance students in understanding the basic of accounting. This eBook can be used by students as a quick reference to help them a basic knowledge covers the topic especially for non accounting students. This edition of eBook has five chapters and for each topic, questions are accessible to show students with comprehensive question and suggested answer. It can also assist students in exercising and testing their knowledge.

Chapter 1 : Introduction to Accounting

This chapter gives an overview of accounting and bookkeeping, Roles of Accountant, users of Accounting Information, types of business organization, conceptual framework for Financial Reporting and Accounting Cycle.

Chapter 2 : Source Documents

The objective of this chapter is to explain how the source documents use and related to business accounting. This chapter explains how to apply the accounting from source documents to the appropriate transaction and the sources documents involved in business activities.

Chapter 3 : Book of Prime Entry

This chapter will assists students to demonstrate of knowledge and understand of a journal, practice the methods of recording in General Journal, special journal, cash book and relationship between source documents, transactions and book of Prime Entry based on industry activity.

Chapter 4: Double Entry and Accounting Equation

This chapter show the understanding of double entry accounting record keeping system in every transaction occurred which every transaction is recorded at least two accounts. In this chapter, students will ascertain understand the nature of assets, liabilities, owner's equity, revenues and expenses known as accounting equations.

Chapter 5: Trial Balance

A trial balance is a statement prepared based on account balance in the ledgers at the end of an accounting period. This chapter will discuss the computation and how to balance the accounting transaction.

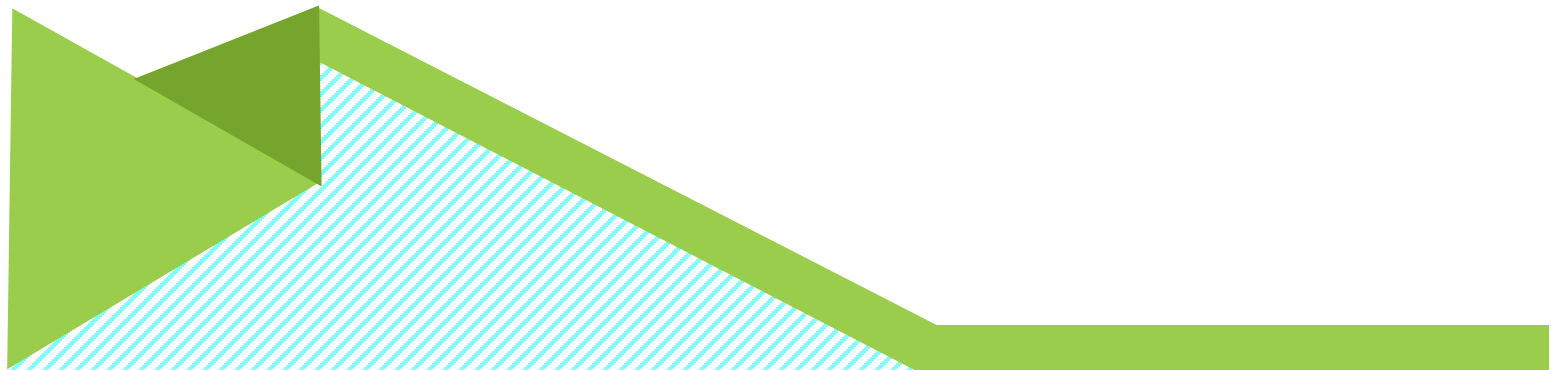
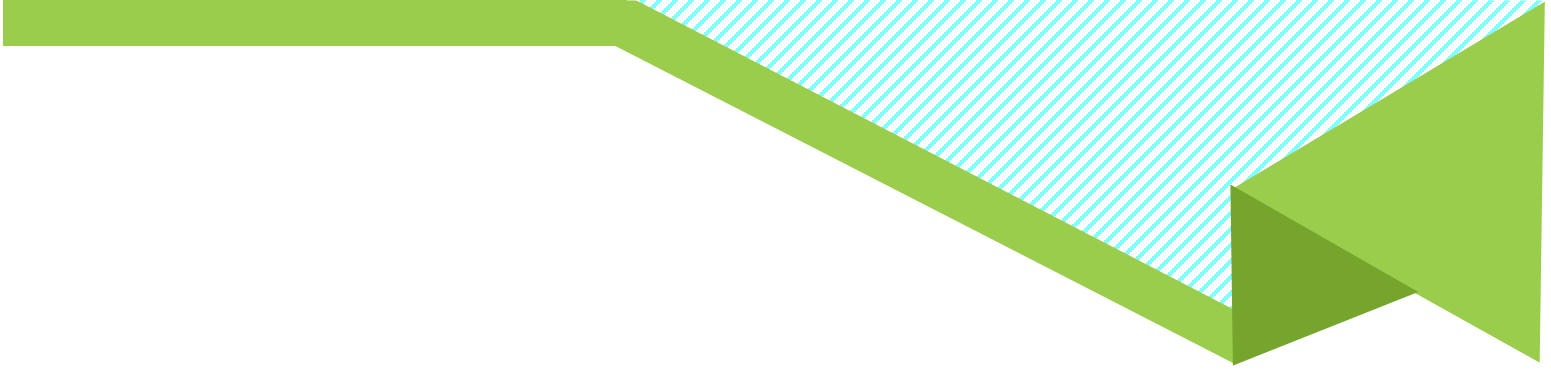


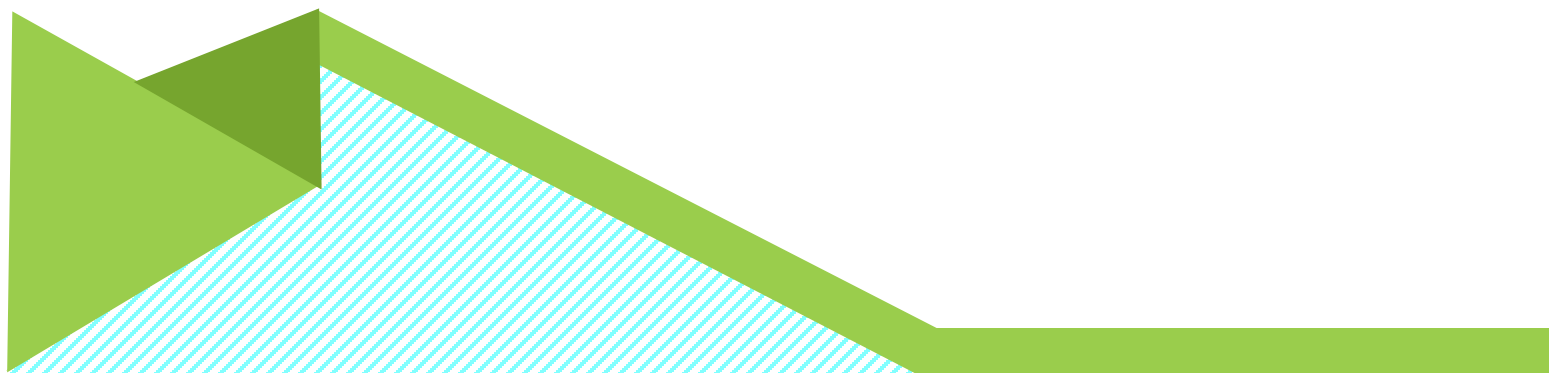
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CHAPTER 1: INTRODUCTION

LEARNING OUTCOMES

Describe the introduction to accounting

Discuss the accounting cycle

Explain the concept and principle of accounting

1.1 DEFINE ACCOUNTING AND BOOKKEEPING

- **BOOKKEEPING** is the process of **classifying, recording, summarizing** business transaction.
- **ACCOUNTING** is the process of classifying, **recording, summarizing** business transaction in monetary unit and analyzing **& interpreting** the financial data of business in order to assist stakeholder in making decisions.
- Accounting involves the following four (4) phases:

PHASE 1

CLASSIFYING

Data from business documents (e.g.: receipts, invoices, cash bills, credit notes) are arranged & categorized into books.

PHASE 2

RECORDING

Transactions are recorded in a day book (journal) and ledgers.

PHASE 3

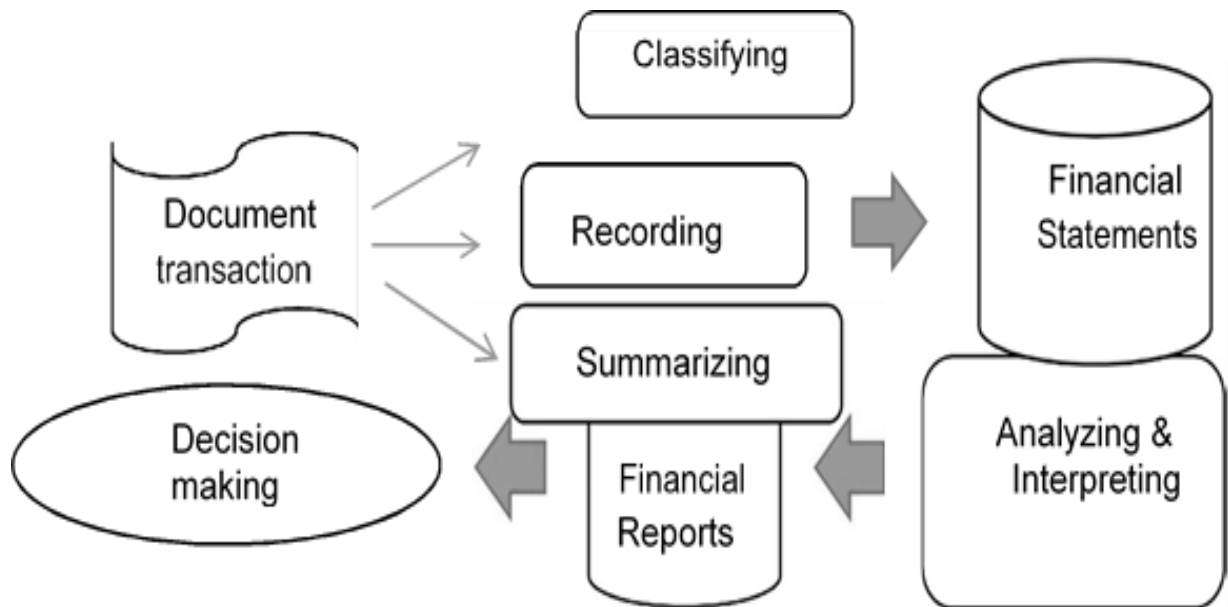
SUMMARIZING

Accounting Data for particular period is summarized & shown in the form of financial statements. Examples of financial statement are Statement of Comprehensive Income & statement of Financial Position.

PHASE 4

ANALYZING & INTERPRETING

Financial Statement will be analyzed & the result of the analysis will be used as a guide to make decisions by stakeholder.





1.2 ROLES OF ACCOUNTANT

1. An accountant is a person with requisite knowledge, skills & experiences in accounting/ financial background, used to prepare, establish & maintain accurate financial reports for individuals or businesses for decision making.
2. The accountant is also liable to abide by a certain code of ethics & be alert to any updates or changes to their profession. Hence, this is the reason why financial reports must be prepared according to accounting principles & assumptions.
3. In Malaysia, those who wish to become professional accountants must be registered as members of Malaysian Institute of Accountant (MIA).
4. An accountant position is under the finance department & carries out all tasks of an accounting cycle including collecting, recording, analyzing & presenting the financial operations & performance of the business to users.
5. The tasks or roles of an accountant such as:
 - i. Designing & controlling systems of financial records
 - ii. Preparing accounts & tax returns
 - iii. Preparing financial reports
 - iv. Auditing financial information
 - v. Compiling, analyzing & presenting information to users and management
 - vi. Applying his/her expertise to provide financial advice to management
 - vii. Dealing with third parties such as suppliers & banks



1.3 USERS OF ACCOUNTING INFORMATION

Users of accounting information are parties that use the accounting information for specific purposes. The information required by the users might differ between one group and another. Users of accounting information can be divided into two groups - internal users and external users.

1.3.1 Internal users

- Are parties that have direct access to the resources of an entity and usually involved in the management of the entity, for example the management of the company.
- Accounting information is presented to internal users usually in the form of management accounts, budgets, forecasts and financial statements.

1.3.2 External users

- Would be the parties who do not have direct access to the resources of the company and do not involve in the management of the company.
- Communicate with the accounting information usually in the form of financial statements. The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions (IASB Framework).

INTERNAL USERS

<p>TOP LEVEL MANAGEMENT</p> <p>use accounting info as a guideline to plan, organize & control the organization & analyse the performance of the business</p>	<p>MIDDLE LEVEL MANAGEMENT</p> <p>Manager of Marketing Department use accounting info as a guideline to determine the policies & the price of the product to be marketed</p> <p>Manager of Finance Department use accounting info to evaluate the ability of the business to pay its debts</p>	<p>EMPLOYEES</p> <p>use accounting info to ensure that the business is able to keep on operating, maintaining their job positions & paying them at acceptable wages</p>	<p>SHAREHOLDERS</p> <p>use accounting info to know expected rate of return from investment, business financial position & the business growth within a particular period. So, the shareholder will decide whether to maintain, increase or stop the investment according to business performance</p>
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EXTERNAL USERS

BANK /FINANCIAL INSTITUTION

use accounting info to know the ability of a business to repay loans or debts

SUPPLIERS/CR EDITORS

use accounting info to evaluate their business's ability to pay its debts

EMPLOYEE UNION

use accounting info to ensure that their demands to the employer are reasonable compared with the business's financial ability such as salary increment & other benefits

INVESTOR

use accounting info to know the business liquidity position & finance, business's prospect, business's ability to generate profit & ability of the management to handle the business

GOVERNMENT

use accounting info from financial statement & financial reports in order to determine the tax amount to be paid to Inland Revenue Board (IRB)



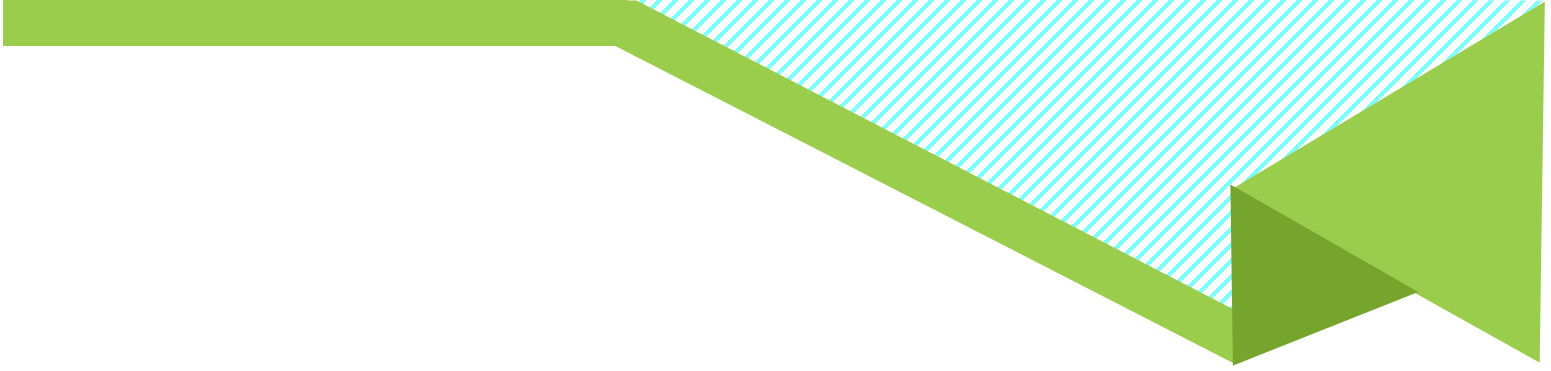
1.4 TYPES OF BUSINESS ORGANIZATION

1.4.1 SOLE PROPRIETORSHIP

- Owned by an individual
- Most common type of business entity and can easily be formed
- Liability is unlimited
- Free to decide on the best ways to run his business
- Business and proprietor are separate entities
- capital structure usually consists of the amount of money invested by the owner

1.4.2 PARTNERSHIP

- Two or more people (not more than 20)
- Earn and share profit among partner, capital contributed by the partners
- Merge not only capital but different skills and expertise
- Unlimited liabilities except for the limited partners
- Can be dissolved upon the death of one of other partners or upon termination of the business

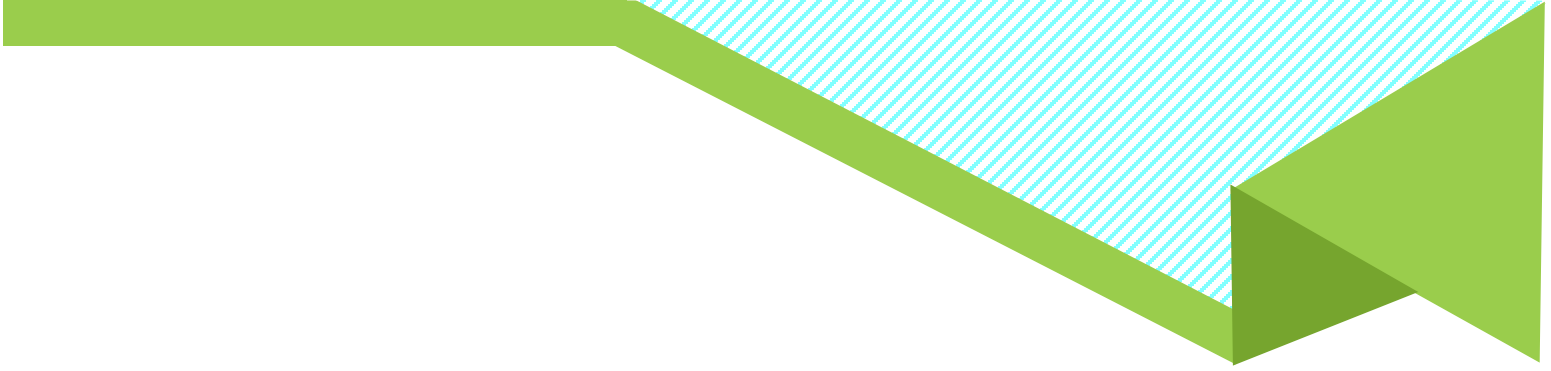


1.4.3 COMPANY

- Legal entities created under the companies Act
- Distinct from their shareholders and not affected by the death or disability of its shareholders
- Limited liability just limited to the face value of shares
- Two types:
 - Private Limited Companies
 - The minimum number of shareholders is two and the maximum number of shares is restricted and subject to the approval of other shareholders
 - Public Limited Companies
 - The minimum number of shareholders is two and there is no set maximum number. The shares are issued for sale to the public and are traded in the stock exchange

1.5 CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

- a The accounting profession has specified guidelines for the preparation of financial statements. These guidelines which are known as the Generally Accepted Accounting Principles (GAAP) can be defined as follows: *“The Generally Accepted Accounting Principles cover conventions, rules & procedures, which are necessary to determine the accounting practice which is acceptable at any time “*

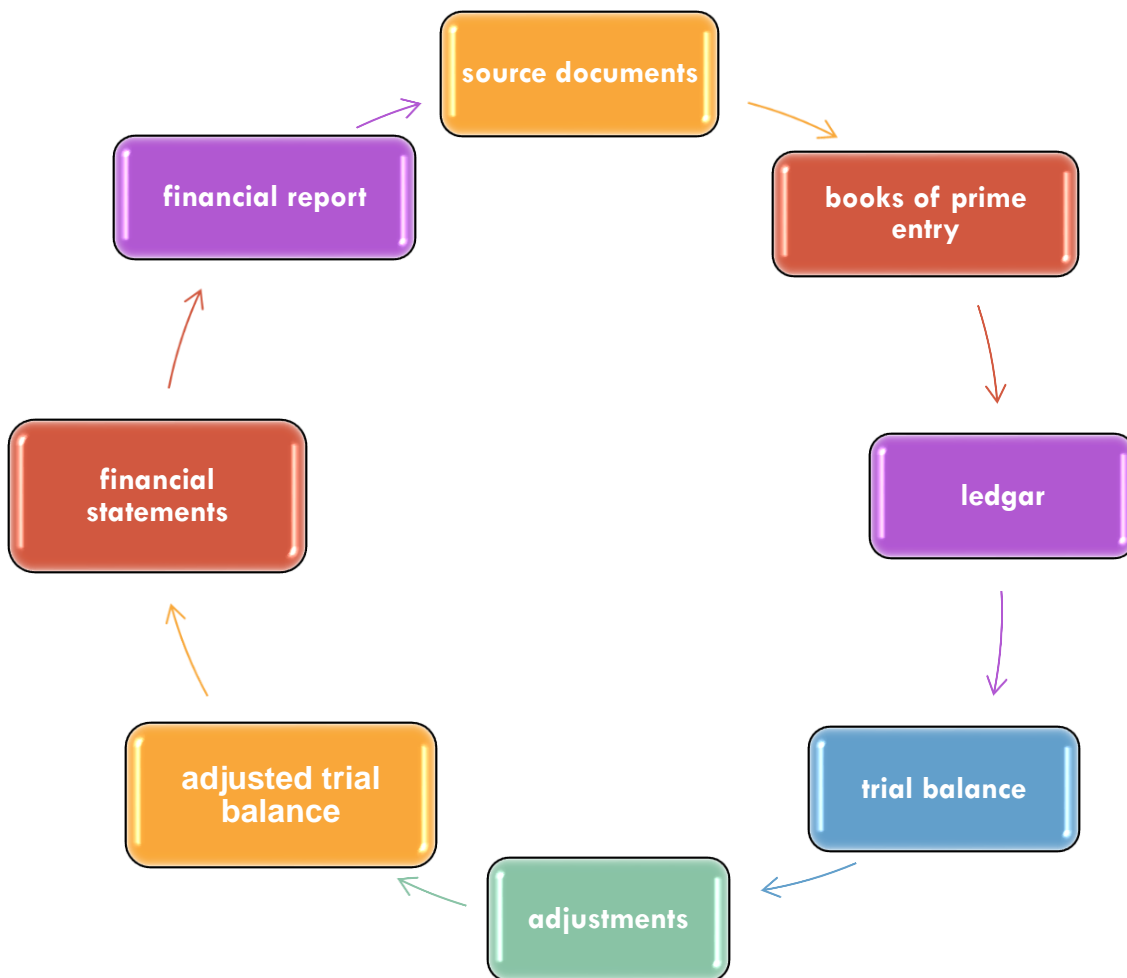
- 
- b. It is important for firms to use similar reporting guidelines when preparing their financial statements. So that, all external users will know how to read and analyze the information.
 - c. The guideline for financial reporting used by the company in Malaysia was based on Malaysia Accounting Standard Board (MASB) 1997.
 - d. To be in line with convergence program with International Accounting Standard Board (IASB), MASB is adopting Malaysian Financial Reporting (MFRS) recently.

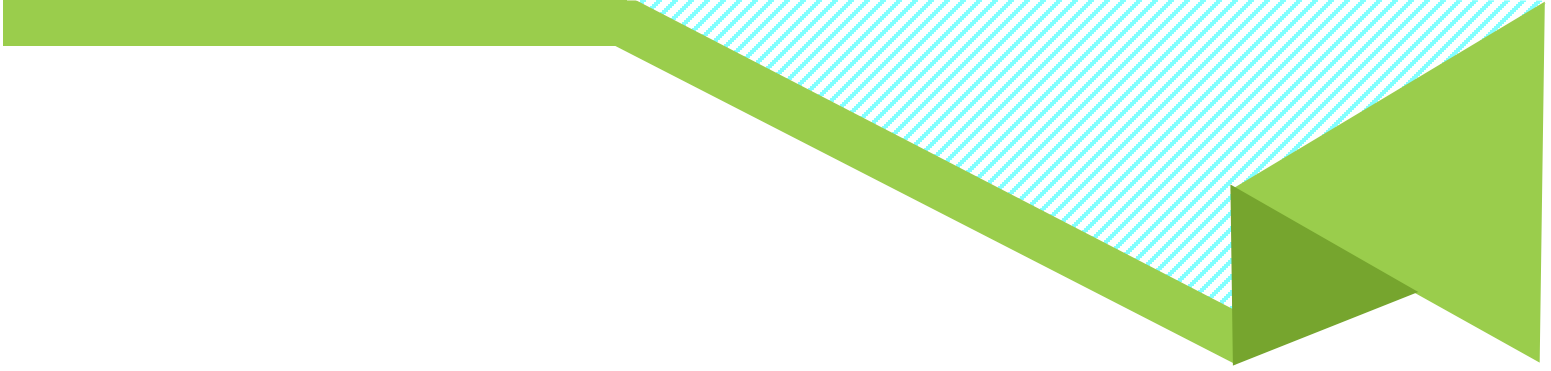
1.6 ACCOUNTING CYCLE|

1.6.1 DEFINITION

- i. An accounting cycle is the process of recording business transactions. This cycle involves several stages over a particular period of time.
- i. An accounting cycle shows the steps to collect and record business information systematically so that the financial reports or statements can be presented to the management and analyzed.

1.6.2 STEPS IN ACCOUNTING CYCLE





1.7 BASIC ACCOUNTING CONCEPTS & PRINCIPLES

According to IAS, SSAP, MASB & FRS (Financial Reporting Standards), basic accounting concepts cover accounting assumptions, principles & constraints. The basic accounting concepts are summarized below:

1.0 SEPARATE ENTITY/ BUSINESS ENTITY

- Business & its owner are two separate entities
- The business's transactions must be accounted separately from the owner's transactions
- The transactions recorded into business book should not be mixed
- with the owner's personal affairs

2.0 GOING CONCERN

- It is assumed that a business will continue to expand and operate in the future or long term period

3.0 MONETARY UNIT / MONEY MEASUREMENT CONCEPT

- All transactions are recorded in the country's monetary unit
- The monetary unit is assumed to be stable
- Example: in Malaysia, transactions in Financial Statements are recorded in Ringgit Malaysia



4.0 ACCOUNTING PERIOD

- Business activities can be divided into specific periods, for example, a month, a quarter, six month or a year depends on the business
- The accounting period in financial reporting must be consistent in order to make comparison of business performance between accounting period.

5.0 MATCHING CONCEPTS

- The revenues earned in an accounting period must be matched against the expenses incurred in order to generate revenues in the same period

6.0 HISTORICAL COST

- All accounting records are prepared based on the cost value or the actual price stated in the source document
- Cost value is the current value at the time of the transaction

7.0 DOUBLE ENTRY

- Every business transaction will involve two accounts (or more).
- For example, when a company borrows money from its bank, the company's Cash account will increase and its liability account (Loans Payable) will increase.
- Every financial transaction has equal and opposite effects in at least two different accounts. It is used to satisfy the equation $\text{Assets} = \text{Liabilities} + \text{Equity}$, in which each entry is recorded to maintain the relationship.



8.0 FULL DISCLOSURE

- Requires a company to provide the necessary information so that people who are accustomed to read financial information can make informed decisions concerning the company. The necessary information included in the company's financial statements including any supplementary schedules and notes (or footnotes).

9.0 PRUDENCE / CONSERVATISM

- Businesses must avoid overstating values of assets & revenues, and understating liabilities & expenses when recording transactions.
- All expected loss must be disclosed in Financial Statements, e.g. Depreciation, Provision for Doubtful Debts.
- For investment and inventories, it must be recorded in lowest value.

10.0 OBJECTIVITY

- Each transaction must be recorded based on objective evidence or verified and unbiased information





TUTORIALS

- a. Define bookkeeping
- b. Provide TWO (2) examples of each internal user and external user of accounting information
- c. Illustrate the accounting cycle involves EIGHT (8) stages over particular period of time.
- d. Identify the accounting period

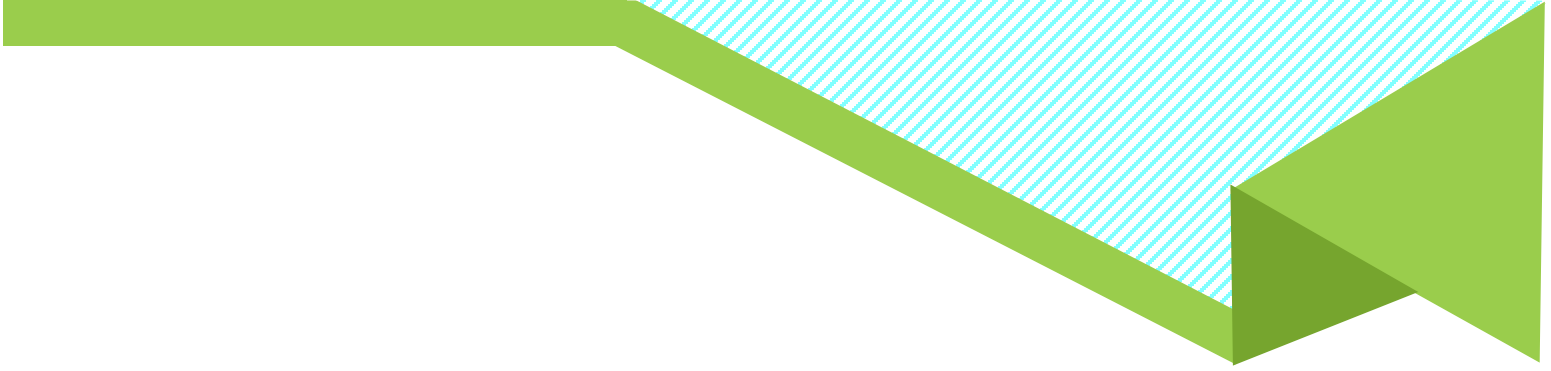
1 st January 2020	31 st December 2020	Answer: Yearly
1 st April 2021	30 June 2021	Answer:
1 st February 2020	31 July 2020	Answer:
1 st January 2021	30 June 2021	Answer:

e. Identify the dates and accounting periods for the following period

Starting Date	Closing Date	Accounting period
(1)	30 June 2020	Yearly
1 February 2019	(2)	Monthly
1 October 2020	31 December 2020	(3)
1 December 2018	31 May 2019	(4)
(5)	30 April 2019	Yearly
1 November 2020	(6)	Quarterly
1 August 2017	(7)	Yearly
(8)	30 June 2021	Monthly
1 May 2020	(9)	Quarterly
1 April 2018	30 September 2018	(10)

f. List down the accounting concept based on the narrations below:

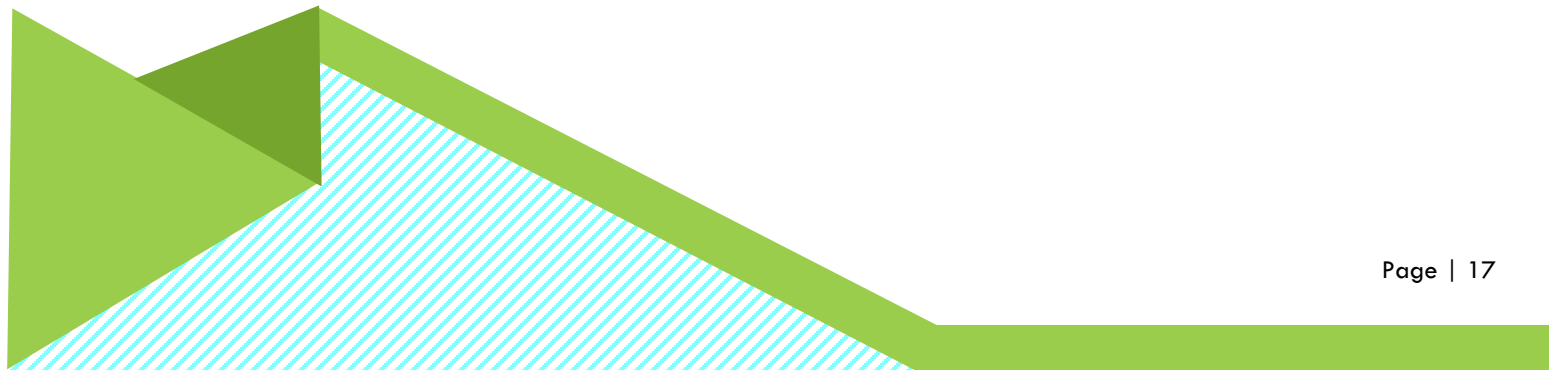
	Narrations	Accounting concepts
1	The business unit is treated as a separate body, separate from the owners.	
2	Business entities measure their performance over a period of time.	
3	It is assumed that the enterprise is a "permanent" venture and will be in existence in the foreseeable future.	
4	Assets acquired (or constructed) are recorded initially at the price paid (or incurred) and not at the value of the assets to the business.	
5	Every financial transaction has equal and opposite effects in at least two different accounts.	
6	Each transaction must be recorded based on objective evidence or verified and unbiased information.	
7	Businesses must avoid overstating values of assets & revenues and understating liabilities & expenses when recording transactions.	

- 
- g. Explain the purposes of accounting information to the accounting users below.
- a. LEMBAGA HASIL DALAM NEGERI (LHDN)
 - b. CIMB BANK
 - c. CEO OF AIR ASIA BHD
 - d. GOVERNMENT
 - e. CREDITORS

SUGGESTED ANSWERS:

- a. Define bookkeeping
Bookkeeping is the process of **classifying, recording, summarizing** business transaction.

 - b. Provide TWO (2) examples of each internal user and external user of accounting information
 - internal user: Chief Executive Officer (CEO), Manager of Marketing Department
 - external user: Bank, Government

 - c. Illustrate the accounting cycle involves EIGHT (8) stages over particular period of time.
 - 1. Source documents
 - 2. Books of Prime Entry
 - 3. Ledger
 - 4. Trial Balance
 - 5. Adjustments
- 

6. Adjusted Trial Balance

7. Financial Statements

8. Financial report

c. Identify the accounting period

1 st January 2020	31 st December 2020	Answer: Yearly
1 st April 2021	30 June 2021	Answer: Quarterly
1 st February 2020	31 July 2020	Answer: Semi annually
1 st January 2021	30 June 2021	Answer: Semi annually

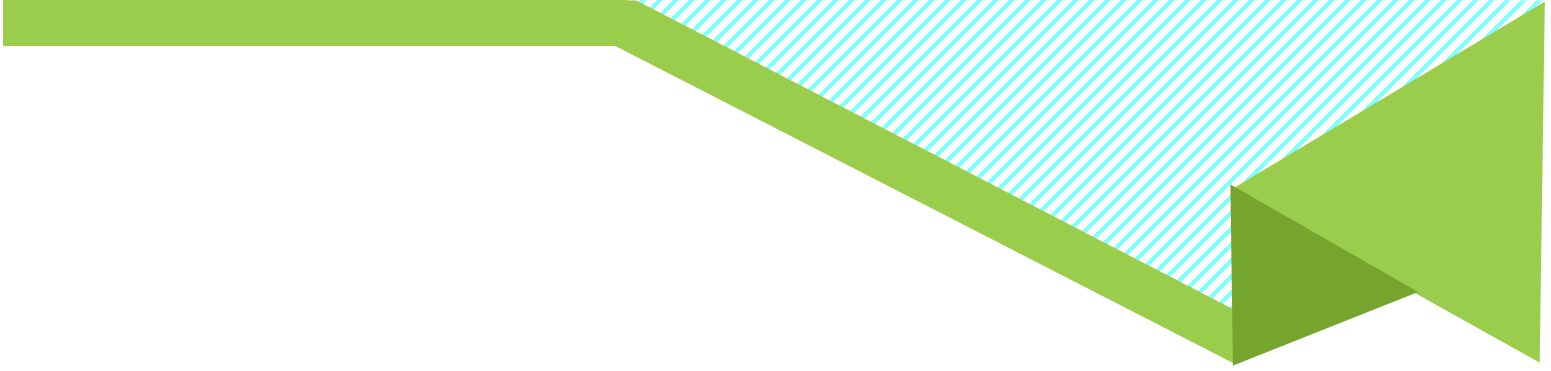
d. Identify the dates and accounting periods for the following period

Starting Date	Closing Date	Accounting period
(1) 1 July 2019	30 June 2020	Yearly
1 February 2019	(2) 28 February 2019	Monthly
1 October 2020	31 December 2020	(3) Quarterly
1 December 2018	31 May 2019	(4) Semi annually
(5) 1 May 2018	30 April 2019	Yearly
1 November 2020	(6) 31 January 2021	Quarterly
1 August 2017	(7) 31 July 2018	Yearly
(8) 1 June 2021	30 June 2021	Monthly

1 May 2020	(9) 31 July 2020	Quarterly
1 April 2018	30 September 2018	(10) Semi annually

e. List down the accounting concept based on the narrations below:

	Narrations	Accounting concepts
1	The business unit is treated as a separate body, separate from the owners.	Separate Entity
2	Business entities measure their performance over a period of time.	Accounting period
3	It is assumed that the enterprise is a “permanent” venture and will be in existence in the foreseeable future.	Going concern
4	Assets acquired (or constructed) are recorded initially at the price paid (or incurred) and not at the value of the assets to the business.	Historical cost
5	Every financial transaction has equal and opposite effects in at least two different accounts.	Double entry
6	Each transaction must be recorded based on objective evidence or verified and unbiased information.	Objectivity
7	Businesses must avoid overstating values of assets & revenue, and understating liabilities & expenses when recording transactions.	Prudence / Conservatism



g. Explain the purposes of accounting information to the accounting users below.

1. LEMBAGA HASIL DALAM NEGERI (LHDN)
to determine the tax amount tax to be paid to Inland Revenue Board (IRB)
2. CIMB BANK
to know the ability of a business to repay loans or debts
3. CEO OF AIR ASIA BHD
guideline to plan, organize & control the organization & analyses the performance of the business
4. GOVERNMENT
to determine the tax amount to be paid to Inland Revenue Board (IRB)
5. CREDITORS
to evaluate the business's ability to pay its debts



CHAPTER 2: SOURCE DOCUMENTS

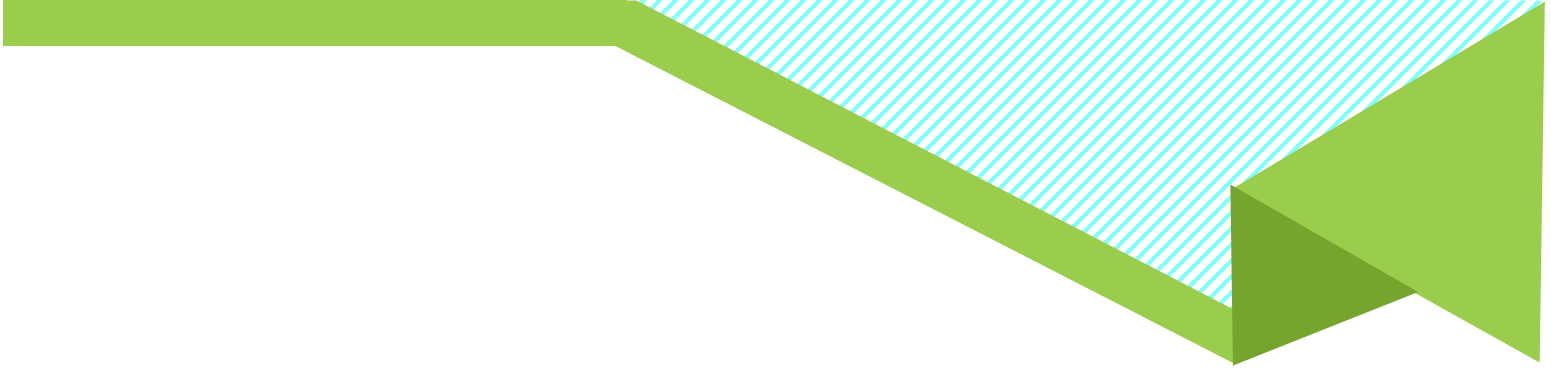
Learning outcome

Understand the source documents used in business activities

2.1 THE SOURCE DOCUMENTS USED IN THE BUSINESS

Each time a company makes a financial transaction, it generates some paper trail. Accountants call this paper trail a source document or documents. If a small business writes a cheque from its checking account for office supplies, for example, the cheque and office supplies receipt become the source documents. A source document is an original record which contains the detail that supports a transaction that will be (or has been) entered in an accounting system

The source document is essential to the bookkeeping and accounting process as it provides evidence that a financial transaction has occurred. During an accounting or tax audit, source documents back up the accounting journals and general ledger as an indisputable transaction trail.



Types and Usage of Source Documents

- The source documents can be divided to three (3) stages:
 1. Documents used before a business transaction
 2. Documents used during a business transaction
 3. Documents used after a business transaction

2.1.1 Documents used before a business transaction

1. Enquiry letter/ letter of enquiry

- A letter sends by a buyer to a seller to enquire about the seller's products.
- It includes the information about the products such as price, discount, availability, extended warranty and credit payment options.

THOMAS & CO. LTD

Regent Street 435
London W. 1.

Ref: DS/RC
25 June 2009
The Krakatau Steel Engineering Co.
Cilegon
West Java

Dear Sir or Madam,

Subject: Request for Catalogue

We saw your advertisement in the "Metal Worker" a few days ago and interested in your steel products.

Please let us have the details of your product together with the sample, terms of payment and the price list. If the quality is satisfactory and the terms are reasonable, we will place a large order soon. Could you give us details of discount and the fastest delivery please.

We hope to receive your reply soon.

Yours faithfully,

Mr. John Lennon
Sales Manager

2. Response letter

- ▮ A letter sends by a seller to a buyer
- ▮ **Response letters** are the **letters** used by an entity as an **answer** to the initial **letter** that was sent to them.
- ▮ **Response letters** may be sent to the clients of the company who have specific concerns or to individuals and groups who have inquiries and questions regarding a particular subject matter.

Text Format: <http://www.lettersandtemplates.com/index.php?id=6>

Sample Inquiry Letter Replies

Thank you for your interest in our [services products services and products]. In response to your query, please find enclosed the requested details. I hope this information addresses your needs. If you require further clarifications, please do not hesitate to contact us at anytime.

We look forward to hear from you soon.

3. Order form/Purchase order

- ▮ is a commercial document and first official letter issued by a buyer to a seller, indicating types, quantities, and agreed prices for products services.
- ▮ The letter contains:
 - ▮ Date purchase was made
 - ▮ Name of the company purchasing the goods or services
 - ▮ Description and quantity of the goods or services
 - ▮ Price
 - ▮ Mailing address
 - ▮ Payment information
 - ▮ Invoice address
 - ▮ Purchase order number



PurchaseControl™
 Boston Office
 One Post Office Square, Suite 3600
 Boston MA, 02109
 USA

Purchase Order
 PO No.: P000495
 04/26/2017
 PO Status Closed Completed

SUPPLIER	DELIVERY ADDRESS
Taylor Dickens 70 Bowman St. South Windsor, CT 06074 USA Terms: 30 Days Phone No.: 800-123-4567 Email: john@taylordickens.com	Boston Office One Post Office Square, Suite 3600 Boston MA, 02109 USA Phone No.: 800-504-3364 Attn: Patrick

DELIVERY DATE	REQUESTED BY	APPROVED BY	DEPARTMENT
04/28/2017	Patrick Smith	Patrick Smith	IT Department

NOTES
 Description ABC

ITEM NAME	ITEM CODE	QTY.	ITEM PRICE	DISC.	TOTAL
Nescafe Gold Blend Coffee 7oz	QD2-00350	1.00	34.99	0.00	34.99
Tettley Tea Round Tea Bags 440/Pk	QD2-TET440	1.00	20.49	0.00	20.49
Niceday Economy Lever Arch File A4 Black	Q81-4857579	15.00	1.90	0.00	28.50
3 Tier Letter Tray	QD2-1523055	3.00	23.89	0.00	71.67
Viking A4 Economy Copier	QD2-9537	5.00	3.59	0.00	17.95
Economy Manilla Envelopes - 500	QD2-2071074	2.00	15.49	0.00	30.98
3 Tier Letter Tray	QD2-1523055	1.00	23.89	0.00	23.89
ORDER TOTAL					\$228.47

2.1.2 Documents used during a business transaction

4. Invoice

- An **invoice** is a commercial document issued by a seller to a buyer, relating to a sale transaction and indicating the products, quantities, and agreed prices for products or services the seller had provided the buyer.
- Used in credit transactions only



New Shipping Sdn Bhd (123945-SND)
32, 1st Floor, Jalan Tiara 4, Bandar Baru Klang,
41150 Klang, Selangor DE
Phone: 03-3341 6909 Fax: 03-3341 2909 email: support@sql.com.my
(GST No: 1243)

INVOICE

Invoice Address
ABC CO.
23, Jalan 6,
Batu 5 Klang

Tel 03-3343 1234 Fax 03-3342 1245

Shipment Details

INVOICE NO. : SEI000013
DATE : 05/09/2018
CUSTOMER ACCOUNT : 3000/A01
CURRENCY : RM
PAYMENT TERMS : 30 Days
SALES PERSON: : ---
JOB NO. : ---
Exemption No. : 1234567
Expiry Date : 31/12/2019

NO.	DESCRIPTION	QTY	UOM	PRICE / UNIT	TOTAL EXCL TAX	TAX AMT	TOTAL INCL TAX	TAX
1	THC CHARGES / 20' GP	1.0000	UNIT	335.00	335.00	20.10	355.10	6%
2	THC CHARGES / 20' GP	1.0000	UNIT	335.00	335.00	20.10	355.10	6%

RINGGIT MALAYSIA : SEVEN HUNDRED TEN AND CENTS TWENTY ONLY

670.00	40.20	710.20
--------	-------	--------

E&O.E.
NB : Any discrepancy must be notified within 7 days, otherwise will be treated as correct.
CHEQUE MAKE PAYABLE TO **New Shipping Sdn Bhd**
BANK : **RHB BANK BERHAD** Current A/C No:2-12303-10800216
1) It is hereby agreed that interest will be charged at 5.5% per month on overdue Invoices. All legal cost will be accrued against you if action is necessary.
2) All Business Transaction Shall be undertaken in accordance to the Federation Of Malaysian Freight Forwarders Standard Trading Conditions. A Copy is available upon request.
New Shipping Sdn Bhd

AUTHORISED SIGNATURE

5. Delivery notes

- A document that accompanies a goods shipment and **lists** details about the goods delivered. A delivery note explains what the contents of a package are if some goods that were ordered are not enclosed (due to lack of stock, unavailability, etc.) they will also be listed on the delivery note.

Delivery Note

Logo

Your Company Name

Address line 1
Address line 2
City, Postcode
Phone: 1234 567 890

Reference Number: 000-000-000
Date: 21.8.2021
Location: London
Order Number: 1 of 1
Client number: 000-000
Carrier: Delivery company
Delivery Method: Air Freight/Courier
Total Weight: 25kg

Recipient

Customer's Company
Customer's Name
Address line
City, Postcode
Phone: 1234 567 890

Additional Information

Returns must be made within 30 days. Please use the included returns label.

Product code	Description	Quantity	Price (incl. VAT)
SKU16152	Example product	5	£5.99
SKU16152	Example product	5	£5.99
SKU16152	Example product	5	£5.99
SKU16152	Example product	5	£5.99

Goods received by:

Signature:

Date

Print Name:

2.1.3 Documents used after a business transaction

6. Cheque and cheque butt

- A cheque is a special bank note that represents the cash that is being paid by the customer. The cheque requires the signature of the person who is an authorized signatory of the bank account from which the cheque is issued. Each cheque has a special number on it which should be recorded into the bookkeeping system.
- The name of the payee should be written on the cheque. If it is left blank anyone can fill it in with their own name and deposit the check, thus stealing the money.



7. Receipts

- Once the customer has paid their bill, the supplier can issue a receipt. A receipt is proof the payment has been made, which is a good idea when paying cash.
- Receipts are usually automatically provided when buying something from a shop.
- The original copy is prepared for giving it to the party who makes the payment and another copy is kept for record. The details about the business transaction on account of which the cash is received



8. Vouchers

- Used when a payment has been made but a receipt is not given by a receiver of payment (seller) when payment made by cash or by cheque
- Cash voucher or payment voucher



Datum Pest Control Sdn. Bhd. 556677-D

No. 621, Block B, Dataran Mentari,
2, Jalan PJS 8/5, Bandar Sunway,
46150 Selangor, Malaysia.

Tel : 03-5902 9988 / Fax : 03-5902 8888 / Hotline :
E-mail: info@datumpest.com / Website : www.datumpest.com

**PAYMENT
VOUCHER**

PV-1605-005

10 May 2016

PAY TO : CHEMIPEST SPECIALIST SDN BHD

A/C	DESCRIPTION	AMOUNT (MYR)
	SINV16-0009	1,060.00
	SINV16-0010	795.00
SUBTOTAL		1,855.00

Malaysian Ringgit

ONE THOUSAND EIGHT HUNDRED FIFTY FIVE ONLY

Ref No : MBB0000

PREPARED BY

APPROVED BY

RECEIVED BY

10. Debit note

- If the buyer decides not to keep an item but return it to the seller, the seller will issue a special note to show the amount to be refunded.
- In the customer's bookkeeping system, it is called a debit note because it reduces how much they owe to the seller.
- Used to inform the buyer that his or her account has been debited with the stated amount
- Usually issued when a sales price is understated/undercharged

GST Malaysia Sdn Bhd <small>(ROC 751500-A)</small> 11, Jalan 11, Bandar 11, 11111 Kuala Lumpur. GST ID No : GST(M)-2014-1001								
DEBIT NOTE					No. : DN-000002			
BEST PHONE SDN BHD NO 8, LORONG POKOK SAKAT 41100 KLANG SELANGOR TEL : 03-33240098 FAX : 03-33240078					Invoice No : I-000001 Invoice Date : 06-12-2013 Attention : Terms : C.O.D. Date : 17-12-2013 Page : 1 of 1			
Item	Tax Code	Description	Qty	UOM	U/ Price RM	Disc.	Total RM	
1.	SR	DIGI RELOAD CARD RM10	1	PCS	10.00		10.00	
RINGGIT MALAYSIA TEN AND CENTS SIXTY ONLY						Sub Total (Excluding GST) 10.00		
						GST payable @ 6% on 10.00 0.60		
						Total 10.60		
Notes : 1. All cheques should be crossed and made payable to GST Malaysia Sdn Bhd. 2. Goods sold are neither returnable nor refundable. Otherwise a cancellation fee of 20% on purchase price will be imposed.				GST Summary		Amount (RM)		Tax (RM)
				SR @ 6 %		10.00		0.60
Authorized Signature _____								

11. Credit notes

- If the buyer decides not to keep an item but return it to the seller, the seller will issue a special note to show the amount to be refunded.
- In the supplier's bookkeeping system this is called a credit note because it reduces the amount owed by the customer.
- Used to inform the buyers that his or her account has been credited with the stated amount
- Usually issued when there is a sales return or when the price is overstated/overcharged



Testing Company (1234567-8)
 32, 1st Floor, Jalan Tiara 4,
 Bandar Baru Klang, 41150 Klang, Selangor.
 Phone: 03-33416909 Fax: 03-33412909
 (GST No: 1234567890)

CREDIT NOTE

BUYER ADDRESS				Delivery Address					
ALPHA & BETA COMPUTER				838 JALAN WORLD					
838 JALAN WORLD				40485 RAWANG					
40485 RAWANG				SELANGOR DE					
SELANGOR DE									
Attn: MR ALPHA		Attn: MR ALPHA							
Tel: 03-48573689		Tel: 03-48573689							
Fax: 03-48573690		Fax: 03-48573690							
Customer Account	Sales Executive	Currency	From Doc Date	From Doc No	Name	Page No	Credit Note No.	Date	
300-A0002	SY	RM	20/04/2015	IV-00106	ADMIN	1 of 1	CN-00022	20/04/2015	
No.	Description	Qty	Price/Unit	Discount	Sub Total	Total Incl. GST (PM)	GST Amt @ 8% (PM)	Total Incl. GST (PM)	Tax
1	CELOOM PREPAID-RM100	2.00	LNIT	100.00 5%	190.00	190.00	11.40	201.40	SR
2	DIGI PREPAID-RM50	1.00	LNIT	50.00 10%	45.00	45.00	2.70	47.70	SR
3	CELOOM PREPAID-RM50	1.00	LNIT	50.00	50.00	50.00	3.00	53.00	SR
RINGGIT MALAYSIA : THREE HUNDRED TWO AND CENTS TEN ONLY						285.00	285.00	17.10	302.10
Payment Terms:		Ref 1:						Total Payable	
45 Days		key in ref 1						302.10	
Reason : key in note on your left panel								Authorized Signature	
								Testing Company (1234567-8)	



12. Memo

- Used as a notice when there is an increase in capital, drawings, or another extraordinary event.

13. Account statement

- A statement of account, also known as an account statement or customer statement, is a document that outlines the transactions between a buyer and a seller.
- Account statements can serve a few different purposes. By listing every transaction between a business and a customer, a statement of account can be used to:
 - ┆ Calculate an outstanding account balance
 - ┆ Remind a customer to settle their account balance
 - ┆ Avoid disputes with customers.
 - ┆ It isn't common to use an account statement to remind a customer to pay a single overdue invoice.

TUTORIALS:

1. Identify the source documents involved in the following business activities

Business activities	Source documents
Used before a business activity	1. 2. 3.
Used during a business activity	4. 5.
Used after a business activity	6. 7. 8. 9. 10. 11. 12. 13.

2. Determine the appropriate transactions and source documents based on statements below.

Source document	Usage
Invoice	(i)
Receipt	(ii)
Voucher	(iii)
Memo	(iv)
Order form	(v)
(vi)	Document is used when a sale is overstated
(vii)	Document is used when a sale is understated
(viii)	Used in cash transactions only

(ix)	Evidence that payment has been made by cheque
(x)	Document accompanying a shipment of goods that lists the description, grade and quantity of the goods delivered

SUGGESTED ANSWERS

1. Identify the source documents involved in the following business activities

Business activities	Source documents
Used before a business activity	1. Inquiry letter 2. Response letter 3. Purchase order
Used during a business activity	4. Invoice 5. Delivery notes
Used after a business activity	6. Cash bills 7. Cheque and cheque butt 8. Receipts 9. Debit note 10. Credit note 11. Voucher 12. Memo 13. Account Statement

2. Determine the appropriate transactions and source documents based on the statements below.

Source document	Usage
Invoice	(i) Use in credit transactions only
Receipt	(ii) Proof that the payment has been made
Voucher	(iii) Substitute for receipt
Memo	(iv) As a notice when there is an increase in capital, drawings, or other extraordinary events
Order form	(v) A commercial document and first official letter issued by a buyer to a seller
(vi) Credit note	Document is used when a sale is overstated
(vii) Debit note	Document is used when a sale is understated
(viii) Cash bills	Used in cash transactions only
(ix) Cheque and cheque butt	Evidence payment has been made by cheque
(x) Delivery notes	Document accompanying a shipment of goods that lists the description, grade and quantity of the goods delivered



CHAPTER 3: BOOKS OF PRIME ENTRY

LEARNING OUTCOMES

Practise the methods of recording in General journal and Special Journal based on industry activities

Demonstrate mastery of knowledge and understanding of Cash Book

3.1 JOURNAL AND LEDGER DEFINITION

3.1.1 JOURNAL

- Journal is a sheet in which all business transaction entries are recorded in chronological order.
Journal can be categorized as:
- **General journal** – basic journal used to record all business transactions that cannot be recorded in cash book or special journal.
- **Special journals** – used to record a specific type of transaction only. Examples: Purchase journal, Sales journal, Purchase returns journal (returns outwards journal) and Sales returns journal (returns inwards journal).
- Journal entries must be posted to the ledger of related account based on the double-entry system.
- Journal is a sheet in which all business transaction entries are recorded in chronological order.



3.1.2 LEDGER

- A ledger is the principal book for recording and totaling economic transactions measured in terms of a monetary unit of account by account type, with debits and credits in separate columns and a beginning monetary balance and ending monetary balance for each account.
- All ledger's account must be balanced before a trial balance is prepared

3.2 BOOKS OF PRIME ENTRY AND SUBSIDIARIES LEDGERS

3.2.1 Types of Books of Prime Entry

- Each type of day book or book of original entry is used to record specific types of transaction.
- Types of book of prime entry:
 - a) **General journal** – basic journal used to record all business transactions that cannot be recorded in cash book or special journal.

Example:

- i. The purchased and sales of fixed assets on credit
- ii. Drawings of goods
- iii. The correction of errors
- iv. Writing off bad debts
- v. Opening balance entries

vi. Increase in capitals

• **Example:**

Nov 7 The owner took goods valued RM2,000 from business for personal use.

14 Purchase vehicle valued RM50,000 from Tan Ching Motors

GENERAL JOURNAL

Date	Item	Debit (RM)	Credit (RM)
2020	Drawings	2,000	2,000
Nov 7	Purchase		
14	Motor Vehicles	50,000	50,000
	Tan Ching Motors		

b) **Special journal** – to record a specific type of transaction only.

i. **Sales journal**

The sales journal is a list of record of all **CREDIT SALES** for each period. Is used for posting credit sales to the sales ledger.

SALES JOURNAL

Date	Item	Amount (RM)
	Name of Buyer	XX
	Name of Buyer	XX
	Total Sales	XXX

ii. **Purchase journal**

The purchased journal is a list of record of all **CREDIT PURCHASES** for each period. Is used for posting credit purchases to the purchases ledger.

PURCHASES JOURNAL

Date	Item	Amount (RM)
	Name of seller	XX
	Name of seller	XX
	Total Purchases	XXX

iii. **Sales return @ Return inwards journal**

The return inwards journal is used to record **GOODS RETURNED TO US** from customers. The reasons that customers are returning goods to us such as:

- Goods were of the wrong type
- Goods were of the wrong color
- Goods were faulty

RETURN INWARDS JOURNAL

Date	Item	Amount (RM)
	Name of buyer	XX
	Name of buyer	XX
	Total Return Inwards	XXX

iv. **Purchase return @ Return outwards journal**

The return outwards journal is used to record **GOODS RETURNED BY US** to our suppliers.

RETURN OUTWARDS JOURNAL

Date	Item	Amount (RM)
	Name of seller	XX
	Total Return Outwards	XXX

(c) CASH BOOKS


- ✓ used to record receipts and payments by cash or cheque.
- ✓ Debit column - Money receipts
- ✓ Credit column – Payment made
- ✓ Discount allowed – cash discount is allowed by firm to its customers when they pay their debts quickly.
- ✓ Discount received – received by a firm from its suppliers when it pays their debts quickly.
- ✓ Contra – A contra for cash book item is where both the debit and credit entries are shown in the cash book.



3.2.2 Types of Discount

1. **Cash Discount**

- A cash discount is a term used to address a reduction in debts received from account receivable (customers) or paid to account payable (suppliers).
- It is usually given by businesses to encourage customers to settle their debts earlier or within a specified period.
- Discount terms are usually stated in the invoice.
- There are two types of cash discounts:
 - **Discount received (revenue)** – a discount received by the business from its suppliers. This will mean that the business pays less than the amount it owes to its suppliers.
 - **Discount allowed (expenses)** – a discount given by the business to its customers. This will mean that the business receives less than the amount owed by its customers.
- The amount of the discount will be recorded in every accounting entry, thus will also be recorded in the financial statements.



2. Trade discount

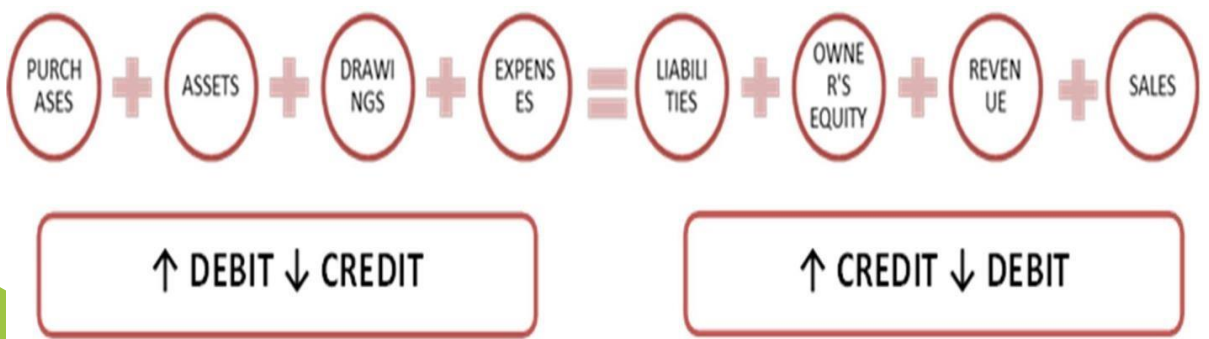
- A trade discount is a term used to address a reduction in the prices of inventories purchased or sold.
- It is usually given by businesses to their customers to encourage bulk purchases of inventories.
- The amount of the discount does not appear anywhere in the accounting books, and thus, may also not appear anywhere in the financial statement.

3.3 THE ACCOUNTING EQUATION

Also called as the balance sheet **equation**, it represents the relationship between the assets, liabilities, and owners' equity of a business. The **equation** shows that the value of a company's assets always equals the sum of its liabilities and owners' equity

$$\text{ASSETS} = \text{CAPITAL / OWNERS' EQUITY} + \text{LIABILITIES}$$

ASSETS	<p>Noncurrent assets + Current assets</p> <p>Noncurrent assets (above 1 year) Land, Premises, Vehicle, Furniture, Fixtures & Fittings</p> <p>Current assets (below 1 year) Closing inventories, Debtors, Account Receivable, Bank, Cash</p>
CAPITAL / OWNERS' EQUITY	<p>Opening capital + Profit – Drawings OR Opening capital - (loss) – Drawings</p> <p>Drawings = Drawings of cash or drawings of goods</p>
LIABILITIES	<p>Noncurrent liabilities + Current Liabilities</p> <p>Noncurrent liabilities (above 1 year) Loan, Debentures</p> <p>Current Liabilities (below 1 year) Creditors, Account Payable</p>



EXAMPLE:

Mr. Steel started a new workshop on 1 May 2020. During the month the following transactions were made:

Date	Transaction
2020	
May 5	Deposited RM 10,000 cash into bank and RM1,500 cash in hand
6	Bought equipment RM7,250 and paid by cheque
7	Miscellaneous expenses of RM740 paid out by cash
10	Paid rental of garage by cheque RM540
12	Paid wages in cash RM800
15	Cash sales RM2,000
18	Paid electricity by cash RM580
22	Paid Hin Lee, a creditor RM1,500 by cheque
25	Cash sales to Tuan Ali RM3,500 and received cheque
28	Paid salary by cheque RM1,000

You are required to: Prepare cash book to record the above transactions

SUGGESTED ANSWER


Cash Book

Date	Item	Cash	Bank	Date	Item	Cash	Bank
May 2	Capital	1,500	10,000	May 6	Equipment		7,250
15	Sales	2,000		7	Misc. exp	740	
25	Sales		3,500	10	Rental		540
				12	Wages	800	
				18	Electricity	580	
				22	Hin Lee		1,500
				28	Salary		1,000
				31	Balance c/f	?	?
		3,500	13,500			3,500	13,500
June 1	Balance b/f	1,380	3,210				

How to balancing off the accounts / how to calculate balance c/f?

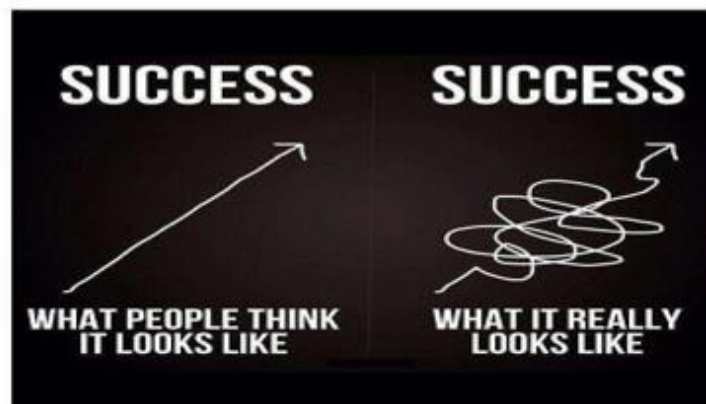
When accounts consist of both debit and credit entries, the following procedure should be used to balance off these accounts:

1. Add up the amount on each side of the account to find the totals.
2. Enter the larger figure as the total for both the debit and credit sides.
3. For the side that does not add up to this total, calculate the figure that makes it add



up by deducting the smaller from the larger amount. Enter this figure so that the total adds up, and call it the balance carried down. This is usually abbreviated as Balance c/d or c/f

4. Enter the balance brought down (abbreviated as Balance b/d or b/f) on the opposite side below the total figure. (The balance brought down is usually dated one day later than the balance carried down as one period has closed and another one has started.)



TUTORIALS

QUESTION 1

Date	Transactions
July 3	Brought in cash in hand RM10,000 and RM20,000 cash at Bank into a business
7	Bought goods for sales from suppliers by credit RM5,000
10	Pay for stationery by cash RM500
13	Pay RM2,400 to supplier by cash
16	Cash sales RM1,500
18	Bought a computer by cheque RM3,000
21	Credit sales to Kamil RM5,500
26	Bought a fax machine by cheque RM1,800
28	Received cash from Kamil RM2,300
30	Paid utility bills by cheque RM450

You are required to: Record the following transactions in a cash book

(Balance b/f Cash RM10,900, Bank RM14,750)

QUESTION 2

Mini Market Fresh started its business on January 2015. Below are the transactions in January 2015.

Date	Transactions
Jan 1	Mr A, the owner of Mini Market Fresh contributed cash in hand RM30,000 as a capital.
2	Purchased goods on credit worth RM2,200 from Setiawan Sdn. Bhd.
3	Paid carriage inwards RM150 for goods bought from Setiawan Sdn. Bhd. by cash
4	Sold goods on credit to Kejora Coperative RM2,200 and Julia RM300
6	Issued credit note of RM220 to Kejora Coperative for the return of incorrect item.
8	Received full payment from Julia in cash
15	Mr A, withdrew cash RM200 for his personal use
25	Paid wages to the shop assistant RM500 by cash.

Identify and record the following transactions in the book of first of entry.

(Balance b/f Cash RM2,450, Bank RM30,000)

QUESTION 3

Seroja is the owner of a flower shop. Below are the balances on 1st March 2017. Cash in hand RM5,000, Cash at bank RM25,000

During March 2017, Seroja Florist Enterprise had the following transactions:

Date	Transactions	RM
March 2	Purchased second hand small lorry for business use by cheque	12,500
3	Cash purchase from Cameron Valley	2,000
7	Sold goods to Ihsan Holding and received cheque	5,000
10	Cash sales and the money was bank in	750
14	Purchase goods from Lily Vase on credit	4,000
18	Cash sales and received cheque	3,500
21	Paid entire amount to Lily Vase by cheque. Received 5% discount	
28	Withdrew cash From business for personal use	250
28	Paid salary by cheque	3,000
30	Paid shop rental by cash	1,000
30	Paid water & electricity by cash	310

You are required to:


Demonstrate the above transactions in a three column cash book

(Balance b/f Cash RM1,440, Bank RM14,950)

QUESTION 4

During May 2018, Rohaya Nursery Enterprise had the following transactions:

Date	Transactions
May 3	Started business with cash in hand RM1,000 and cash at bank RM14,000
6	Bought a computer and printer for office use RM2,500 paid by cheque
8	Cash sales RM1,500
12	Rohaya took RM450 cash from office to pay her own utility bills.
15	Purchased seeds RM50 by cash
17	Sold plants to Ani RM600
18	Ani settled all her debts RM550 by cheque
20	Rohaya took a loan from ABC Bank RM20,000 to buy a piece of Land for expanding the business.
23	Bought a lorry RM5,000 for business use by cheque.



26	Paid salaries RM2,00 by cheque
27	Took a pot of orchid RM100 to her mother as her birthday gift.
29	Advertised her business in Senang.com RM200. Payment was made by cash
30	Paid general expenses by cash RM250

You are required to:


Record the transactions on May 2018 in three column cash book

(Balance b/f Cash RM1550, Bank RM5050)

QUESTION 5

The following transactions occurred during the month of January 2020 for Starex Enterprise.

Date	Transaction
2020 January 1	Purchased goods on credit from Lisa Enterprise at list price RM3,000, less 10% trade discount.
3	Sold goods on credit to Mimi Enterprise worth RM2,500.
5	Purchased goods on credit from Syarikat Maju amounting to RM4,000.
7	Returned goods worth RM500 to Lisa Enterprise because their goods were defective.
11	Sold goods on credit to Munah Enterprise at list price RM1,000, less 5% trade discount.
13	Mimi Enterprise returned goods worth RM450.
15	Owners brought in a vehicle valued at RM25,000 for business use.
19	Munah Enterprise returned damaged goods worth RM200.
21	Sent an invoice to Sunshine Trading RM 3,500.



26	Receive a credit note from Syarikat Maju for goods returns RM450.
28	Purchase a computer from IT Techno Sdn Bhd on credit RM1,500.

You are required to record the above transactions into the following journals:

- i. Purchases Journal (**Total Purchase RM6,700**)
- ii. Sales Journal (**Total Sales RM6,950**)
- iii. Return Inwards Journal (**Total Return Inwards RM650**)
- iv. Return Outwards Journal. (**Total Return Outwards RM950**)
- v. General Journal.



CHAPTER 4: DOUBLE ENTRY AND ACCOUNTING EQUATION

LEARNING OUTCOMES

Demonstrate mastery of knowledge and understanding of a ledger

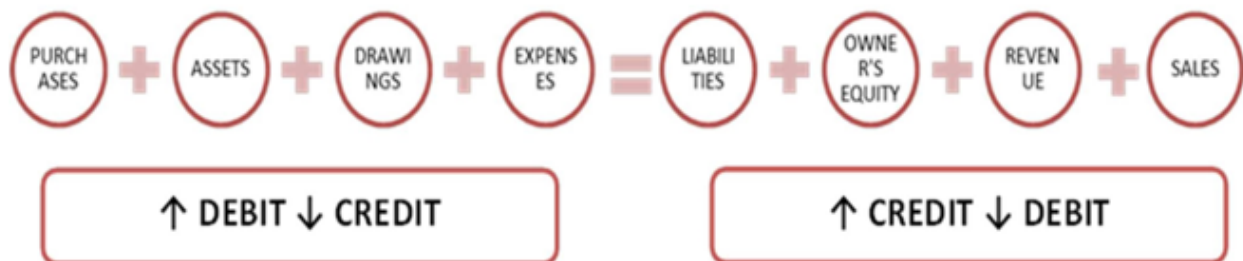
Understand the nature of assets, liabilities, Owner's equity, revenue and expenses.

4.1 Understand the Double Entry Concept

- Double entry accounting is a record keeping system under which every transaction is recorded at least two accounts.
- It also known as ACCOUNTING EQUATION.
- There is no limit on the number of accounts that may be used in a transaction, but the minimum is two accounts.
- The sum of all debits of the transaction must be equaled to the sum of credit of transactions
- Debit entries will not necessary means an increase in the value of an account, and the credit will not necessary means a decrease value of account.

- The normal balance according to the type of accounts is shown in Table below.

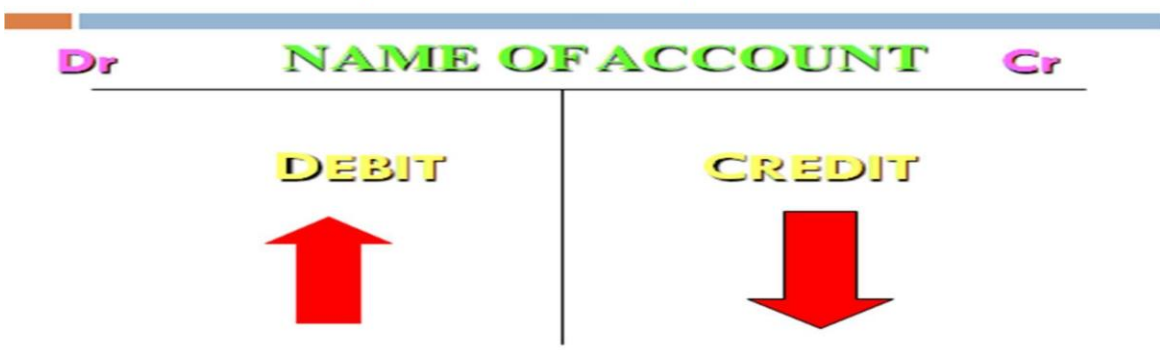
ACCOUNT TYPES	Debit	Credit
Assets	/	
Expenses	/	
Drawings	/	
Purchases	/	
Liabilities		/
Owner's equity		/
Revenue		/
Sales		/



T-ACCOUNT



ASSETS/EXPENSES/DRAWINGS



*Nature of account is DEBIT

LIABILITY/REVENUE



*Nature of account is CREDIT

4.2 The nature of Assets, Liabilities, Owner's Equity, Revenue and Expenses

• ASSETS

- o Assets are valuable resources that are owned by a business
- o Divided into 2 main categories
 - Non-Current Assets (NCA)
 - Current Assets (CA)
- o Assets accounts have a DEBIT balance
- o Characteristic of non-current assets and current assets

ASSETS	CHARACTERISTICS	EXAMPLE
Non-Current Assets	<ul style="list-style-type: none">a. Asset life is longer than one accounting periodb. Can be used repeatedlyc. Fixed value	<ul style="list-style-type: none">• Premise• Land• Plant & machineries• Office equipment• Motor vehicle• Fixtures and fittings• Furniture
Current Assets	<ul style="list-style-type: none">a. Assets that are easily converted into cash.b. Value is not fixed	<ul style="list-style-type: none">• Cash• Bank• Debtors• Inventories• Prepaid expenses• Accrued revenue

- **LIABILITIES**

- o Debts owed by a business entity to external parties
- o Divided into:
 - Long term liabilities (NCL)
 - Current liabilities (CL)
- o Liabilities accounts have a CREDIT balance
- o Characteristic of non-current liabilities and current liabilities

LIABILITIES	CHARACTERISTICS	EXAMPLE
Non-Current Liabilities	Debt that must be paid off after one accounting period	<ul style="list-style-type: none"> • Mortgage • Bank Loan • Debentures
Current Liabilities	Debt that must be paid off within one accounting period	<ul style="list-style-type: none"> • Creditors • Bank Overdraft • Accrued expenses • Unearned/Prepaid revenues

- **OWNER'S EQUITY**

- o The business owner will invest a certain amount of money or assets into the business as the initial capital.
- o The total amount of cash or assets initially invested belongs to the business owner.
- o The owner equity is the business debt to the business owner based on the amount invested by the business owner.

- The total amount of owner equity will be determined by the capital, drawings and business performance.
- Characteristic of owner's equity

EQUITY	CHARACTERISTICS	ACCOUNT BALANCE
Capital	Cash or assets brought into the business by the owner	Credit balance
Drawings	Cash/goods/assets taken by the owner for personal use. Reduction of owner's equity	Debit balance
Business Performance (Profit or Loss)	Calculated through the Closing Account Owner's equity is increased if business generates a profit. If loss is obtained, the owner's equity will be decreased	Debit or Credit balance

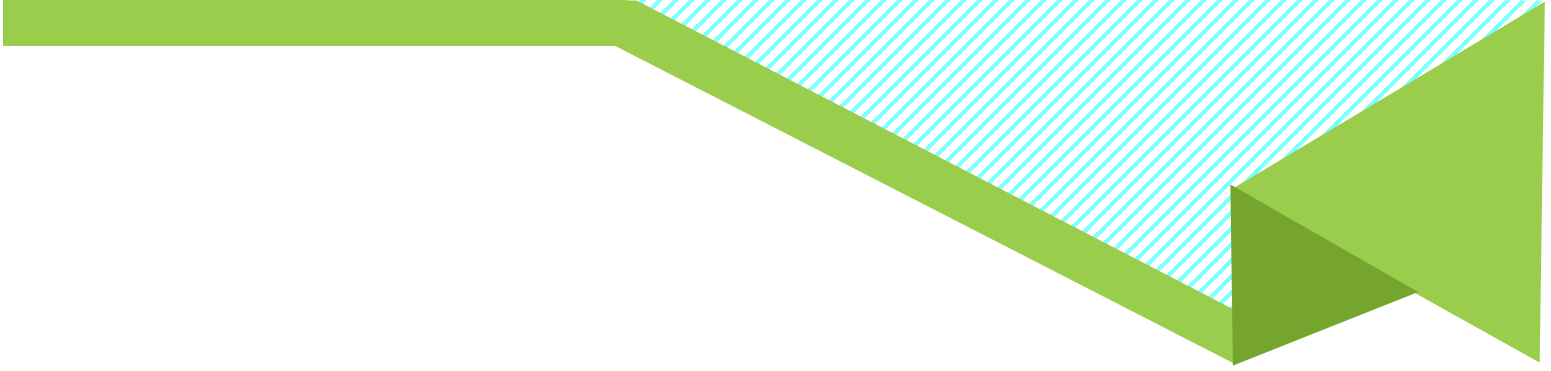


- **REVENUE**

- o Revenue is income earned from business activities through the selling of goods and providing business.
- o Examples of revenue are sales revenue from services provided, commission received, interest received or rent received
- o However, revenue may be received from extraordinary business such as profit sale of used assets and dividend from investment
- o The receipt of revenue will increase the profit and capital of a business entity
- o A revenue account has a CREDIT balance
- o The journal entries for receipts of revenues:
Dr. Cash / Bank
Ct. Revenues

- **EXPENSES**

- o Operating expenses refers to expenditure for formal business activities
- o Examples are purchase of goods, employer salaries and wages and freight charges.
- o If expenses are not incurred as a result of business operation, then the expenses are for non-ordinary business activities such as Loss of Sale used Assets, donation.
- o an expenses account has a DEBIT balance.
- o Expenses will reduce the profit and capital of a business entity.

- 
- o The journal entries for payment of expenses:

Dr. Expenses
 Ct. Cash \ Bank

4.3. DIFFERENCE BETWEEN REVENUE EXPENDITURE & CAPITAL EXPENDITURE

4.3.1 REVENUE EXPENDITURE

- o Expenses related to business operations.
- o Shorter life and must be replaced.
- o Reduced profit.
- o Cannot be depreciated.
- o Debited in Final Account (SOCl).
- o Example: stationeries, assessment rate, rental, repair expenses

4.3.2 CAPITAL EXPENDITURE

- o Expenses incurred when purchasing non-current assets.
- o Estimated useful life is more than one-year accounting period
- o Can be depreciated
- o Does not have an effect on profit

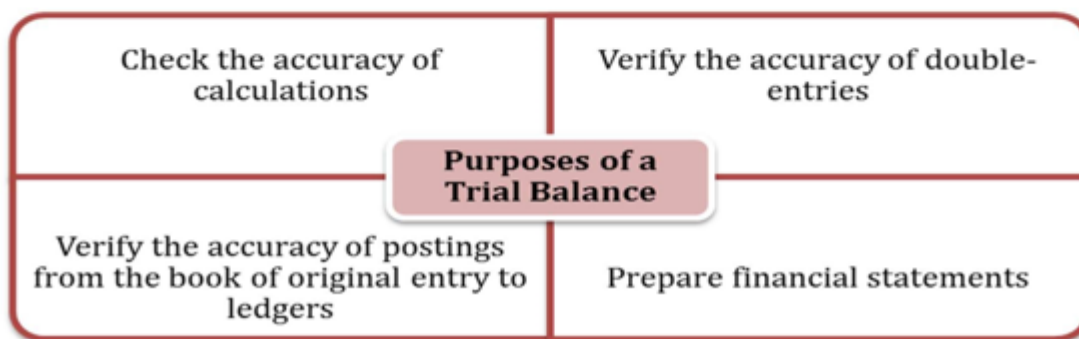
CHAPTER 5 : TRIAL BALANCE

LEARNING OUTCOME

Interpret Trial Balance

5.1. The Purpose of Preparing Trial Balance and its Functions

- **What is Trial Balance?**
 - A trial balance is a statement prepared based on account balances in the ledgers at the end of an accounting period.
 - All accounts with debit balances will be listed in the DEBIT SIDE, while accounts with credit balances will be listed in the CREDIT SIDE.
 - The total debit amount must be EQUAL to the total credit amount. If the amounts are not balanced or not equal, this means that errors or mistakes occurred when entries were made into the accounts, and further checking must be done.



- **Limitation of a Trial Balance**

Trial Balance only confirms that the total of all debit balances match the total of credit balances.

Trial Balance totals may agree in spite of errors.

Error would be an incorrect debit entry being offset by an equal credit entry.

A Trial Balance give no proff that certain transactions have not been recorded at all.

I ♥
Accounting

5.2 Show the Trial Balance

Name of the company

Trial Balance as at XXX

Account	Debit	Credit
Land and Building	X	
Plant and Machinery	X	
Fixtures and Fittings	X	
Vehicles	X	
Furniture	X	
Investment	X	
Cash/Bank	X	
Account Receivables/Debtors	X	
Inventory	X	
Drawings	X	
Purchases	X	
Sales Return/Return Inwards	X	
Carriage Inwards	X	
Carriage Outwards	X	
Salary	X	
Utility Bills	X	
Advertising	X	
Stationeries	X	

Discount Allowed	x	
Rental Expenses	x	
Insurance	x	
Vehicle Maintenance	x	
Capital		x
Account Payables/Creditors		x
Bank Overdraft		x
Loan		x
Debentures		x
Mortgage		x
Sales		x
Purchase Return/Return Outwards		x
Commission Received		x
Rent Received		x
Discount Received		x
Total	xx	xx



EXAMPLE :

Below are the transactions of Cabin Restaurant for the month of January 2021:

Date	Transaction
Jan 1	Started business RM500 cash
3	Bought goods by cash RM80
7	Bought goods on credit from Bakar RM200
8	Sold goods by cash RM300
10	Returned goods to Bakar RM70
13	Paid insurance by cash RM100
17	Paid Bakar by cash RM100
19	Bought office furniture on credit from Lim Trading RM350
20	Sold goods on credit to Azlina RM150
25	Paid salary by cash RM250

You are required to:

- a) Record all the transactions into the appropriate ledger account
- b) Prepare Trial Balance as at 31 January 2021

Cash

1-Jan	Capital	500	3-Jan	Purchase	80
8 Jan	Sales	300	13-Jan	Insurance	100
			17 Jan	Bakar	100
			25Jan	Salary	250
			31-Jan	Bal c/f	270
		<hr/>			<hr/>
		800			800
1-Feb	Bal b/f	<hr/>			<hr/>
		270			

Capital

31-Jan	Bal c/f	500	1-Jan	Cash	500
		<hr/>			<hr/>
		500			500
		<hr/>	1-Feb	Bal b/f	500

Purchase

3-Jan	Cash	80	31-Jan	Bal c/f	280
7 Jan	Bakar	200			
		<hr/>			<hr/>
		280			280
1-Feb	Bal b/f	<hr/>			<hr/>
		280			

Bakar

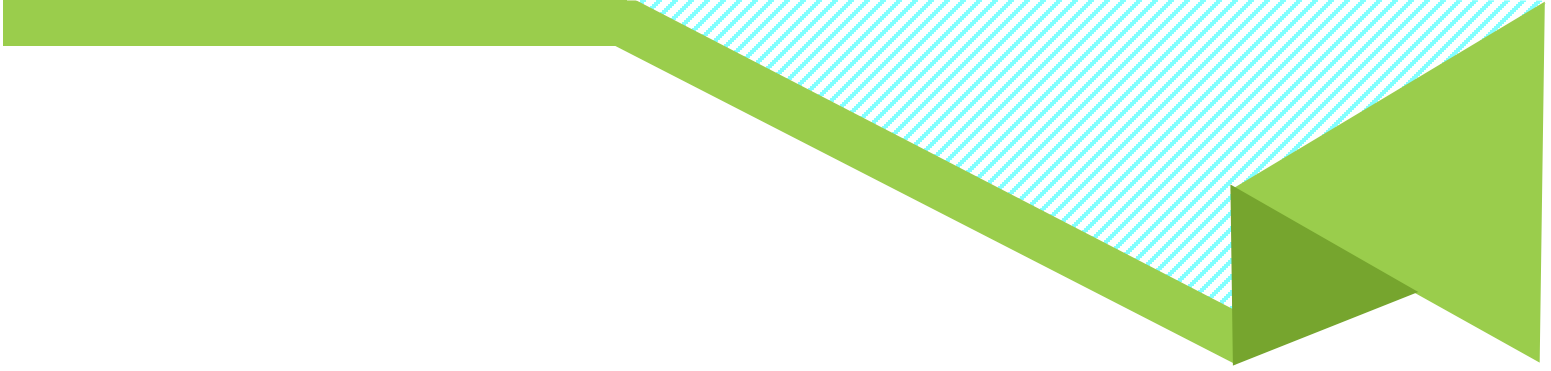
10-Jan	Purchase return	70	7-Jan	Purchase	200
17 Jan	Cash	100			
31 Jan	Bal c/f	30			
		<u>200</u>			<u>200</u>
			1-Feb	Bal b/f	<u>30</u>

Sales

31-Jan	Bal c/f	300	8-Jan	Cash	300
		<u>300</u>			<u>300</u>
			1-Feb	Bal b/f	<u>300</u>

Purchase return

31 Jan	Bal c/f	70	10-Jan	Bakar	70
		<u>70</u>			<u>70</u>
			1-Feb	Bal b/f	<u>70</u>



Insurance

13-Jan	Cash	100	31-Jan	Bal c/f	100
		<u>100</u>			<u>100</u>
1-Feb	Bal b/f	<u>100</u>			<u>100</u>

Furniture

19-Jan	Lim Trading	350	31-Jan	Bal c/f	350
		<u>350</u>			<u>350</u>
1-Feb	Bal b/f	<u>350</u>			<u>350</u>

Lim Trading

31-Jan	Bal c/f	350	19-Jan	Furniture	350
		<u>350</u>			<u>350</u>
		<u>350</u>	1-Feb	Bal b/f	<u>350</u>

Salary

25-Jan	Cash	250	31-Jan	Bal c/f	250
		<u>250</u>			<u>250</u>
1-Feb	Bal b/f	<u>250</u>			<u>250</u>



Cabin Restaurant

Trial Balance as at 31 January 2021

Account	Debit	Credit
Cash	270	
Capital		500
Purchase	280	
Bakar		30
Sales		300
Purchase return		70
Insurance	100	
Furniture	350	
Lim Trading		350
Salary	250	
Total	1,250	1,250

***“Success is not the key to happiness.
Happiness is the key to success. If you love what you are doing, you will be
successful.”***

TUTORIALS

QUESTION 1

Iman, the owner of Terangelap Trading is a furniture distributor in Merlimau. The business transactions in July 2020 were as follows:

Date	Transactions
July 1	Iman deposited RM10,000 into the business bank account as capital. He contributed a car to the business as capital RM 40,000.
3	Bought a machine on credit from Mad Machine Bhd at RM10,000.
	Cash sale to Lan Enterprise RM 2,500
6	Paid office rental RM 1,000 by cheque.
	Sold goods to Maya Trading on credit RM 5,000.
13	Paid carriage outwards RM 250 by cash.
	Iman took cash RM 1,500 for his own use.
18	Paid utility bills by cheque RM 500.
21	Maya Trading returned damaged furniture valued at RM 500.
25	Paid wages by cheque RM 500
28	Received a cheque from Maya Trading RM 4,300 for the full settlement of his account.

You are required to:

- a) Post the transactions into ledgers and balance off the ledgers on 31 July 2020
- b) Trial balance as at 31 July 2020

QUESTION 2

Below are the transactions of Aman Stationery on 31 December 2020:

Date	Transaction	RM
2020 Dec 1	Aman the owner of company brought in the following assets as a capital of the business: Vehicles Cash Furniture	8,000 20,000 1,800
2	Purchase goods on credit from First T	9,500
3	Sold goods by cash	7,600
5	Paid utility bills with cash	600
6	Sold goods by credit to Alia	1,900
11	Paid to First Touch by cash	4,750
13	Paid general expenses by cash	150
18	Received cash payment from Alia	950
20	Purchase goods by cash	2,800
25	Paid salary by cash	1,000

You are required to:

- a) Record all the transactions into the appropriate ledger account
- b) Prepare Trial Balance as at 31 December 2020

QUESTION 3

Madam Gee commenced business Jaya Trading that sells furniture on 1 April 2021.

During the month her business had the following transactions:

Date	Transaction
April 1	Madam Gee deposited RM4,200 into the business bank account
2	Bought a machine on credit from Magnet Enterprise at RM50,000
4	Withdrew cash from bank for business use RM1,200
6	Paid rental for the building RM2,050 by cheque
10	Bought goods on credit from Aishah Furniture RM10,000
13	Sold goods to Firdaus Furniture and received cheque RM4,500
18	Sold goods to Mei Hua on credit RM5,300
22	Mei Hua returned damaged goods valued at RM800

You are required to:

- a) Record all the transactions into the appropriate ledger account and balance off the ledger
- b) Prepare Trial Balance as at 30 April 2021

QUESTION 4

Adik Manis started business on 1 August 2019. The following transaction occurred during the month of August 2019.

Date August	Transaction
1	Started business with RM8,200 cash.
3	Bought goods by cash RM130.
7	Bought goods on credit from Si Kacak RM330.
8	Sold goods RM410 and received cheque
10	Return goods to Si Kacak RM95.
13	Paid shop rental by cheque RM360.
17	Paid Si Kacak by cash RM 150.
19	Bought furniture on credit from Abang Hensem Trading RM560.
20	Sold goods on credit to Nona Cantik RM200
25	Paid salary by cash RM450.

You are required to:

- a) Record all the transactions into the appropriate ledger account
- b) Prepare Trial Balance as at 31 August 2019

SUGGESTED ANSWERS:

QUESTION 1

(a)

Capital RM50,000	Office rental RM1,000	Vehicle RM40,000	Bank RM12,300
Sales RM7,500	Carriage outwards RM250	Cash RM2,250	Machine RM10,000
Drawings RM1,500	Discount Allowed RM200	Wages RM500	Sales return RM500
Purchase RM1,500	Utility bills RM500	Maya Trading -	Mad Machine RM10,000

(b) Total trial balance **RM67,500**

QUESTION 2

(a)

Capital RM29,800	Vehicle RM8,000	Furniture RM1,800	Cash RM19,250
Purchase RM12,300	Salary RM1,000	General expenses RM150	Alia RM950
Utility bills RM600	Sales RM9,500	First T RM4750	

(b) Total trial balance **RM44,050**

QUESTION 3

(a)

Capital RM4,200	Cash RM1,200	Magnet Enterprise RM50,000	Machine RM50,000
Sales return RM800	Mei Hua RM4,500	Sales RM9,800	Aishah Furniture RM10,000
Purchase RM10,000	Rent RM2,050	Bank RM5,450	

(b) Total trial balance **RM74,000**

QUESTION 4

(a)

Cash RM7,470	Furniture RM560	Bank RM50	Sales RM610
Si Kacak RM85	Purchase RM460	Capital RM8,200	Salary RM450
Abang Hensem Trading RM560	Nona Cantik RM200	Shop rental RM360	Purchase return RM95

(b) Total trial balance **RM9,550**

**TAMAT &
SELAMAT MAJU JAYA**



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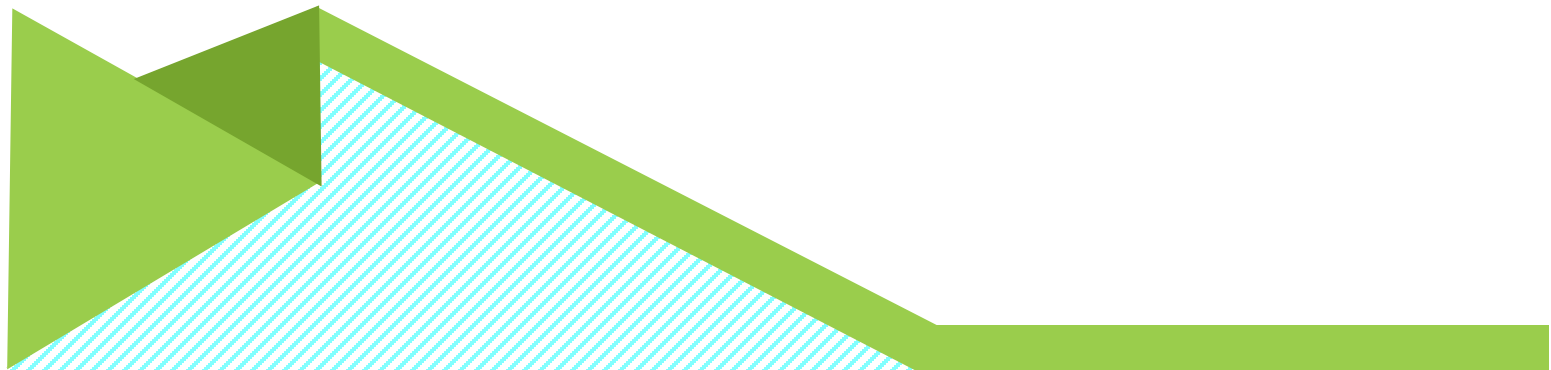
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