**WHY KEEP ACCOUNTS**

Account help business to

1. keep trach of all the transaction that happen day to day in a business.

2. keep track of the money coming into (income) and money going out (Expenditure).

3. help the business see if they are making a profit or loss, the value of the business and are used when trying to seek finance

**SELF TEST QUESTIONS**

1. Understand the term double entry

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2. Prepare an Analysed Cash Book (ACB)

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3. Post the figure from the Analysed Cash Book (ACB) to the ledgers (T-Accounts)

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4. Balance the ledgers (T-Accounts) including the VAT T-Account

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5. Extract a Trial Balance

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**SUCCESS CRITERIA**

**Analysed Cash Book**

1. Enter the transaction into the Analysed Cash Book (ACB)

2. If the transaction makes the ACB increase the figure goes on the Dr

side

3. If the Transaction makes the ACB decrease the figure goes on the Cr

side

4. Remember to put the figure in the bank column and the relevant

Analysed column (Sale, Capital, VAT ect)

5. If given a transaction to calculate Sales and VAT remember to find the

VAT figure first and this VAT figure to the sales/purchase figure to get

the bank figure.

6. When all the transactions figure are enters – get the total for all the

columns

7. Skip a line and then total all the columns (Leave the bank for the

moment). When all these totals are got you then get the bank figures and

balance the ACB

8. Add up all the bank Dr figures and write the figure down at the bottom

of the page on the Dr side

9. Add up all the bank Cr figures and write the figure down at the bottom

of the page on the Cr side

10 Whichever side is the lowest the balance figure will go on that side. To

find the figure take the highest figure away from the lowest figure

11. Remember to being this balance figure down to the opposite side for

the next month

**T-Accounts**

1. Then you are going to bring the total figure from the ACB to an t-

account for each of the headings of the columns in the ACB

2. Remember if the figure is on the Dr side in the ACB the figures will

goes on the Cr side in the t-accounts

3. The date will be the end of the month, the details will be where is the

figure coming from (ACB)

4. Remember to balance each t-account and bring the balance figure down

to the next month

**Trial Balance**

1. If the balance for the next month is on the Dr side it goes on the Cr

side in the trial balance

2. When all the figure for the t-account are entered into the Trial Balance

you add the up the Dr and Cr side. The figure you get should be the same

**DOUBLE ENTRY**

1. For every debit there must be a corresponding credit. One entry in the ACB and one entry in the General Ledger.

2. If the item is on the debit side in the ACB it goes on the Credit side in the general Ledger

3. if the item is on the Credit side in the ACB it goes on the Debit side in the General leger

**HOW THE VAT SYSTEM WORKS**

1. VAT is paid at each stage of the transaction (Producer, Wholesaler and Retailer).

2. The business collects the VAT and sends it to revenue.

3. Sometimes the business can reclaim VAT depending if the balance figure is on the Debit side or Credit Side.

4. If the VAT balance figure is on the Debits side the will get a refunds and if it is on the Credit Side they will have to pay revenue the balancing amount.

**Remember**

If the VAT is on the debit side in the ACB it goes on the Credit Side in the VAT general ledger but if the VAT is on the Credit side in the ACB if will go on the Debit side in VAT general ledger. You will have to calculate the balance then between the debit an credit side

**THE ANALYSED CASH BOOK (ACB)**

This is used to keep track of the money coming into and out of a business, It is known as the ACB and the Bank account

Money that is receive by the business goes on the Debit (Dr) side of the Analysed Cash Book (Sales)

Money that is paid by the business goes on the Credit (Cr) side of the Analysed Cash Book (Purchases)

The receiver (Money into the account)

Credit the Giver (Money out of the account)

***OPENING BALANCE***

This is the money that the business has when starting off the month. It is usually the closing balance of the previous month.

If the balance is an overdraft it goes on the credit side (as we owe the bank the money) but if the balance is not an overdraft it goes on the debit side.

**TRIAL BALANCE**

1. This is a list of all the general ledger balances.

2. If the balance for the next month in the general ledger is on the debit side it will go on the debit side in the trial balance.

3. If the balance for the next month in on the credit side in the general ledger it will go on the credit die in the Trial balance.

**Remember**

1. To include the bank.

2. When all balances are brought to the Trial Balance and all the debit side figures are added together to give a figure and all the credit side figures are added together to give a figure the Debit side and Credit Side must be the same