

Books of Prime Entry

Books of prime entry are used to summarise entries which relate to the same ledger accounts to avoid making repetitive journal entries. The main books of prime entry being the sales journal, purchases journal, cash book and petty cash book.

We will deal with these one at a time beginning with the sales journal. The information we need to record in the sales journal would be the name of the purchaser, the invoice number, the date of the transaction, the gross amount of the goods sold and the posting folio of the debtor to keep track of amounts outstanding.

Ben Trading Co

Sales Journal for March 2018

Name	Inv No	Date	Debtors Posting	
			Folio	Amount
G James	30001	2018.03.04	GL-40	4000
M Banes & Co	30002	2018.03.06	GL -41	20000
R Teddy	30003	2018.03.15	GL-42	40000
XYZ Pty Ltd	30004	2018.03.26	GL-43	60000
				124000
				GL- 8

We will now prepare the purchase journal which is essentially used to record goods and services bought on credit. We will need to record the name of the supplier, the posting folio, the date of the transaction, the amount of the transaction split into cost of goods and services and the expense account either at the bottom of the expense column or in the right-hand column if it is a seldom used purchase.

Ben Trading Co

Purchases journal for March 2018

Name	Creditors Posting Folio	Date	Amount	Cost Of Sales	Fol reference			PJ-1
					Phones & Commun Services	Motor Exp	Sundries	General Ledger Folio
Quickcom	GL-46	2018.03.01	600		600			
Big Bros Ltd	GL-47	2018.03.02	2000	2000				
Quick Services	GL-48	2018.03.03	400			400		
Big Bros Ltd	GL-47	2018.03.04	10000	10000				
High Stationers	GL-49	2018.03.05	400				400	GL-4
Big Bros Ltd	GL-47	2018.03.13	20000	20000				
Quick Services	GL-48	2018.03.18	600			600		
Big Bros Ltd	GL-47	2018.03.23	30000	30000				
Fixed Lines	GL-50	2018.03.24	800		800			
			64800	62000	1400	1000	400	
				GL-7	GL-3			

The petty cash book is used when goods and services are bought on COD or when employees who are not empowered to use credit cards are required to purchase inexpensive items from local shops for cash or are reimbursed for outlays on behalf of the business,

Ben Trading Co

Petty Cash Book

Details	Date	Total	Fol reference				PC-1
			Cleaning	Stationery	Teas	Sundries	Posting Folio
Cash book advance	2018.03.03	1000				1000	GL-27
PNP	2018.03.04	-90	-50			-40	
Quick Services	2018.03.09	-60	-60				
Bolts Africa - repairs	2018.03.12	-30				-30	GL-5
PNP	2018.03.15	-100				-100	
PNP	2018.03.19	-130		-130			
		590	-110	-130	-140	970	
			GL-2	GL-4	GL-6		

Ben Trading Co

Cash Book-Receipts side

			Folio ref	CB-1
			Posting	
Details	Date	Total	Folio	
Ben - loan deposit	2018.03.01	150000	GL-20	
G James	2018.03.20	4000	GL-40	
M Banes & Co	2018.03.28	20000	GL-41	
		174000		
Balance brought down		162314		

Ben Trading Co

Cash Book-Payments side

			Bank		Fol ref	CB-2
					Posting	
Details	Date	Total	Charges	Sundries	Folio	
X Furniture Co	2018.03.02	-3000		-3000	GL-23	
Petty cash	2018.03.03	-1000		-1000	GL-27	
Bank charges	2018.03.04	-10	-10			
Ben - loan	2018.03.05	-6000		-6000	GL-23	
Bank charges	2018.03.13	-60	-60			
Quick Services	2018.03.29	-1000		-1000	GL-48	
Quickcom	2018.03.29	-600		-600	GL-46	
Bank charges	2018.03.31	-16	-16			
		-				
Balance carried down	2018.03.31	162314		-162314		
		-				
		174000	-86	-173914		
			GL-1			

Ben Trading Co

General Ledger

			Account ref		GL- 1
			Posting		
Details	Date			Folio	Balance
Payment cash book	2018.03.31			CB.Pay-1 86	86

			Account ref		GL- 2
			Posting		
Details	Date			Folio	Balance
Petty cash book	2018.03.31			PC-1 110	110

			Account ref		GL- 3
			Posting		
Details	Date			Folio	Balance
Purchase journal	2018.03.31			PJ-1 1000	1000

			Account ref		GL- 4
			Posting		
Details	Date			Folio	Balance
Purchase journal	2018.03.05			PJ-1 400	400
Petty cash book	2018.03.31			PCB-1 130	530

<u>Repairs and maintenance</u>		<u>Account ref</u>		<u>GL-5</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Petty cash book	2018.03.31	PCB-1	30		30
<u>Teas</u>					
		<u>Account ref</u>		<u>GL- 6</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Petty cash book	2018.03.31	PCB-1	140		140
<u>Telephones and communications</u>					
		<u>Account ref</u>		<u>GL- 7</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Purchase journal	2018.03.31	PJ-1	1400		1400
<u>Cost of sales</u>					
		<u>Account ref</u>		<u>GL- 8</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Purchase journal	2018.03.31	PJ-1	62000		62000
<u>Sales</u>					
		<u>Account ref</u>		<u>GL- 9</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Sales journal	2018.03.31	SJ-1		-124000	-124000
<u>Ben loan account</u>					
		<u>Account ref</u>		<u>GL- 20</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Receipts cash book	2018.03.31	CB.Rec-1		-150000	-150000
Payments cash book	2018.03.31	CB.Pay-1	6000		-144000
<u>Furniture and equipment</u>					
		<u>Account ref</u>		<u>GL-23</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Payments cash book	2018.03.31	CB.Pay-1	3000		3000
<u>Transfers intercompany</u>					
		<u>Account ref</u>		<u>GL-27</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Payments cash book	2018.03.31	CB.Pay-1	1000		1000
Petty cash book	2018.03.31	PCB-1		-1000	0
<u>G James</u>					
		<u>Account ref</u>		<u>GL-40</u>	
		Posting			
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>
Sales journal - inv 30001	2018.03.04	SI-1	4000		4000
Receipts cash book	2018.03.20	CB.Rec-1		-4000	0

<u>M Banes & Co</u>		<u>Account ref</u>		<u>GL-41</u>
		Posting		
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>
				<u>Balance</u>
Sales journal - inv 30002	2018.03.06	SI-1	20000	20000
Receipts cash book	2018.03.28	CB.Rec-1		-20000
				0

<u>R Teddy</u>		<u>Account ref</u>		<u>GL-42</u>
		Posting		
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>
				<u>Balance</u>
Sales journal - inv 30003	2018.03.15	SI-1	40000	40000

<u>XYZ Pty Ltd</u>		<u>Account ref</u>		<u>GL-43</u>
		Posting		
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>
				<u>Balance</u>
Sales journal - inv 30004	2018.03.26	SI-1	60000	60000

<u>Quickcom</u>		<u>Account ref</u>		<u>GL-46</u>
		Posting		
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>
				<u>Balance</u>
Purchase journal	2018.03.01	PJ-1		-600
Payments cash book	2018.03.29	CB.Pay-1	600	0

<u>Big Bros Ltd</u>		<u>Account ref</u>		<u>GL-47</u>
		Posting		
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>
				<u>Balance</u>
Purchase journal	2018.03.02	PJ-1		-2000
Purchase journal	2018.03.04	PJ-1		-10000
Purchase journal	2018.03.13	PJ-1		-20000
Purchase journal	2018.03.23	PJ-1		-30000
				-62000

<u>Quick Services</u>		<u>Account ref</u>		<u>GL-48</u>
		Posting		
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>
				<u>Balance</u>
Purchase journal	2018.03.18	PJ-1		-400
Purchase journal	2018.03.04	PJ-1		-600
payments cash book	2018.03.29	CB.Pay-1	1000	0

<u>High Stationers</u>		<u>Account ref</u>		<u>GL-49</u>
		Posting		
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>
				<u>Balance</u>
Purchase journal	2018.03.05	PJ-1		-400

<u>Fixed Lines</u>		<u>Account ref</u>		<u>GL-50</u>
		Posting		
<u>Details</u>	<u>Date</u>	<u>Folio</u>	<u>Dr</u>	<u>Cr</u>
				<u>Balance</u>
Purchase journal	2018.03.24	PJ-1		-800

Below is the trial balance extracted from the general ledger to prove the accuracy and completeness of the general ledger

Ben Trading Co

Trial balance at 31st March 2018

	<u>Dr</u>	<u>Cr</u>
Bank charges	86	
Cleaning	110	
Motor expenses	1000	
Stationery & printing	530	
Repairs & maintenance	30	
Teas	140	
Telephones & communications	1400	
Cost of sales	62000	
Sales		124000
Profit for month carried down	58704	
	124000	124000
Profit brought down		58704
Petty cash book	590	
Cash book	162314	
Ben loan account		144000
Furniture and equipment	3000	
R Teddy - debtors	40000	
XYZ Pty Ltd	60000	
Big Bros Ltd-creditor		62000
High Stationers-creditor		400
Fixed Lines-creditor		800
	265904	265904

Points of interest

If you total the assets and liabilities the assets will exceed the liabilities by R 58 704 . It is more presentable to list the income and expenses first so that profit shows as a credit emphasizing that a profit was made.

Since this was the first month of trading no balances forward are reflected.

The petty cash book is treated as part of the general in the same way as the cash book so the closing balance is included in the trial balance as is the cash book balance.

When preparing the ledger accounts, we used minus signs to depict credit balances and the same was applied to the cash book and petty cash book. Minus signs represent a reduction of the bank balance and the cash on hand reflected in the petty cash book.

The " Transfers intercompany " account is used to ensure that payments between the cash book and the petty cash book are cancelled out. In larger companies situated in different towns and cities there are usually more than one bank account, and this account is used to ensure that any payments between the branches are brought to account.

In a manual ledger the number of lines between each account would vary quite considerably as the remaining lines per page would depend on the number of entries in each page. In the above example it would be idiotic to leave numerous blank lines between each account. In a computer ledger system the program would be programmed to leave say two lines between each ledger account to save paper.